WEST LIBERTY UNIVERSITY

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

CliftonLarsonAllen LLP

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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INDEPENDENT AUDITORS' REPORT

Governing Board
West Liberty University
West Liberty, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities and the discretely presented component unit of West Liberty University (the University) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the West Liberty University Foundation, Inc. (The Foundation). Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Foundations, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and the discretely presented component unit of West Liberty University, as of June 30, 2018 and 2017, and the respective changes in the financial position and, where applicable cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2 to the financial statements, the University implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of Statement No. 75, for the year ended June 30, 2018, which represents a change in accounting principle. As of July 1, 2017, the University's net position was restated to reflect the impact of adoption. A summary of the restatement is presented in Note 2. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 12, the Schedules of Proportionate Share of Net Pension Liability and Contributions on page 72 and the Schedules of Proportionate Share of Other Post- Employment Benefits and Contributions on page 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Governing Board
West Liberty University

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2018, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 15, 2018

WEST LIBERTY UNIVERSITY

208 University Drive
CUB 109
West Liberty, WV 26074-0295

Management Discussion and Analysis
Fiscal Year 2018 (Unaudited)
Financial Statements

About West Liberty University

West Liberty University (WLU or University) is a state supported institution founded in 1837 and is West Virginia's oldest institution of higher education. Founded as West Liberty Academy, it was privately operated until 1870 when it became West Liberty State Normal School. The name was changed to West Liberty State Teachers College in 1931 and West Liberty State College in 1943. It was approved to become a "University" by the Higher Education Policy Commission in November 2008 and approved by the Board of Governors' in May 2009.

West Liberty University serves approximately 2500 students representing 29 states and the District of Columbia and 30 countries. WLU grants baccalaureate degrees in elementary and secondary education, arts and sciences, business administration, health sciences as well graduate degrees in Education, Professional Studies, Physician Assistant Studies, Business Administration, Biology, and Criminology.

West Liberty University is governed by a 12 member Board of Governors that determines, controls, supervises, and manages the financial, business and educational policies and affairs of the University.

Overview of the Financial Statements and Financial Analysis

The following discussion and analysis of WLU's financial statements provides an overview of its financial activities for fiscal years 2018 and 2017 with an emphasis on the year ended June 30, 2018 and is required supplementary information prepared in accordance with Governmental Accounting Standards Board (GASB).

The Government Accounting Standards Board (GASB) has revised the financial reporting guidelines for organizations that support government entities, effective for reporting periods beginning after June 15, 2003. Under GASB Statement No. 39, if a private foundation that provides financial support to a public college or university meets specified criteria, the university is required to include the foundation's financial activities in the university's financial statements. As a result, the financial statements of the West Liberty University Foundation are discretely presented following the University's financial statements. The University does not control the resources of the Foundation and therefore, discussion and analysis of this component unit is not included. The West Liberty University Research Corporation is presented as a component entity of the University.

There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

Statement of Net Position

The Statement of Net Position presents the Assets (current and noncurrent) plus deferred outflows of resources, Liabilities (current and noncurrent) plus deferred inflows of resources, and Net Position (assets plus deferred outflows minus liabilities plus deferred inflows) of WLU as of June 30, 2018 and 2017. Assets denote the resources available to continue the operations of the University. Liabilities indicate how much the University owes vendors, employees, and lenders. Deferred outflows and inflows are a consumption or acquisition of net assets applicable to a future reporting period and Net Position measures the equity or the availability of funds of the University for future periods.

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

Condensed Statements of Net Position
(IN THOUSANDS)

	2018	* 2017	* 2016
ASSETS:			
Current assets	$12,630	$10,403	$8,321
Other noncurrent assets	736	1,633	1,752
Capital assets — net	71,616	72,514	74,461
Deferred outflow	778	305	204
TOTAL ASSETS & DEFERRED OUTFLOWS	85,760	84,856	84,738
LIABILITIES:			
Current liabilities	$4,827	$4,273	$3,818
Noncurrent liabilities	22,463	25,395	26,403
Deferred inflow	1,458	148	200
TOTAL LIABILITIES & DEFERRED INFLOWS	28,748	29,817	30,421
NET POSITION:			
Invested in capital assets, net of related debt	56,888	56,151	57,133
Restricted expendable	52	9	312
Unrestricted	72	(1,121)	(3,128)
TOTAL NET POSITION	57,012	55,039	54,317
TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION	$85,760	$84,856	$84,738

* Does not include the effects of GASB 75.

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

<u>2018:</u>

Capital assets (net) decreased by $897,741 due to depreciation expense. Current Cash and Cash Equivalents increased by $1,877,170 due to improved operating efficiencies.

Current Liabilities increased by $554,136. This increase is tied to an increase in accrued liabilities, unearned revenues, compensated absences, and current portions of bonds payable and other liabilities.

2017:

Capital assets (net) decreased by $1,947,045 due to depreciation expense. Current Cash and Cash Equivalents increased by $2,418,228.

Current Liabilities increased by $454,740. This increase is tied to an increase in outstanding accounts payable at year-end and an increase in construction work in progress.

Statement of Revenues, Expenses, and Changes in Net Position

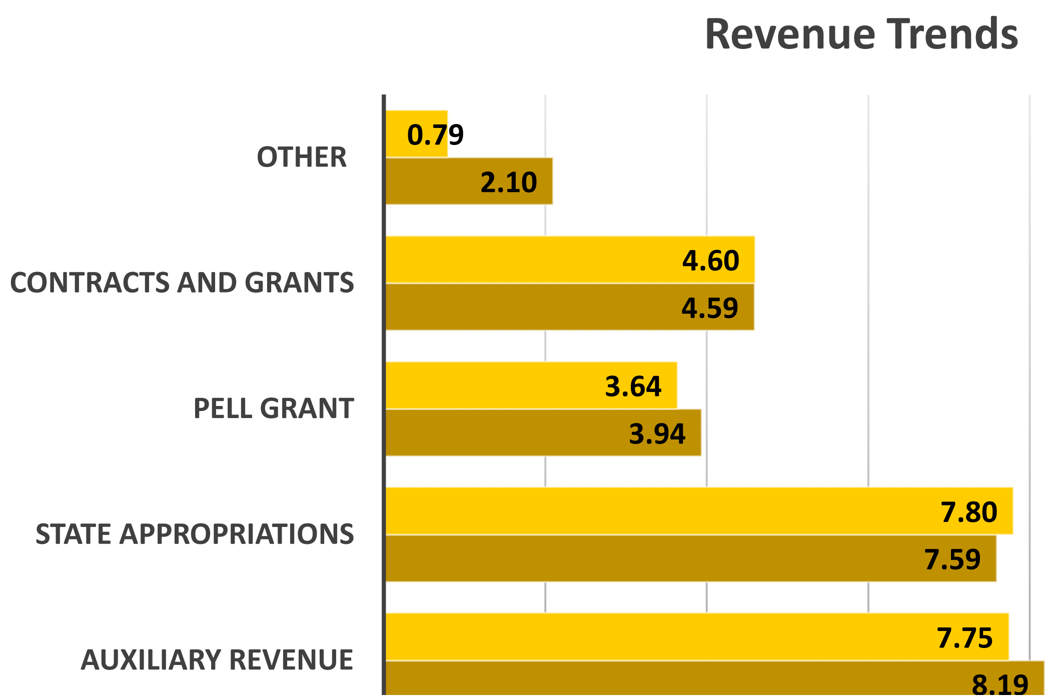
Changes in total net position, as presented on the Statement of Net Position, is based on the activities presented in the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP). The purpose of the SRECNP is to present the revenues earned, both operating and nonoperating, and the expenses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

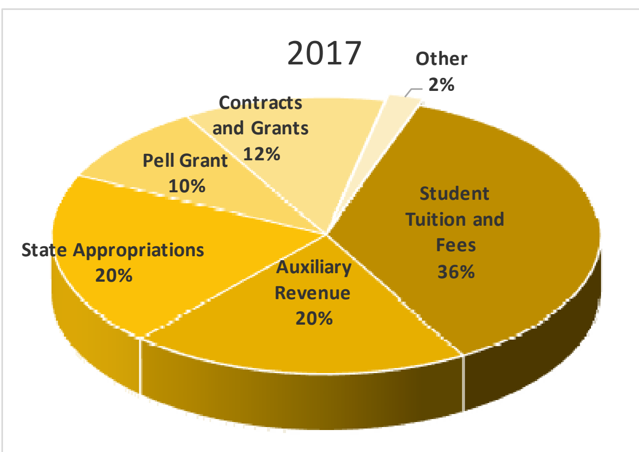
Generally speaking, operating revenues are earned for providing goods and services to the various customers and constituencies of WLU. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the WLU mission.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

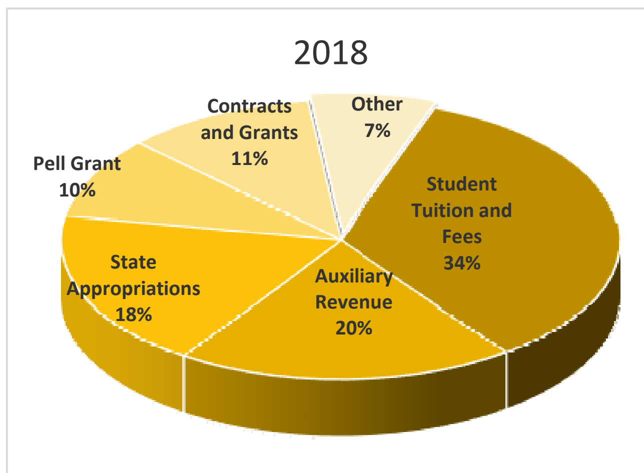
Condensed Statements of Revenues, Expenses, and Changes in Net Position
(In Thousands)
***Does not include the effects of GASB 75**

	2018	* 2017	* 2016
OPERATING REVENUES	$27,852	$27,737	$26,059
OPERATING EXPENSES	39,003	37,069	38,153
OPERATING LOSS	(11,151)	(10,332)	(12,094)
NONOPERATING REVENUES (NET OF NONOPERATING EXPENSES)	12,309	11,054	11,040
INCREASE BEFORE OTHER REVENUES EXPENSES, GAINS OR LOSSES	1,158	722	(1,054)
CAPITAL PAYMENTS MADE ON BEHALF OF UNIVERSITY	997	-	-
INCREASE (DECREASE) IN NET POSITION	2,155	722	(1,054)
NET POSITION — Beginning of year	55,039	54,317	55,371
RESTATEMENT – for July 1, 2017, Other Post Employment Benefits Liability	(182)	-	-
NET POSITION – Beginning of year, restated	54,857	54,317	55,371
NET POSITION — End of year	$57,012	$55,039	$54,317

A review of the individual revenue and expense categories that contributed to the overall increase in net position for FY18 and decrease in net position for FY17 reveals the following:

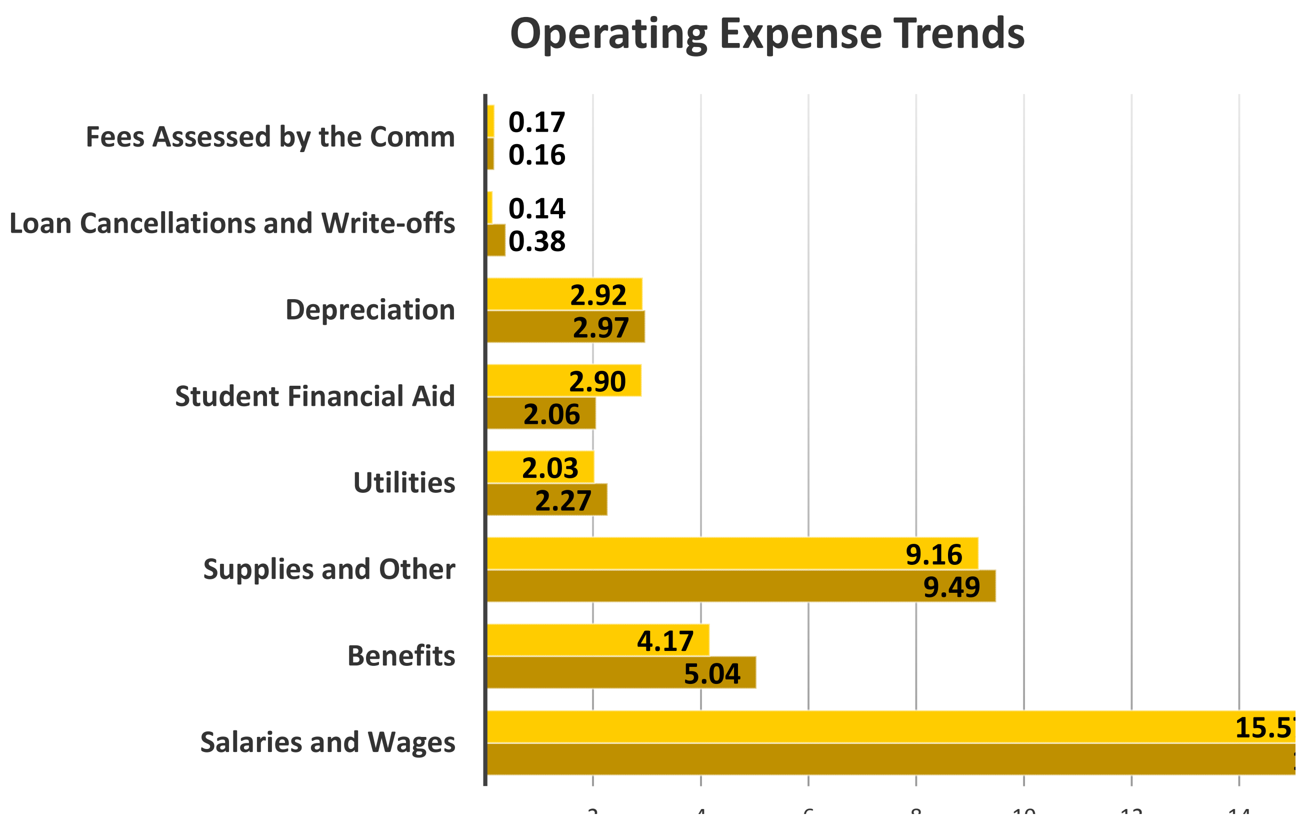


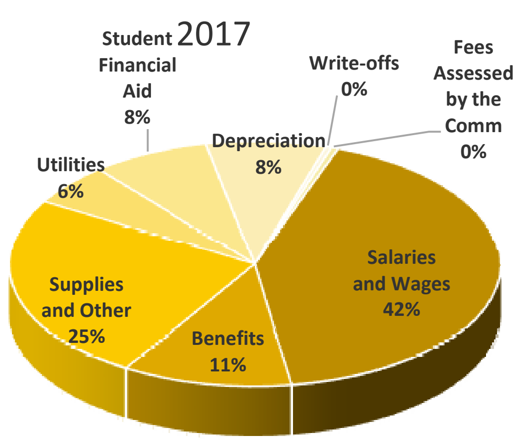


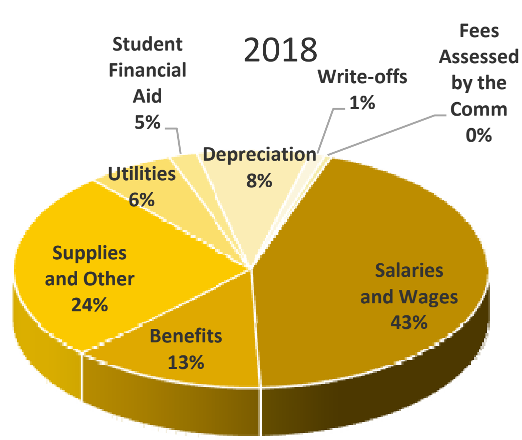


Student tuition and fees (net of scholarship allowance) accounted for 51% of WLU's operating revenues in FY18 and 52% in FY17 and 34% of total revenues in FY18 and 36% of total revenues in FY17.

- Contracts and grants have increased by $9,435. Contracts and grants account for 11% and 12% of revenue for FY18 and FY17, respectively.
- Pell increased to $3,936,482 in FY18 from $3,638,797 in FY17.
- The State Appropriation decreased from $7,797,277 in FY17 to $7,592,683 in FY18 representing a decrease of .5% of total revenues.







- Salary/wages and employee benefit categories made up 56% of the operating expenses of WLU in FY18 and 53% in FY17. The University has fully funded the Mercer Scale for Classified Staff. Salary and wages increased $1,059,056 from FY17; benefits increased by $864,553.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activities of WLU during the year. The statement is divided into five parts. The first section deals with operating cash flows and shows the net cash used in the operating activities of WLU. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital assets and related items, and related funding received. The fourth section reflects the cash flows from investing activities and shows interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating loss reflected in the SRECNP.

Condensed Statements of Cash Flows
(IN THOUSANDS)

	2018	2017	2016
Cash Provided by (Used in)			
OPERATING ACTIVITIES	$(7,884)	$(6,659)	$(9,194)
NONCAPITAL FINANCING ACTIVITIES	11,154	11,436	11,456
CAPITAL AND RELATED FINANCING ACTIVITIES	(1,554)	(2,424)	(2,909)
INVESTING ACTIVITIES	161	65	26
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,877	2,418	(621)
CASH AND CASH EQUIVALENTS — Beginning of year	9,118	6,700	7,321
CASH AND CASH EQUIVALENTS — End of year	$10,995	$9,118	$6,700

Capital Asset and Debt Administration

2018 Capital:

- Capital projects initiated, but not completed in FY18 include the West Family Athletic Complex, a turfed soccer field and double bend track. This project has already resulted in the recruitment of 80 additional student athletes in track and men's soccer.

2017 Capital:

- Capital projects initiated, but not completed in FY17 include an IT infrastructure upgrade. Associated costs in FY17 were $408,630. This project includes installation of new equipment to include some new fiber and the addition of over 200 new wireless access points.

2018 and 2017 Debt:

- Principal repayments on 2012 Bond and 2013 Refinancing Bond amounted to $1,240,000 and $1,220,000 for FY18 and FY17, respectively.

Economic Outlook

National college enrollment has been declining since 2011. Despite this trend the University remains very competitive with four-year educational institutions both regionally and nationally. In fact, West Liberty University has recently experienced four straight semesters of enrollment increases.

The University continues to implement cost efficiency strategies and invest in initiatives that will increase retention and enrollment. The University experienced an increase in incoming freshman and transfers for the 2016-2017 and 2017-2018 academic years. The University believes that enrollment will stabilize or grow over the coming years due to increases in graduate students. The University is constantly evaluating and analyzing any enrollment and retention challenges faced due to economic conditions and possible additional reductions of State support.

The University continues to broaden its programs of study. In the Fall of 2017 the University added a Master of Science in Biology program. For Fall 2018 we added an on-line Master in Criminology and a MA in Biology which is a bridge program to the West Virginia School of Osteopathic Medicine. Looking forward to Fall 2019, the University will add an MA in Clinical Psychology, a MS in Dental Hygiene and a healthcare management track in the MBA program. Plans are also underway for a MS in Athletic Training in the Fall of 2020.

In the Spring of 2018 the University began construction of a new multi-sport soccer and track stadium known as the West Family Athletic Complex. This facility includes a competition quality synthetic turf soccer field and a competition quality double bend 400-meter track. The new soccer field will be home to the men's soccer team added in FY17. The track has already added to enrollment with an increase in the number of track athletes. In addition the University will begin construction of a new indoor practice facility in FY19. This will enable the University to dedicate the recreation facilities in Blatnik Hall exclusively for student use. Also in FY19 the University will begin renovations in Arnett Hall to better accommodate the College of Science and a build out of the shell space on the fourth floor of Campbell Hall. This space will house a clinical Psychology and an Audiology lab as well as a new anatomy lab. For Fall 2018, the University opened the second floor of Rogers Hall. The third and fourth floors of this dormitory were opened in FY18 as single rooms. These rooms, which were vacant two years ago, are now completely occupied.

WEST LIBERTY UNIVERSITY
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 10,995,209	$ 9,118,039
Accounts Receivable - Net	1,174,028	847,214
Loans to Students - Current Portion	296,638	322,137
Prepaid Expenses	300	950
Inventories	161,949	111,261
Arrears Pay Conversion Receivable - Current Portion	1,977	3,518
Total Current Assets	12,630,101	10,403,119
NONCURRENT ASSETS		
Cash and Cash Equivalents, Held by Trustee	222	837,304
Loans to Students - Net of Allowance of $791,368 in 2018 and $855,470 in 2017	583,275	627,255
Arrears Pay Conversion Receivable	152,066	168,092
Capital Assets - Net	71,616,353	72,514,094
Total Noncurrent Assets	72,351,916	74,146,745
Total Assets	84,982,017	84,549,864
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding of Debt - Net	65,609	72,952
Deferred Outflows Related to Pension	119,589	232,893
Deferred Outflows Related to OPEB	592,955	-
Total Assets and Deferred Outflows	$ 85,760,170	$ 84,855,709

See accompanying Notes to Financial Statements.

WEST LIBERTY UNIVERSITY
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2018 AND 2017

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	2018	2017
CURRENT LIABILITIES		
Accounts Payable	$ 564,113	$ 803,452
Accrued Liabilities	2,385,833	1,971,090
Unearned Revenues	64,250	15,951
Compensated Absences	103,848	76,645
Debt Obligation to Commission - Current Portion	139,461	153,900
Notes Payable - Current Portion	11,984	11,625
Bonds Payable - Current Portion	1,265,000	1,240,000
Other Liabilities- Current Portion	292,310	-
Total Current Liabilities	4,826,799	4,272,663
NONCURRENT LIABILITIES		
Advances from Federal Sponsors	702,090	1,321,180
Compensated Absences, Net of Current Portion	869,058	759,759
Other Post Employment Benefits Liability, Net	6,376,082	7,028,772
Net Pension Liability	625,868	797,182
Debt Obligation to Commission, Net of Current Portion	1,378,783	1,700,307
Notes Payable - Net of Current Portion	96,143	108,127
Bonds Payable, Net of Current Portion	12,415,000	13,680,000
Total Noncurrent Liabilities	22,463,024	25,395,327
Total Liabilities	27,289,823	29,667,990
DEFERRED INFLOWS OF RESOURCES		
Service Concession Arrangement - Net	189,605	70,137
Deferred Inflows Related to OPEB	1,150,644	-
Deferred Inflows Related to Pension	117,587	78,251
Total Liabilities and Deferred Inflows	28,747,659	29,816,378
NET POSITION		
Net Investment in Capital Assets	56,888,320	56,151,331
Restricted for - Expendable:		
Scholarships	52,490	8,984
Unrestricted (Deficit)	71,701	(1,120,984)
Total Net Position	57,012,511	55,039,331
Total Liabilities, Deferred Inflows, and Net Position	$ 85,760,170	$ 84,855,709

See accompanying Notes to Financial Statements.

WEST LIBERTY UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Student Tuition and Fees - Net of Scholarship Allowance of $6,716,423 in 2018 and $5,948,192 in 2017	$ 14,272,853	$ 13,852,638
Contracts and Grants:		
Federal	664,980	590,328
State	3,472,002	3,452,659
Private	454,438	557,868
Interest on Student Loans Receivable	44,151	36,978
Auxiliary Enterprise Revenue - Net of Scholarship Allowance of $3,772,532 in 2018 and $3,328,329 in 2017	8,185,579	7,747,823
Miscellaneous	758,051	498,451
Total Operating Revenues	27,852,054	26,736,745
OPERATING EXPENSES		
Salaries and Wages	16,633,369	15,574,313
Benefits	5,035,604	4,171,051
Supplies and Other Services	9,486,056	9,158,669
Utilities	2,273,560	2,029,274
Student Financial Aid - Scholarships and Fellowships	2,056,250	2,902,879
Depreciation and Amortization	2,973,415	2,924,085
Loan Cancellations and Write-Offs	380,454	139,060
Fees Assessed by the Commission for Operations	164,778	170,061
Total Operating Expenses	39,003,486	37,069,392
OPERATING LOSS	(11,151,432)	(10,332,647)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	7,592,683	7,797,244
Federal Pell Grants	3,936,482	3,638,797
Investment Income	170,749	70,339
Payments on Behalf of the University	543,017	141,672
Gain on Disposal of Capital Assets	12,015	-
Interest on Indebtedness	(498,529)	(622,257)
Fees Assessed by the Commission for Debt Service	(16,005)	(15,700)
Other Nonoperating Income	568,965	44,212
Net Nonoperating Income	12,309,377	11,054,307
INCREASE BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	1,157,945	721,660
Capital Payments Made on Behalf of University	997,248	-
INCREASE IN NET POSITION	2,155,193	721,660
Net Position - Beginning of Year as Previously Stated	55,039,331	54,317,671
Restatement of Net Position due to Implementation of GASB 75	(182,013)	-
Net Position - Beginning of Year as Restated	54,857,318	54,317,671
NET POSITION - END OF YEAR	$ 57,012,511	$ 55,039,331

See accompanying Notes to Financial Statements.

WEST LIBERTY UNIVERSITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees	$ 13,985,153	$ 13,723,939
Contracts and Grants	4,601,777	4,872,277
Payments to and on Behalf of Employees	(21,405,783)	(19,616,788)
Payments to Suppliers	(9,728,334)	(8,991,537)
Payments to Utilities	(2,181,429)	(2,025,100)
Payments for Scholarships and Fellowships	(2,056,250)	(2,902,879)
Loans Issued to Students	(104,405)	(115,057)
Collection of Loans to Students	253,750	365,966
Auxiliary Enterprise Charges	8,136,353	7,747,823
Fees Assessed by Commission	(141,323)	(157,679)
Other Receipts - Net	756,946	439,423
Net Cash Used by Operating Activities	(7,883,545)	(6,659,612)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	7,592,683	7,797,244
Federal Pell Grants	3,936,482	3,638,797
Returned Perksins Cash to Department of Education	(375,266)	-
William D. Ford Direct Lending Receipts	14,159,832	14,040,669
William D. Ford Direct Lending Payments	(14,159,832)	(14,040,669)
Net Cash Provided by Noncapital Financing Activities	11,153,899	11,436,041
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of Capital Assets	(873,681)	(585,546)
Proceeds from Note Issuance	-	130,098
Principal Paid on Notes Payable	(11,625)	(10,346)
Principal Paid on Long-Term Liabilities	(335,963)	(148,336)
Principal Paid on Bonds	(1,240,000)	(1,220,000)
Proceed on Sale of Capital Assets	12,015	-
Interest Paid on Bonds	(495,165)	(616,736)
Other Nonoperating Receipts	568,965	44,212
Reductions of Restricted Cash and Cash Equivalents	837,082	(1,150)
Fees Assessed by Commission	(16,005)	(15,700)
Net Cash Used by Capital Financing Activities	(1,554,377)	(2,423,504)
CASH FLOWS FROM INVESTING ACTIVITY		
Interest on Investments	161,193	65,303
INCREASE IN CASH AND CASH EQUIVALENTS	1,877,170	2,418,228
Cash and Cash Equivalents - Beginning of Year	9,118,039	6,699,811
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 10,995,209	$ 9,118,039

See accompanying Notes to Financial Statements.

WEST LIBERTY UNIVERSITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Loss	$ (11,151,432)	$ (10,332,647)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization Expense	2,973,415	2,924,085
Bad Debt Expense	380,454	139,060
Payments on Behalf of the University	543,017	141,672
Effect of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(456,393)	139,146
Loans to Students	69,479	188,923
Prepaid Expenses	650	(350)
Inventories	(50,688)	(5,216)
Accounts Payable	(293,539)	169,377
Due to Commission	13,966	(6,917)
Accrued Liabilities	418,722	(154,774)
Compensated Absences	136,502	(25,517)
Other Postemployment Benefits	(834,703)	160,086
Net Pension Liability	(171,314)	141,660
Deferred Outflows - Pension	113,304	(108,900)
Deferred Outflows -OPEB	(592,955)	-
Deferred Outflows -Service Concession Arrangements	119,468	-
Deferred Inflows - Pension	39,336	(54,132)
Deferred Inflows - OPEB	1,150,644	
Unearned Revenues	48,299	(2,799)
Advances from Federal Sponsors	(326,780)	25,008
Other	(12,997)	2,623
Net Cash Used by Operating Activities	$ (7,883,545)	$ (6,659,612)
NONCASH TRANSACTIONS		
Property Additions in Accounts Payable and Accrued Liabilities	$ 266,481	$ 408,630
Other Noncash Property Additions	$ 1,037,291	$ -

See accompanying Notes to Financial Statements.

WEST LIBERTY UNIVERSITY
WEST LIBERTY UNIVERSITY FOUNDATION, INCORPORATED
A COMPONENT UNIT OF WEST LIBERTY UNIVERSITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and Cash Equivalents	$ 160,484	$ 117,646
Unconditional Promises to Give	256,348	1,103,234
Other Receivables	7,555	7,555
Investments at Estimated Fair Value	16,033,130	14,638,884
Beneficial Interest in Perpetual Trust	2,251,816	2,175,746
Other Assets	77,006	67,707
Total Assets	$ 18,786,339	$ 18,110,772
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 112,446	$ 8,880
Liability for Charitable Gift Annuities	18,204	21,477
Total Liabilities	130,650	30,357
NET ASSETS		
Without Donor Restrictions	1,562,149	1,561,783
With Donor Restrictions	17,093,540	16,518,632
Total Net Assets	18,655,689	18,080,415
Total Liabilities and Net Assets	$ 18,786,339	$ 18,110,772

See accompanying Notes to Financial Statements.

WEST LIBERTY UNIVERSITY
WEST LIBERTY UNIVERSITY FOUNDATION, INCORPORATED
A COMPONENT UNIT OF WEST LIBERTY UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	2018		
	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUES			
Contributions	$ 206,496	$ 1,125,076	$ 1,331,572
Investment Income	56,095	1,232,382	1,288,477
Change in Value of Split Interest Agreements	-	76,070	76,070
Special Events	84,069	-	84,069
Other Income	93,753	-	93,753
Net Assets Released from Restrictions and Other	1,858,620	(1,858,620)	-
Total Support and Revenues	2,299,033	574,908	2,873,941
EXPENSES AND LOSSES			
West Liberty University Support:			
Scholarships	396,644	-	396,644
Athletic Programs	187,672	-	187,672
Academic Programs	446,541	-	446,541
Capital Improvements	306,096	-	306,096
Other Programs	658,937	-	658,937
General and Administrative	240,991	-	240,991
Fundraising	61,786	-	61,786
Total Expenses and Losses	2,298,667	-	2,298,667
CHANGES IN NET ASSETS	366	574,908	575,274
Net Assets - Beginning of Year	1,561,783	16,518,632	18,080,415
NET ASSETS - END OF YEAR	$ 1,562,149	$ 17,093,540	$ 18,655,689

See accompanying Notes to Financial Statements.

WEST LIBERTY UNIVERSITY
WEST LIBERTY UNIVERSITY FOUNDATION, INCORPORATED
A COMPONENT UNIT OF WEST LIBERTY UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	$ 190,229	$ 2,531,602	$ 2,721,831
Investment Income (Loss)	257,861	1,430,938	1,688,799
Change in Value of Split Interest Agreements	-	119,399	119,399
Special Events	87,231	-	87,231
Other Income	97,218	-	97,218
Net Assets Released from Restrictions and Other	1,154,686	(1,154,686)	-
Total Support and Revenues	1,787,225	2,927,253	4,714,478
EXPENSES AND LOSSES			
West Liberty University Support:			
Scholarships	470,949	-	470,949
Athletic Programs	125,854	-	125,854
Academic Programs	288,597	-	288,597
Capital Improvements	111,690	-	111,690
Other Programs	252,814	-	252,814
General and Administrative	218,221	-	218,221
Fundraising	39,555	-	39,555
Total Expenses and Losses	1,507,680	-	1,507,680
CHANGES IN NET ASSETS	279,545	2,927,253	3,206,798
Net Assets - Beginning of Year	1,282,238	13,591,379	14,873,617
NET ASSETS - END OF YEAR	$ 1,561,783	$ 16,518,632	$ 18,080,415

See accompanying Notes to Financial Statements.

NOTE 1 ORGANIZATION

West Liberty University (the University) is governed by the West Liberty 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 University under its jurisdiction, the duty to develop a master plan for the institution, the power to prescribe the specific functions and the University's budget request, the duty to review, at least every five years, all academic programs offered at the University, 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.

West Liberty University Research Corporation (WLURC) had been created to foster and support research and academic program development at the University and further to provide services for inventions of the University faculty, staff and students; had been designated by the University to fulfill the provisions of the West Virginia Code pertaining to the role of public institutions to work in partnership with business, industry, or government. During the year ended June 30, 2017, the Board of Governors voted to dissolve the WLURC and all operations ceased. During the year ended June 30, 2018, the State of West Virginia approved the dissolution.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by Governmental Accounting Standards Board (GASB) standards. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

Reporting Entity

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

A related organization of the University, the West Liberty University Foundation, Incorporated (the Foundation) is part of the University reporting entity under GASB and is included in the accompanying financial statements, as a discretely presented component unit, as the University has no ability to designate management, cannot significantly influence operations of this entity, and is not accountable for the fiscal matters of the Foundation. The Foundation is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from the GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein (see also Note 19).

Financial Statement Presentation

GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a basis to focus on the University as a whole. Net position is classified into four categories according to external donor restrictions or availability of assets for satisfaction of University obligations. The University's net position is classified as follows:

Net Investment in Capital Assets – This represents the University's total investment in capital assets, net of depreciation, capital related deferred inflows and outflows and outstanding debt obligations related to those capital assets. To the extent that debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets, net of related debt.

Restricted Net Position – Expendable – This includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

Restricted Net Position – Nonexpendable – This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The University does not have any restricted nonexpendable net position as of June 30, 2018 and 2017.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

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

Basis of Accounting

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the University considers all highly liquid investments with an original maturity of three months or less, at the time of acquisition, to be cash and cash equivalents. Any cash and cash equivalents escrowed, restricted as noncurrent assets, or in funded reserves have not been included in cash and cash equivalents for the cash flow statement purposes.

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the State Treasurer) are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (BTI). These funds are transferred to the BTI, and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, provisions of bond indentures, and the trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources in accordance with GASB. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or on the first day of each month for the WV Short-Term Bond Pool and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Doubtful Accounts

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

Inventories

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

Noncurrent Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments that are (1) externally restricted to make debt service payments, long-term loans to students, or to maintain sinking or reserve funds or (2) to purchase capital or other noncurrent assets, are classified as noncurrent assets in the accompanying statements of net position. Some of these funds may be held by trustees in accordance with the University's debt related trust indentures.

Capital Assets

Capital assets include property, plant, and equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair value at the date of donation in the case of gifts. Interest on related borrowing, net of interest earnings on invested proceeds, capitalized during the period of construction was $-0- for both of the years ended June 30, 2018 and 2017. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 20 years for land improvements, 7 years for library books, and 3 to 12 years for furniture and equipment. The University capitalizes all purchases of library books and uses a capitalization threshold of $5,000 for other capital assets.

Unearned Revenues

Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenues, including items such as tuition, football ticket sales, orientation fees, room, and board. Financial aid and other deposits are separately classified as deposits.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences and Other Postemployment Benefits (OPEBs)

GASB provides standards for the measurement, recognition, and display of OPEB expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. Effective July 1, 2007, the University was required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State. Details regarding this Plan and its stand-alone financial statements can be obtained by contacting West Virginia Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard East, Charleston, West Virginia 25305-0710 or http://www.wvpeia.com (Note 10).

GASB 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 also earn 1-1/2 sick-leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988 or who were hired before 1988 but did not choose such coverage until after 1988 but before July 1, 2001, 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 July 1, 2001, or later will no longer receive sick-leave credit toward insurance premiums when they retire. Additionally, all retirees have the option to purchase continued coverage regardless of their eligibility for premium credits. This liability is now provided for under the multiple-employer cost-sharing plan sponsored by the State.

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally 3-1/3 years of teaching service extend health insurance for one year of single coverage and five years extend health insurance for one year of family coverage. Faculty hired after July 1, 2009, will no longer receive years of service credit toward insurance premiums when they retire. Employees hired after July 1, 2010 receive no health insurance premium subsidy from the University. Two groups of employees hired after July 1, 2010 will not be required to pay the unsubsidized rate: 1) active employees who were originally hired before July 1, 2010, who have a break in service of fewer than two years after July 1, 2010; and 2) retired employees who retired before July 1, 2010, return to active service after July 1, 2010, and then go back into retirement. In those cases, the original hire date will apply.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Teachers' Retirement System (TRS), administered by the West Virginia Consolidated Public Retirement Board (CPRB), and additions to/reductions from the TRS fiduciary net position have been determined on the same basis as they are reported on the TRS financial statements, which can be found at https://www/wvretirement.com/Publications.html#CAFR. The Plan schedules of TRS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with U.S. GAAP as prescribed by GASB. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions.

TRS investments are reported at fair value. Detailed information on investment valuation can be found in the TRS financial statements. Management of TRS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ (Note 13).

Deferred Outflows of Resources

Consumption of net position by the University that is applicable to a future fiscal year is reported as a deferred outflow of resources on the statement of net position. A deferred outflow on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This deferred outflow is accreted over the shorter of the life of the refunded bond or the refinancing bond issue. As of June 30, 2018 and 2017, the University's net deferred loss on refunding of debt was $65,609 and $72,952, respectively. As of June 30, 2018 and 2017, the University also had deferred outflows related to pension of $119,589 and $232,893, respectively (Note 13). As of June 30, 2018, the University had deferred outflows related to other postemployment benefits of $592,955. The University had no deferred outflows related to postemployment benefits as of June 30, 2017 (Note 10).

Deferred Inflows of Resources

An acquisition of net position by the University that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statement of net position. As of June 30, 2018 and 2017, the University had deferred inflows from service concession arrangements of $189,605 and $70,137, respectively, (Note 16), deferred inflows related to pension of $117,587 and $78,251 as of June 30, 2018 and 2017, respectively (Note 13), and deferred inflows related to OPEB of $1,150,644 and $-0- as of June 30, 2018 and 2017, respectively (Note 10).

Risk Management

The State's Board of Risk and Insurance Management (BRIM) provides general, property and casualty, and liability coverage to the University and its employees. Such coverage is provided to the University by BRIM through self-insurance programs maintained by BRIM or policies underwritten by BRIM that may involve experience-related premiums or adjustments to BRIM.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management (Continued)

BRIM engages an independent actuary to assist in the determination of its premiums so as to minimize the likelihood of 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 currently charged by BRIM to the University and the University's ultimate actual loss experience, the difference will be recorded as the change in estimate becomes known.

In addition, through its participation in the PEIA and third-party insurers, 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 insurers, the University has transferred its risks related to health, life, prescription drug coverage, and job-related injuries.

Settled claims have not exceeded these coverage's for the past three years.

Classification of Revenues

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) sales and services of educational activities.

Nonoperating Revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as state appropriations, Federal Pell Grants, investment income, and the sale of capital assets (including natural resources).

Other Revenues – Other revenues consist primarily of grants and gifts for capital purchases.

Use of Restricted Net Position

The University has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Generally, the University attempts to utilize restricted net position first when practicable. The University did not have any designated net position funds as of June 30, 2018 and 2017.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 nonsubsidized loans directly to students, through entities like the University. Direct student loan receivables are not included in the University's statements of net position, as the loans are repayable directly to the U.S. Department of Education. In 2018 and 2017, the University received and disbursed $14,160,000 and $14,041,000, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net position.

The University also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Education Opportunity Grant, Academic Competitive Grant, Science Math Access to Retain Talent Grant, Federal Teacher Education Assistance for College and Higher Education Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2018 and 2017, the University received and disbursed approximately $4,331,000 and $4,053,000, respectively, under these federal student aid programs.

Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the accompanying statements of revenues, expenses, and changes in net position. Scholarship 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 student's behalf.

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

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 five years.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Service Concession Arrangements

The University has service concession arrangements for the operation of the University bookstore and food services. Significant renovations made to University facilities by service concession vendors are capitalized and revenues are deferred and accreted over the life of the contract.

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.

Use of Estimates

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

Risks and Uncertainties

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

Newly Adopted Statements Issued by the Governmental Accounting Standards Board (GASB)

The University has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 requires the University to report its share of the defined benefit other than postemployment benefits (OPEB) and expense, as well as the related deferred outflows of resources and deferred inflows of resources, allocated to it by RHBT. The July 1, 2017 balance of the OPEB liability and related deferred outflows of resources is reported in the statement of revenues, expenses, and changes in net position as a restatement to the 2017 net position – beginning of the year. The RHBT was not able to provide sufficient information to restate the June 30, 2017 financial statements.

	2017
Net position - Beginning of Year, as Previously Stated	$ 55,039,331
Balance of the Net OPEB Liability and Related Deferred Outflows of Resouces and Deferred Inflows of Resources	(182,013)
Net Position - Beginning of Year, as Restated	$ 54,857,318

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Adopted Statements Issued by the Governmental Accounting Standards Board (GASB) (Continued)

The University has adopted Statement No. 85, *Omnibus 2017*. Statement No. 85 addresses the practice issues that have been identified during implementation of certain GASB statements. The adoption of this standard has no effect on the University's financial statements.

Recent Statements Issued by the Governmental Accounting Standards Board

The GASB has issued Statement No. 83, Certain Asset Retirement Obligations, which is effective for fiscal years beginning after June 15, 2018. Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for legally enforceable liabilities associated with the retirement of tangible capital assets. Examples of asset retirements covered under this standard are the decommissioning of a nuclear reactor or the dismantling and removal of sewage treatment plants as required by law. The University has not yet determined the effect that the adoption of GASB Statement No. 83 may have on its financial statements.

The GASB has also issued Statement No. 84, Fiduciary Activities, which is effective for fiscal years beginning after December 15, 2018. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments to determine whether an activity should be reported in a fiduciary fund in the financial statements. The University has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

The GASB has also issued Statement No. 87, Leases, which is effective for fiscal years beginning after December 15, 2019. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In other words, most leases currently classified as operating leases will be accounted for and reported in the same manner as capital leases. The University has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Statements Issued by the Governmental Accounting Standards Board (Continued)

The GASB has also issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements, which is effective for fiscal years beginning after June 15, 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement defines debt for purposes of disclosure in the notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed as the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in the notes to the financial statements. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The University has not yet determined the effect that the adoption of GASB Statement No. 88 may have on its financial statements.

The GASB has also issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is effective for fiscal years beginning after December 15, 2019. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify the accounting for certain interest costs. This Statement also establishes accounting requirements for interest cost incurred before the end of a construction period. The University has not yet determined the effect that the adoption of GASB No. 89 may have on its financial statements.

The GASB has also issued Statement No. 90, *Major Equity Interests*, which is effective for fiscal years beginning after December 15, 2018. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This Statement also provides guidance for reporting component unit if a government acquires a 100% equity interest in that component unit. An equity interest is a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measureable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measureable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. The University has not yet determined the effect that the adoption of GASB No. 90 may have on its financial statements.

NOTE 3 CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents held at June 30, 2018 and 2017 was as follows:

2018	Current	Noncurrent	Total
With State Treasurer	$ 10,804,202	$ -	$ 10,804,202
With Trustee Bank	-	222	222
In Bank	188,367	-	188,367
On Hand	2,640	-	2,640
Total	$ 10,995,209	$ 222	$ 10,995,431

2017	Current	Noncurrent	Total
With State Treasurer	$ 8,721,137	$ -	$ 8,721,137
With Trustee Bank	-	837,304	837,304
In Bank	394,262	-	394,262
On Hand	2,640	-	2,640
Total	$ 9,118,039	$ 837,304	$ 9,955,343

Cash and cash equivalents with trustee bank include deposits held by the Bond Trustee for the bonds issued in March 2013 and May 2012. The University uses WesBanco Bank (the Trustee Bank) as its trustee bank for the bond proceeds. The total amount held by the Trustee Bank on June 30, 2018 and 2017 is $222 and $837,304, respectively, and was invested in Federated U.S. Treasury Cash Reserves. These funds are rated AAAm by Standard & Poor's and Aaa by Moody's. These funds have neither significant custodial credit risk nor interest rate risk. These funds are neither exposed to a concentration of credit risk nor any foreign currency risk.

The carrying amount of cash at June 30, 2018 and 2017 was $188,367 and $394,262, respectively, as compared with the bank balance of $263,858 and $571,173, respectively. The difference in these balances was primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by State's agent. Regarding federal depository insurance, accounts are 100% insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Cash and cash equivalents in the bank included $-0- of restricted cash for grants as of June 30, 2018 and 2017.

Amounts with the State Treasurer as of June 30, 2018 and 2017 are comprised of two investment pools, the WV Money Market Pool and the WV Short Term Bond Pool.

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following table provides information on the Standard & Poor's rating of the investment pools as of June 30:

	2018		2017	
External Pool	Carrying Value	S & P Rating	Carrying Value	S & P Rating
WV Money Market Pool	$ 10,559,226	AAAm	$ 8,524,911	AAAm
WV Short Term Bond Pool	244,976	Not Rated	196,226	Not Rated
	$ 10,804,202		$ 8,721,137	

A Fund rated AAAm has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. AAAm is the highest principal stability fund rating assigned by Standard & Poor's.

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 amounts with the State Treasurer are subject to interest rate risk. The following table provides information on the weighted-average maturities for the WV Money Market Pool:

	2018		2017	
External Pool	Carrying Value	WAM (Days)	Carrying Value	WAM (Days)
WV Money Market Pool	$ 10,559,226	34	$ 8,524,911	36

The following table provides information on the effective duration for the WV Short Term Bond Pool:

	2018		2017	
External Pool	Carrying Value	Effective Duration (Days)	Carrying Value	Effective Duration (Days)
WV Short Term Bond Pool	$ 244,976	372	$ 196,226	426

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

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and Cash Equivalents in Bank with Trustee

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Cash in bank with Trustee is governed by provisions of the bond agreement.

	Carrying Value	
	2018	2017
Investment Type		
Federated U.S. Treasury Cash Reserves	$ 222	$ 837,304

The objective of the money market fund is to increase the current level of income while continuing to maintain liquidity and capital. Assets are invested in high quality, short-term money market instruments.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The University does not have a formal custodial credit risk policy.

Interest Rate Risk and Concentration of Credit Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The BIT's investment policy limits investment maturities from potential fair value losses due to increasing interest rates. No more than 5% of the money market fund's total market value may be invested in the obligations of a single issuer, with the exception of the U.S. government and its agencies. The University does not have formal interest rate or concentration of credit risk policies.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 and 2017 were as follows:

	2018	2017
Student Tuition and Fees - Net of Allowance for Doubtful Accounts of $786,098 in 2018 and $907,085 in 2017	$ 1,026,134	$ 690,135
Due from West Virginia Agencies	60	9,549
Interest Receivable on State Cash Accounts	17,147	7,591
Due from Component Unit - West Liberty Foundation	-	10,183
Grants and Contracts Receivable	119,399	129,756
Other Receivables	11,288	-
Total	$ 1,174,028	$ 847,214

NOTE 5 CAPITAL ASSETS

Capital asset transactions for the years ended June 30, 2018 and 2017 were as follows:

	2018			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not Being Depreciated:				
Land	$ 182,777	$ -	$ -	$ 182,777
Construction in Progress	408,630	1,113,073	440,357	1,081,346
Total Capital Assets not Being Depreciated	$ 591,407	$ 1,113,073	$ 440,357	$ 1,264,123
Other Capital Assets:				
Infrastructure	$ 9,267,476	$ 74,652	$ -	$ 9,342,128
Buildings	97,116,624	220,256	-	97,336,880
Leasehold Improvements	829,767	-	-	829,767
Equipment	7,850,284	1,118,276	145,626	8,822,934
Leased Equipment	127,912	-	18,100	109,812
Library Books	2,266,952	11,467	-	2,278,419
Total Other Capital Assets	117,459,015	1,424,651	163,726	118,719,940
Less: Accumulated Depreciation for:				
Infrastructure	4,144,859	471,156	-	4,616,015
Buildings	33,091,150	1,809,502	-	34,900,652
Leasehold Improvements	651,611	82,331	-	733,942
Equipment	5,328,315	584,049	123,933	5,788,431
Leased Equipment	127,912	-	18,100	109,812
Library Books	2,192,481	26,377	-	2,218,858
Total Accumulated Depreciation	45,536,328	2,973,415	142,033	48,367,710
Other Capital Assets - Net	$ 71,922,687	$ (1,548,764)	$ 21,693	$ 70,352,230
Capital Asset Summary:				
Capital Assets not Being Depreciated	$ 591,407	$ 1,113,073	$ 440,357	$ 1,264,123
Other Capital Assets	117,459,015	1,424,651	163,726	118,719,940
Total Cost of Capital Assets	118,050,422	2,537,724	604,083	119,984,063
Less: Accumulated Depreciation	45,536,328	2,973,415	142,033	48,367,710
Capital Assets - Net	$ 72,514,094	$ (435,691)	$ 462,050	$ 71,616,353

NOTE 5 CAPITAL ASSETS (CONTINUED)

	2017			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not Being Depreciated:				
Land	$ 182,777	$ -	$ -	$ 182,777
Construction in Progress	34,206	408,630	34,206	408,630
Total Capital Assets not Being Depreciated	$ 216,983	$ 408,630	$ 34,206	$ 591,407
Other Capital Assets:				
Infrastructure	$ 8,958,188	$ 309,288	$ -	$ 9,267,476
Buildings	97,103,606	130,098	117,080	97,116,624
Leasehold Improvements	829,767	-	-	829,767
Equipment	9,159,688	153,131	1,462,535	7,850,284
Leased Equipment	127,912	-	-	127,912
Library Books	2,256,853	10,099	-	2,266,952
Total Other Capital Assets	118,436,014	602,616	1,579,615	117,459,015
Less: Accumulated Depreciation for:				
Infrastructure	3,681,373	463,486	-	4,144,859
Buildings	31,379,155	1,829,075	117,080	33,091,150
Leasehold Improvements	569,280	82,331	-	651,611
Equipment	6,271,845	519,005	1,462,535	5,328,315
Leased Equipment	127,912	-	-	127,912
Library Books	2,162,293	30,188	-	2,192,481
Total Accumulated Depreciation	44,191,858	2,924,085	1,579,615	45,536,328
Other Capital Assets - Net	$ 74,244,156	$ (2,321,469)	$ -	$ 71,922,687
Capital Asset Summary:				
Capital Assets not Being Depreciated	$ 216,983	$ 408,630	$ 34,206	$ 591,407
Other Capital Assets	118,436,014	602,616	1,579,615	117,459,015
Total Cost of Capital Assets	118,652,997	1,011,246	1,613,821	118,050,422
Less: Accumulated Depreciation	44,191,858	2,924,085	1,579,615	45,536,328
Capital Assets - Net	$ 74,461,139	$ (1,912,839)	$ 34,206	$ 72,514,094

The University maintains various collections of inexhaustible assets to 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 had no construction commitments of as of June 30, 2018.

NOTE 6 CHANGES IN LONG-TERM LIABILITIES

Long-term obligation transactions for the University for the years ended June 30, 2018 and 2017 were as follows:

	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Revenue Bonds Payable	$ 14,920,000	$ -	$ (1,240,000)	$ 13,680,000	$ 1,265,000
Notes Payable	119,752	-	(11,625)	108,127	11,984
Other Long-Term Liabilities:					
Advances from Federal Sponsors	1,321,180	-	(326,780)	994,400	-
Compensated Absences	836,404	136,502	-	972,906	103,848
OPEB Liability	7,028,772	759,759	(1,412,449)	6,376,082	-
Net Pension Liability	797,182	37,859	(209,173)	625,868	-
Debt Obligation to Commission	1,854,207	-	(335,963)	1,518,244	139,461
Total Long-Term Liabilities	$ 26,877,497	$ 934,120	$ (3,535,990)	$ 24,275,627	

	2017				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Revenue Bonds Payable	$ 16,140,000	$ -	$ (1,220,000)	$ 14,920,000	$ 1,240,000
Notes Payable	-	130,098	(10,346)	119,752	11,625
Other Long-Term Liabilities:					
Advances from Federal Sponsors	1,296,172	25,008	-	1,321,180	-
Compensated Absences	861,921	-	(25,517)	836,404	76,645
OPEB Liability	6,868,686	800,044	(639,958)	7,028,772	-
Net Pension Liability	655,522	141,660	-	797,182	-
Debt Obligation to Commission	2,002,543	-	(148,336)	1,854,207	153,900
Total Long-Term Liabilities	$ 27,824,844	$ 1,096,810	$ (2,044,157)	$ 26,877,497	

NOTE 7 BONDS PAYABLE

Bonds payable at June 30, 2018 and 2017 consisted of the following:

	Original Interest Rates	Annual Principal Installment Due	2018 Principal Amount Outstanding	2017 Principal Amount Outstanding
Series 2012 Due 2027	2.000-3.250 %	585,000 - 785,000	$ 6,870,000	$ 7,490,000
Series 2013 Due 2028	1.300-2.680	580,000 - 765,000	6,810,000	7,430,000
Total			$ 13,680,000	$ 14,920,000

The Board of Governors of the University issued bonds on May 1, 2012: the University Revenue Bonds, Series 2012 (the Series 2012 Bonds) for $10,000,000. The proceeds of the Series 2012 Bonds were used to finance certain capital improvements to the University. The University set up a separate 2012 Capital Fee to be used solely for the payment of the bonds. The University drew the required full principal amount by June 12, 2013. The bond proceeds were expended from the trustee as funds are requested for payments on capital projects that were preapproved by the Board of Governors of the University. As of June 30, 2018, $10,000,000 had been expended from the bond proceeds for costs of issuance and capital expenditures on the Series 2012 Bonds.

The Board of Governors of the University issued bonds on March 6, 2013: the University Revenue Refunding Bonds, Series 2013 (the Series 2013 Bonds) for $9,810,000. The proceeds of the Series 2013 Bonds were issued to (1) currently refund in full the outstanding Series 2003A, 2003B, and 2003C Bonds and (2) pay the costs of issuance of the Series 2013 Bonds and related costs. The Auxiliary and Institutional Capital Fees originally set up for the Series 2003A, 2003B, and 2003C Bonds are to be used solely for the payment of the Series 2013 Bonds. This issuance of the Series 2013 Bonds resulted in a loss of $103,105 (which is reflected as deferred outflows of resources on the statement of net position and being amortized over the shorter of the life of the refunded or refunding debt) and an economic gain of $2,702,042.

The Bonds are special obligations of the State and are not general obligations or a debt of the State. Neither the credit nor the taxing power of the State is pledged for the payment of the Bonds. The above bond issues are fully insured as to principal and interest by the Federal Guaranty Insurance Company.

NOTE 7 BONDS PAYABLE (CONTINUED)

A summary of the annual aggregate principal and interest payments for years subsequent to June 30, 2018 is as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 1,265,000	$ 356,525	$ 1,621,525
2020	1,290,000	330,509	1,620,509
2021	1,320,000	301,091	1,621,091
2022	1,355,000	266,298	1,621,298
2023	1,385,000	230,652	1,615,652
2024-2028	7,065,000	550,280	7,615,280
Total	$ 13,680,000	$ 2,035,355	$ 15,715,355

NOTE 8 LEASE OBLIGATIONS

The University leases building and classroom/office space under several operating lease agreements. Aggregate payments under these agreements were $239,112 and $231,123 for the years ended June 30, 2018 and 2017, respectively.

The University does not have any noncancelable leases. Future minimum rental commitments as of June 30, 2018, should the leases not be cancelled, are as follows:

Year Ending June 30,	Amount
2019	$ 239,112
2020	228,263
2021	221,466
2022	221,466
2023	224,466
2024-2028	1,182,114
2029-2033	1,256,793
2034-2035	270,949
Total	$ 3,844,629

The University had no capital lease obligations as of June 30, 2018.

NOTE 9 NOTES PAYABLE

On July 1, 2016, the University purchased a piece of property adjacent to the University for $128,000 to provide additional student housing. To fund the purchase of this property, the West Liberty Foundation funded a loan to the University in the amount of $130,098, which included the purchase price of the property and any settlement charges. The terms of this loan include an interest rate of 3% to be paid over ten years ending on July 1, 2026.

Future minimum payments on this note payable as of June 30, 2018 are as follows:

Year Ending June 30,	Amount
2019	$ 11,984
2020	12,346
2021	12,734
2022	13,127
2023	13,532
Thereafter	44,404
Total	$ 108,127

NOTE 10 OTHER POST EMPLOYMENT BENEFITS

Employees of the University are enrolled in the West Virginia Other Postemployment Benefit Plan (the OPEB plan) which is administered by the West Virginia Public Employees Insurance Agency (PEIA) and the West Virginia Retiree Health Benefit Trust Fund (the RHBT).

Following is the University's other postemployment benefits liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, revenues, and other postemployment benefits expense and expenditures for the fiscal year ended June 30, 2018 (dollars in thousands):

Net OPEB Liability	$ 6,376
Deferred Outflows of Resources	$ 593
Deferred Inflows of Resources	$ 1,151
Revenues	$ 402
OPEB Expense	$ 718
Contributions Made by the University	$ 593

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Plan Description

The OPEB plan is a cost-sharing, multiple employer, defined benefit other postemployment benefit plan that covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in West Virginia Code Section 5-16D-2 (the Code). Plan benefits are established and revised by PEIA and the RHBT with approval of the Finance Board. The Finance Board is comprised of nine members. Finance Board members are appointed by the Governor, serve a term of four years, and are eligible for reappointment. The State Department of Administration secretary serves as Chairman of the Board. Four members represent labor, education, public employees, and public retirees. Four remaining members represent the public-at-large.

Active employees who retire are eligible for PEIA health and life benefits, provided they meet the minimum eligibility requirements of the applicable State retirement system and if their last employer immediately prior to retirement: is a participating employer under the Consolidated Public Retirement Board (CPRB) and, as of July 1, 2008 forward, is a participating employer with PEIA. Active employees who, as of July 1, 2008, have ten years or more of credited service in the CPRB and whose employer at the time of their retirement does participate with CPRB, but does not participate with PEIA will be eligible for PEIA retiree coverage provided: they otherwise meet all criteria under this heading and their employer agrees, in writing, upon a form prescribed by PEIA, that the employer will pay to PEIA the nonparticipating retiree premium on behalf of the retiree or retirees, or that the retiree agrees to pay the entire unsubsidized premium themselves. Employees who participate in non-State retirement systems but that are CPRB system affiliated, contracted, or approved (such as TIAA-CREF and Empower Retirement), or are approved, in writing, by the PEIA Director must, in the case of education employees, meet the minimum eligibility requirements of the State Teachers Retirement System (STRS), and in all other cases meet the minimum eligibility requirements of the Public Employees Retirement System to be eligible for PEIA benefits as a retiree.

The financial activities of the OPEB plan are accounted for in the RHBT, a fiduciary fund of the State of West Virginia. The RHBT audited financial statements and actuarial reports can be found on the PEIA website at www.peia.wv.gov.

Benefits Provided

The OPEB plan provides the following benefits: medical and prescription drug insurance and life insurance. The medical and prescription drug insurance is provided through two options: the self-insured preferred provider benefit plan option, which is primarily for non-Medicare-eligible retirees and spouses; and the external managed care organization option, which is primarily for Medicare-eligible retirees and spouses.

Contributions

Pay as you go premiums (paygo) are established by the Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The active premiums subsidize the retirees' health care.

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Contributions (Continued)

Members retired before July 1, 1997 pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired between July 1, 1997 and June 30, 2010, pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010, pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

Retiree leave conversion contributions from the employer depend on the retiree's date of hire and years of service at retirement as described below:

- Members hired before July 1, 1988 may convert accrued sick or vacation leave days into 100% of the required retiree healthcare contribution.

- Members hired from July 1, 1988 to June 30, 2001 may convert sick or vacation leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and vacation leave days per month for single healthcare coverage and three days of unused sick and vacation leave days per month for family healthcare coverage.

Employees hired on or after July 1, 2001 no longer receive sick and/or vacation leave credit toward the required retiree healthcare contribution when they retire. All retirees have the option to purchase continued coverage regardless of their eligibility for premium credits.

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 coverage for one year of family coverage. Faculty hired after July 1, 2009 no longer receive years of service credit toward insurance premiums when they retire. Faculty hired on or after July 1, 2010 receive no health insurance premium subsidy when they retire. Two groups of employees hired after July 1, 2010 will not be required to pay the unsubsidized rate: 1) active employees who were originally hired before July 1, 2010 who have a break in service of fewer than two years after July 1, 2010; and 2) retired employees who had an original hire date prior to July 1, 2010 may return to active employment. In those cases, the original hire date may apply.

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Assumptions

The net OPEB liability for financial reporting purposes was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost method.
- Amortization method and period: Level percentage of payroll over 21 years; closed as of June 30, 2016.
- Asset Valuation Method: Market Value
- Investment rate of return: 7.15%, net of OPEB plan investment expense, including inflation.
- Projected salary increases: dependent on pension system ranging from 3.00% to 6.50%, including inflation.
- Healthcare cost trend rates: Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.50% and 9.75% for pre- and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.14% and 0.29% for pre- and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.
- Inflation rate: 2.75%.
- Discount rate: 7.15%
- Mortality rates: based on RP-2000 Mortality Tables.

The long-term investment rate of return of 7.15% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.50% for long-term assets invested with the West Virginia Investment Management Board (IMB) and an expected short-term rate of return of 3.0% for assets invested with the WV Board of Treasury Investments (BTI).

Long-term pre-funding assets are invested with the IMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the BTI.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of the long-term geometric rates for each major asset class are summarized below.

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Assumptions (continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

Asset Class	Long-Term Expected Real Rate of Return
Large Cap Domestic	17.0%
Non-Large Cap Domestic	22.0%
International Qualified	24.6%
International Non-Qualified	24.3%
International Equity	26.2%
Short-Term Fixed	0.5%
Total Return Fixed Income	6.7%
Core Fixed Income	0.1%
Hedge Fund	5.7%
Private Equity	19.6%
Real Estate	8.3%
Opportunistic Income	4.8%
Cash	0.0%

Discount rate. The discount rate used to measure the OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions will be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

Sensitivity of the net pension liability to changes in the discount rate.

The following presents the University's proportionate share of the net OPEB liability as of June 30, 2016 calculated using the discount rate of 7.15%, as well as what the University's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate (dollars in thousands):

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net OPEB Liability	$ 7,424	$ 6,376	$ 5,505

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Assumptions (continued)

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates.

The following presents the University's proportionate share of the net OPEB liability as of June 30, 2016 calculated using the current healthcare cost trend rates, as well as what the University's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates (dollars in thousands):

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	$ 5,356	$ 6,376	$ 7,624

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability at June 30, 2018 was measured at June 30, 2017. The total OPEB liability at June 30, 2018 was determined by an actuarial valuation as of June 30, 2016 and rolled forward to the measurement date.

At June 30, 2018, the amount recognized as the University's proportionate share of the net OPEB liability was approximately $6,376,082. At June 30, 2018, the nonemployer contributing entity's (State of West Virginia) portion of the collective net OPEB liability is $1,309,655 and the total net OPEB liability attributable to the University is $7,685,737.

The allocation percentage assigned to each contributing employer is based on the employer's proportionate share of employer contributions to the RHBT for the fiscal years ended June 30, 2017 and June 30, 2016. Employer contributions are recognized when due. At June 30, 2017, the University's proportion was 0.259296877%, a decrease of 0.052517972% from its proportion of 0.311814849% calculated as of June 30, 2016.

For the year ended June 30, 2018, the University recognized OPEB expense of $717,974. Of this amount, $315,941 was recognized as the University's proportionate share of the OPEB expense, and $402,033 as the amount of OPEB expense attributed to special funding. The University also recognized revenue of $402,033 for support provided by the State.

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows (dollars in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	$ -	$ 1,028
Net Difference Between Projected and Actual Investment Earnings	-	102
Differences Between Expected and Actual Experience	-	21
Contributions After the Measurement Date	593	-
Total	$ 593	$ 1,151

The University will recognize the $592,955 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (dollars in thousands):

Fiscal Year Ended	Amortization
June 30, 2019	$ 308
June 30, 2020	308
June 30, 2021	308
June 30, 2022	227
Total	$ 1,151

NOTE 11 UNRESTRICTED NET POSITION (DEFICIT)

The University did not have any designated unrestricted net position as of June 30, 2018 or 2017.

	2018	2017
Total Unrestricted Net Position Before OPEB Liability	$ 6,447,783	$ 5,907,788
Less: OPEB Liability	6,376,082	7,028,772
Total Unrestricted (Deficit) Net Position	$ 71,701	$ (1,120,984)

NOTE 12 STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

The University is a State institution of higher education and the University receives a State appropriation to finance its operations. In addition, it is subject to the legislative and administrative mandates of State government. Those mandates affect all aspects of the 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 the former Board of Regents or the former Boards of the College and College Systems (the Boards). These obligations administered by the Commission are the direct and total responsibility of the Commission, as successor to the former Boards.

The Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The education and general capital fees (previously tuition and registration fees) of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission, effective as of June 30, 2002.

For the years ended June 30, 2018 and 2017 the debt service allocations assessed were as follows:

	2018	2017
Principal	$ 139,461	$ 148,336
Interest	69,379	88,140
Other	16,005	15,700
Total	$ 224,845	$ 252,176

NOTE 13 DEFINED BENEFIT PENSION PLAN

Some employees of the University are enrolled in a defined benefit pension plan, the West Virginia Teachers' Retirement System (TRS), which is administered by the West Virginia Consolidated Public Retirement Board (CPRB).

Following is the University's pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, revenues, and the pension expense and expenditures for the fiscal year ended June 30, 2018:

	2018	2017
Net Pension Liability	$ 625,868	$ 797,182
Deferred Outflows of Resources	$ 119,589	$ 232,893
Deferred Inflows of Resources	$ 117,587	$ 78,251
Revenues - Payments on Behalf of the University	$ 140,984	$ 141,672
Pension Expense	$ 178,705	$ 202,180
Contributions Made by WLU	$ 49,747	$ 74,992

TRS

Plan Description

TRS is a multiple employer defined benefit cost sharing public employee retirement system providing retirement benefits as well as death and disability benefits. It covers all full-time employees of the 55 county public school systems in the State of West Virginia (the State) and certain personnel of the 13 State-supported institutions of higher education, State Department of Education and the Higher Education Policy Commission hired prior to July 1, 1991. Employees of the State-supported institutions of higher education and the Higher Education Policy Commission hired after June 30, 1991, are required to participate in the Higher Education Retirement System. TRS closed membership to new hires effective July 1, 1991.

TRS is considered a component unit of the State of West Virginia for financial reporting purposes, and, as such, its financial report is also included in the State of West Virginia's Comprehensive Annual Financial Report. TRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the Plan. A copy of the report may be obtained from the TRS website at https://www.wvretirement.com/Publications.html#CAFR.

NOTE 13 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided

TRS provides retirement, death, and disability benefits. A member is eligible for normal retirement at age 60 with five years of service, age 55 with 30 years of service or any age with 35 years of service. A member may retire with 30 years of credited service at any age with the pension reduced actuarially if the member retires before age 55. Terminated members with at least five, but less than 20, years of credited service who do not withdraw their accumulated contributions are entitled to a deferred retirement commencing at age 62. Retirement benefits are equivalent to 2% of average annual salary multiplied by years of service. Average salary is the average of the 5 highest fiscal years of earnings during the last 15 fiscal years of earnings. Chapter 18, Article 7A of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan, including contribution rates, to the State Legislature.

Contributions

The funding objective of the CPRB pension trust funds is to meet long-term benefit requirements through contributions, which remain relatively level as a percent of member payroll over time, and through investment earnings. Contribution requirements are set by CPRB. A member who withdraws from service for any cause other than death or retirement may request that the accumulated employee contributions plus interest be refunded.

Member Contributions: TRS funding policy provides for member contributions based on 6% of members’ gross salary. Contributions as a percentage of payroll for members and employers are established by State law and are not actuarially determined.

Employer Contributions: Employers make the following contributions:

The State (including institutions of higher education) contributes:

1. 15% of gross salary of their State-employed members hired prior to July 1, 1991;
2. 15% of School Aid Formula (SAF) covered payroll of county-employed members;
3. 7.5% of SAF-covered payroll of members of the TDCRS;
4. a certain percentage of fire insurance premiums paid by State residents; and
5. under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the TRS unfunded liability within 40 years of June 30, 1994.

   As of the June 30, 2017 and 2016 measurement dates, respectively, the University’s proportionate share attributable to this special funding subsidy was $134,196 and $134,784 and is recorded as revenue.

The University’s contributions to TRS for the years ended June 30, 2018, 2017, and 2016, were approximately $49,747, $74,992, and $75,199, respectively.

NOTE 13 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2015 and rolled forward to June 30, 2017. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method and period for contributions: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2034.
- Investment rate of return of 7.50%, net of pension plan administrative and investment expenses.
- Projected salary increases: Teachers 3.00–6.00% and nonteachers 3.00–6.50%, based on age.
- Inflation rate of 3.0%.
- Discount rate of 7.50%.
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 0.8-35% and nonteachers 1.316-24.75%.
- Disability rates: 0-0.07%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 0-100%, based on age.
- Ad hoc cost-of-living increases in pensions are periodically granted by the State Legislature. However, the retirement system makes no automatic provision for such increases.

Experience studies are performed at least once in every five-year period. The most recent experience study covered the period from July 1, 2010 to June 30, 2015. These assumptions will remain in effect for valuation purposes until such time as the CPRB adopts revised assumptions.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term geometric real rates of return for each major asset class included in TRS' target asset allocation as of June 30, 2017 and June 30, 2016, are summarized below.

NOTE 13 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumptions (Continued)

Asset Class	2017 Long-Term Expected Real Rate of Return	Target Allocation
Domestic Equity	7.0 %	27.5 %
International Equity	7.7	27.5
Core Fixed Income	2.7	7.5
High-Yield Fixed Income	5.5	7.5
TIPS	2.7	-
Real Estate	7.0	10.0
Private Equity	9.4	10.0
Hedge Funds	4.7	10.0

Asset Class	2016 Long-Term Expected Real Rate of Return	Target Allocation
Domestic Equity	7.0 %	27.5 %
International Equity	7.7	27.5
Core Fixed Income	2.7	7.5
High-Yield Fixed Income	5.5	7.5
TIPS	2.7	-
Real Estate	7.0	10.0
Private Equity	9.4	10.0
Hedge Funds	4.7	10.0

Discount rate. The discount rate used to measure the total TRS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, TRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on TRS' investments was applied to all periods of projected benefit payments to determine the total pension liability. In the event of benefit payments that are not covered by the pension plan's fiduciary net position, a municipal bond rate of 3.13% is to be used to discount the benefit payments not covered by the plan's fiduciary net position. The rate equals the S&P Municipal Bond 20 Year High Grade Rate Index at June 30, 2017.

NOTE 13 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the University's proportionate share of the TRS net pension liability as of June 30, 2018 and 2017 calculated using the discount rate of 7.50%, as well as what the University's TRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate (dollars in thousands).

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability 2018	$ 824	$ 626	$ 457
Net Pension Liability 2017	1,009	797	617

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The TRS net pension liability was measured as of June 30, 2017 and 2016, respectively. The total pension liability was determined by actuarial valuations as of July 1, 2016 and 2015, respectively, and rolled forward to the measurement dates.

At June 30, 2018 and 2017, the University's proportionate share of the TRS net pension liability was $2,009,929 and $2,315,601. Of this amount, the University recognized $625,868 and $797,182, respectively, as its proportionate share on the Statement of Net Position. The remainder of $1,384,061 and $1,518,419, respectively, denotes the University's proportionate share of net pension liability attributable to the special funding provided by the state.

The allocation percentage assigned to each participating employer and nonemployer contributing entity is based on their proportionate share of employer and nonemployer contributions to TRS for each of the fiscal years ended June 30, 2017 and 2016. Employer contributions are recognized when due. At the June 30, 2017 measurement date, the University's proportion was 0.018115%, a decrease of 0.001282% from its proportion of 0.019397%, calculated as of June 30, 2016.

For the years ended June 30, 2018 and 2017, the University recognized TRS pension expense of $178,705 and $202,180, respectively. Of this amount, $37,722 and $60,508, respectively was recognized as the University's proportionate share of the TRS expense, $134,196 and $134,784, respectively, as the amount of pension expense attributable to special funding from a nonemployer contributing entity and $6,788 and $6,888, respectively, as the amount of pension expense from a nonemployer contributing entity not attributable to a special funding situation. The University also recognized revenue of $140,984 and $141,672, respectively, for support provided by the State.

NOTE 13 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows:

Deferred Outflows and Inflows	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	$ 40,889	$ 86,765
Net Difference Between Projected and Actual Investment Earnings	-	19,673
Difference Between Projected and Actual Experience	5,441	11,149
Changes in Assumptions	23,512	-
Contributions After Measurement Date	49,747	-
Total	$ 119,589	$ 117,587

The University will recognize the $49,747 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the TRS net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in TRS pension expense as follows:

Fiscal Year Ended	Amortization
June 30, 2019	$ 26,560
June 30, 2020	3,222
June 30, 2021	(10,570)
June 30, 2022	18,851
June 30, 2023	9,682
Total	$ 47,745

NOTE 13 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At June 30, 2017, deferred outflows of resources and deferred inflows of resources related to the TRS pension were as follows:

Deferred Outflows and Inflows	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	$ 53,581	$ 73,710
Net Difference Between Projected and Actual Investment Earnings	65,489	-
Difference Between Projected and Actual Experience	7,298	4,541
Changes in Assumptions	31,533	-
Contributions After Measurement Date	74,992	-
Total	$ 232,893	$ 78,251

Payables to the Pension Plan

The University did not report any amounts payable for normal contributions to the TRS as of June 30, 2018 and 2017.

NOTE 14 RETIREMENT PLANS

Substantially all full-time employees of the University participate in either the West Virginia Teachers' Retirement System (the TRS) or the Teachers' Insurance and Annuities Association – College Retirement Equities Fund (the TIAA-CREF). (See Note 13 for information regarding TRS).

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the new Educators Money 401(a) basic retirement plan (Educators Money). New hires have the choice of either plan.

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

Total contributions to the TIAA-CREF for the years ended June 30, 2018, 2017, and 2016 were $1,723,018, $1,738,346, and $1,774,389, respectively, which consisted of equal contributions from the University and covered employees of $861,509 in 2018, $869,173 in 2017, and $887,194 in 2016.

Total contributions to the Educators Money for the years ended June 30, 2018 , 2017, and 2016 were $43,652, $42,348, and $43,674, respectively, which consisted of equal contributions from the University and covered employees of $21,826 in 2018, $21,174 in 2017, and $21,837 in 2016.

The University's total payroll for the years ended June 30, 2018, 2017, and 2016 was $16,633,369, $15,574,313, and $16,994,324, respectively, and total covered employees' salaries in the TIAA-CREF, and Educators Money were $14,549,851 and $365,995, respectively, in 2018; $14,486,218 and $352,898, respectively, in 2017; and $14,786,674 and $364,953, respectively, in 2016.

NOTE 15 CONTINGENCIES

The nature of the education industry is such that, from time-to-time, claims will be presented against the University 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 education 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 seriously impact the financial status of the University.

NOTE 15 CONTINGENCIES (CONTINUED)

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

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There were no arbitrage rebate liabilities that were recorded in the financial statements as of June 30, 2018 and 2017.

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 by 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 know. 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.

NOTE 16 SERVICE CONCESSION AGREEMENTS

The University has identified two contracts for services that meet the four criteria of a service concession arrangement (SCA) under GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. SCAs are defined as a contract between a government and an operator, another government, or a private entity, in which the operator provides services, the operator collects and is compensated by fees from third parties, the government still has control over the services provided, and the government retains ownership of the assets at the end of the contract. The contracts are with Sodexo America, LLC and Barnes & Noble Booksellers, Inc.

The University has a contract with Sodexo America, LLC (Sodexo) to provide food services within University facilities. The contract was effective on July 1, 2011 for a period of five (5) years with five (5) additional one-year extension options. Sodexo provides meal plans to students through the University as well as offering cash sales to the University community. The University receives annual commission payments from Sodexo calculated as a contractually agreed percentage of cash sales and the University pays Sodexo for the meal plans from fees collected by the University from students. In 2018 and 2017 the University received $49,320 and $54,332, respectively, in commissions from Sodexo. In 2018 and 2017, $168,694 and $17,817, respectively, in renovations had been classified as a capital asset with an offsetting deferred inflow of resources. Over the life of the contract, the University will amortize the deferred inflow of resources, while recognizing auxiliary revenue each year. If the agreement expires, terminates, or is amended in a way that has an adverse impact on Sodexo, the University will be liable for the unamortized portion of Sodexo's investment.

NOTE 16 SERVICE CONCESSION AGREEMENTS (CONTINUED)

The University contracts with Barnes & Noble Booksellers, Inc. (Barnes & Noble) to operate a bookstore located within University facilities. These services provide the University community with a professional bookstore. The contract was effective on August 1, 2002 for a period of ten (10) years. The contract was subsequently extended on August 1, 2012 for five (5) years through 2017, with five (5) additional one-year extension options. The University receives annual commission payments calculated as a contractually agreed percentage of bookstore revenue. In 2018 and 2017, the University received $88,214 and $84,185, respectively, in commissions from Barnes & Noble. In addition to the commission, Barnes & Noble paid a one-time signing bonus of $40,000 in 2013. Barnes & Noble also provides $10,000 annually to the West Liberty University Foundation, Inc.'s Scholarship fund and Gala sponsorship. In 2013, $52,188 in bookstore renovations was recorded as a capital asset with an offsetting deferred inflow of resources. Over the life of the contract, the University will amortize the deferred inflow of resources, while recognizing auxiliary revenue each year. If the agreement expires, terminates, or is amended in a way that has an adverse impact on Barnes & Noble, the University will be liable for the unamortized portion of Barnes & Noble's investment. No significant renovations to University facilities were made by Barnes & Noble in 2018 and 2017.

NOTE 17 SEGMENT INFORMATION

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

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

a. *The Board of Governors of the University issued University Revenue Refunding Bonds, Series 2013.*

On March 6, 2013, the University issued University Revenue Refunding Bonds, Series 2013, amounting to $9,810,000. The Series 2013 Bonds were issued to (1) currently refund in full the outstanding Series 2003A, 2003B, and 2003C Bonds and (2) pay the costs of issuance of the Series 2013 Bonds and related costs.

The Series 2013 Bonds outstanding consist of $6,810,000 Term Bonds as follows:

Principal Amount	Maturity Date	Interest Rate
$ 1,210,000	May 1, 2020	1.85 %
3,520,000	May 1, 2025	2.48
2,080,000	May 1, 2028	2.68

NOTE 17 SEGMENT INFORMATION (CONTINUED)

b. The Board of Governors of the University issued University Revenue Bonds, Series 2012.

On May 1, 2012, the University issued University Revenue Bonds, Series 2012, amounting to $10,000,000. The Series 2012 Bonds were issued to finance capital improvements.

The Series 2012 Bonds outstanding consist of $6,870,000 Term Bonds as follows:

Principal Amount	Maturity Date	Interest Rate
$ 870,000	November 1, 2019	2.00 %
3,000,000	November 1, 2023	2.75
3,000,000	November 1, 2027	3.25

	2018		2017	
	WLU Revenue Refunding Bond 2013 as of Year Ended June 30, 2018	WLU Revenue Bond Issue 2012 as of Year Ended June 30, 2018	WLU Revenue Refunding Bond 2013 as of Year Ended June 30, 2017	WLU Revenue Bond Issue 2012 as of Year Ended June 30, 2017
Condensed Statements of Net Position				
Assets:				
Current Assets	$ 6,739,530	$ 763,015	$ 6,908,486	$ 720,494
Noncurrent Assets	9,729,056	9,015,039	9,985,072	9,741,911
Deferred Outflows of Resources	65,610	-	72,952	-
Total Assets and Deferred Outflows of Resources	$ 16,534,196	$ 9,778,054	$ 16,966,510	$ 10,462,405
Liabilities:				
Current Liabilities	$ 662,572	$ 662,900	$ 649,483	$ 1,063,597
Noncurrent Liabilities	6,175,000	6,240,000	6,810,000	6,870,000
Total Liabilities	6,837,572	6,902,900	7,459,483	7,933,597
Net Position:				
Net Investments in Capital Assets	2,974,607	3,874,571	2,628,024	1,843,282
Unrestricted	6,722,017	(999,417)	6,879,003	685,526
Total Net Position	9,696,624	2,875,154	9,507,027	2,528,808
Total Liabilities and Net Position	$ 16,534,196	$ 9,778,054	$ 16,966,510	$ 10,462,405

NOTE 17 SEGMENT INFORMATION (CONTINUED)

	2018		2017	
	WLU Revenue Refunding Bond 2013 as of Year Ended June 30, 2018	WLU Revenue Bond Issue 2012 as of Year Ended June 30, 2018	WLU Revenue Refunding Bond 2013 as of Year Ended June 30, 2017	WLU Revenue Bond Issue 2012 as of Year Ended June 30, 2017
Condensed Statements of Revenues, Expenses, and Changes in Net Position				
Operating:				
Operating Revenues	$ 627,939	$ 866,122	$ 608,716	$ 839,608
Net Operating Income	627,939	866,122	608,716	839,608
Nonoperating:				
Nonoperating Revenues	-	222	-	1,149
Nonoperating Expenses	(438,342)	(519,998)	(453,217)	(412,921)
Net Nonoperating Expense	(438,342)	(519,776)	(453,217)	(411,772)
Net Increase in Net Position	189,597	346,346	155,499	427,836
Net Position - Beginning of Year	9,507,027	2,528,808	9,351,528	2,100,972
Net Position - End of Year	$ 9,696,624	$ 2,875,154	$ 9,507,027	$ 2,528,808
Condensed Statements of Cash Flows				
Net Cash Provided by Operating Activities	$ 627,939	$ 866,122	$ 608,716	$ 839,608
Net Cash Used by Capital and Related Financing Activities	(796,895)	(823,601)	(798,180)	(855,900)
Net Increase in Cash and Cash Equivalents	(168,956)	42,521	(189,464)	(16,292)
Cash and Cash Equivalents - Beginning of Year	6,908,486	720,494	7,097,950	736,786
Cash and Cash Equivalents - End of Year	$ 6,739,530	$ 763,015	$ 6,908,486	$ 720,494

NOTE 18 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2018 and 2017, the following tables represent operating expenses within both natural and functional classifications:

2018

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation and Amortization	Loan Cancellations and Write-Offs	Fees Assessed by the Commission	Total
Instruction	$ 8,613,251	$ 2,345,556	$ 794,465	$ 30,579	$ -	$ -	$ -	$ -	$ 11,783,851
Research	194,241	20,078	249,430	46,497	-	-	-	-	510,246
Public Service						-	-	-	-
Academic Support	1,439,383	396,735	200,417	46	-	-	-	-	2,036,581
Student Services	1,435,794	481,026	476,850	6,373	-	-	-	-	2,400,043
General Institutional Support	2,380,485	922,172	1,868,320	4,576	-	-	-	-	5,175,553
Operations and Maintenance of Plant	498,196	234,630	950,365	1,417,801	-	-	-	-	3,100,992
Student Financial Aid	-	-		-	2,056,250	-	-	-	2,056,250
Auxiliary Enterprises	2,072,019	635,407	4,946,209	767,688	-	-	-	-	8,421,323
Depreciation	-	-	-	-	-	2,973,415	-	-	2,973,415
Other	-	-	-	-	-	-	380,454	164,778	545,232
Total	$ 16,633,369	$ 5,035,604	$ 9,486,056	$ 2,273,560	$ 2,056,250	$ 2,973,415	$ 380,454	$ 164,778	$ 39,003,486

2017

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation and Amortization	Loan Cancellations and Write-Offs	Fees Assessed by the Commission	Total
Instruction	$ 8,241,699	$ 1,978,654	$ 982,484	$ 22,593	$ -	$ -	$ -	$ -	$ 11,225,430
Research	90,833	6,079	167,348	32,658	-	-	-	-	296,918
Public Service	-	-	-	-	-	-	-	-	-
Academic Support	1,366,495	329,242	262,587	372	-	-	-	-	1,958,696
Student Services	1,340,441	384,172	577,259	8,568	-	-	-	-	2,310,440
General Institutional Support	2,184,945	794,604	1,796,821	4,345	-	-	-	-	4,780,715
Operations and Maintenance of Plant	492,372	178,798	1,054,181	1,230,165	-	-	-	-	2,955,516
Student Financial Aid	-	-		-	2,902,879	-	-	-	2,902,879
Auxiliary Enterprises	1,857,528	499,502	4,317,989	730,573	-	-	-	-	7,405,592
Depreciation	-	-	-	-	-	2,924,085	-	-	2,924,085
Other	-	-	-	-	-	-	139,060	170,061	309,121
Total	$ 15,574,313	$ 4,171,051	$ 9,158,669	$ 2,029,274	$ 2,902,879	$ 2,924,085	$ 139,060	$ 170,061	$ 37,069,392

NOTE 19 BALANCES DUE TO OR FROM WEST VIRGINIA STATE AGENCIES

For the years ended June 30, 2018 and 2017, the following table represents amounts due (to) from West Virginia State Agencies:

	2018	2017
Amounts Due to State Agencies:		
West Virginia Retiree Health Benefits Trust Fund - OPEB	$ (10,695)	$ -
Public Employees Insurance Agency	(1,823)	-
Information Services and Communications	(300)	(147)
West Virginia State Treasurers Office	(36)	(30)
Department of Administration	(312)	-
Attorney General	(796)	-
Higher Education Policy Commission	(382)	-
West Virginia Network	-	(200)
Current Liability Due to State Agencies Included in Accounts Payable	(14,344)	(377)
Debt Obligation to Higher Education Policy Commission	(1,518,244)	(1,854,207)
Total Amounts Due to State Agencies	$ (1,532,588)	$ (1,854,584)
Amounts Due from State Agencies:		
Higher Education Policy Commission - Interest Receivable	$ 17,147	$ 7,591
Rehabilitation Services	-	9,549
Division of Natural Resources	60	-
Total Amounts Due from State Agencies	$ 17,207	$ 17,140

NOTE 20 SUBSEQUENT EVENTS

In September 2018, the University issued Capital Improvement Revenue Bonds Series 2018 in the amount of $5,125,000. The net proceeds from the revenue bonds will be used to finance capital projects throughout the University. The bonds will bear interest rates between 2.99% - 3.65% with annual principal payments starting on December 1, 2020 through the maturity date of June 1, 2038.

NOTE 21 COMPONENT UNIT'S DISCLOSURE

NATURE OF ACTIVITIES

The West Liberty University Foundation, Inc. (the Foundation) was formed to receive and administer funds for scientific, educational, and charitable purposes for the support and benefit of West Liberty University (the University). The Foundation is a separate nonprofit organization incorporated in the State and has as its purpose ". . . to aid, strengthen, and further in every proper and useful way, the work and services of the University and its affiliated nonprofit organizations. . . ." Oversight of the Foundation is the responsibility of an independently elected Board of Directors not otherwise affiliated with the University. The President of the University is a nonvoting member of the 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. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by donors. While contributions are generally for the benefit and support of the University, the Foundation exercises discretion over the distribution of assets. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is, therefore, discretely presented with the University's financial statements in accordance with GASB.

During the years ended June 30, 2018 and 2017, the Foundation contributed $1,317,488 and $685,119, respectively, to the University for scholarships, capital improvements, athletic, academic, and other programs.

The following significant notes have been taken from the Foundation's audited financial statements. A complete set of financial statements can be obtained from the West Liberty University Foundation, Inc.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Net Assets – The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

NOTE 21 COMPONENT UNIT'S DISCLOSURE (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets with Donor Restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Foundation must continue to use the resources in accordance with the donor's instructions. The Foundation's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds and its beneficial interest in a perpetual charitable trust held by a bank trustee.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Foundation, unless the donor provides more specific directions about the period of its use.

Contributions – Contributions received are recorded as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due and, therefore, are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year.

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

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

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

NOTE 21 COMPONENT UNIT'S DISCLOSURE (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income from Investments – All investment income in the form of interest and dividends is credited to unrestricted net assets unless otherwise designated by the donor. All capital appreciation/depreciation earned on all investments is credited to net assets without donor restrictions unless otherwise restricted by the donor.

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

Pledges Receivable – Pledges receivable are unconditional promises to give that are recognized as contributions when the promise is received. Pledges receivable that are expected to be collected in less than one year are reported at net realizable value. Pledges receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Change in Accounting Principles – The Foundation implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources.

PLEDGES RECEIVABLE

Unconditional promises to give at June 30, 2018 and 2017 are as follows:

	2018	2017
Receivable in One Year	$ 102,705	$ 1,060,450
Receivable in Two to Five Years	175,000	45,831
Total Unconditional Promises to Give	277,705	1,106,281
Less: Discounts to Net Present Value	21,357	3,047
Net Unconditional Promises to Give	$ 256,348	$ 1,103,234

The discount rate used on long-term pledges was 4.5% for the period ended June 30, 2018.

NOTE 21 COMPONENT UNIT'S DISCLOSURE (CONTINUED)

PLEDGES RECEIVABLE (Continued)

An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year-end. At June 30, 2018 and 2017, management determined that all outstanding promises to give are fully collectible.

LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2018 are:

Financial Assets:		
Cash and Cash Equivalents	$	160,484
Pledges Receivable, Net		256,348
Investments		16,033,130
Beneficial Interest in Trust		2,251,816
Other Assets		84,561
Total Financial Assets		18,786,339
Less Financial Assets Held to Meet Donor Imposed Restrictions:		
Purpose - Restricted Net Assets		(992,139)
Donor - Restricted Endowment Funds		(13,849,585)
Beneficial Interest in Trust		(2,251,816)
Less Financial Assets not Available Within One Year:		
Pledges Receivable		(153,643)
Less Board - Designated Endowment Fund		(231,126)
Amount Available for General Expenditures Within One Year	$	1,308,030

The above table reflects donor-restricted and board-designated endowment funds as unavailable because it is the Foundation's intention to invest those resources for the long-term support of the Foundation. However, in the case of need, the Board of Directors could appropriate resources from its designated endowment fund $231,126.

NOTE 21 COMPONENT UNIT'S DISCLOSURE (CONTINUED)

INVESTMENTS

The cost and estimated fair values of investments at June 30, 2018 and 2017, are as follows:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Money Market Funds	$ 825,325	$ 825,325	$ 275,253	$ 275,253
Corporate Bonds and Notes	198,732	199,904	355,688	349,800
U.S. Treasury Obligations	96,880	99,432	100,046	99,431
Equity Securities	9,838,478	7,867,194	9,231,536	7,713,400
Mutual Funds	4,030,156	4,071,466	3,656,919	3,591,961
Alternative Investment Funds	934,455	804,618	898,742	773,381
Real Estate Available-for-Sale	109,104	109,104	120,700	120,700
Total	$ 16,033,130	$ 13,977,043	$ 14,638,884	$ 12,923,926

The following schedule summarizes the investment income and its classification in the statement of activities for the years ended June 30, 2018 and 2017.

	June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and Dividends	$ 40,840	$ 322,177	$ 363,017
Realized Gains	22,241	620,084	642,325
Unrealized Losses	10,296	322,215	332,511
Investment Fees	(17,282)	(32,094)	(49,376)
Total	$ 56,095	$ 1,232,382	$ 1,288,477

	June 30, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and Dividends	$ 131,076	$ 203,643	$ 334,719
Realized Gains	30,426	244,124	274,550
Unrealized Losses	111,849	1,011,938	1,123,787
Investment Fees	(15,490)	(28,767)	(44,257)
Total	$ 257,861	$ 1,430,938	$ 1,688,799

NOTE 21 COMPONENT UNIT'S DISCLOSURE (CONTINUED)

NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2018, net assets with donor restrictions are available for the following purposes or periods:

Purpose Restrictions, Available for Spending:	
Scholarships	$ 300,231
Capital Projects	540,140
Other	151,768
Total Purpose-Restricted Net Assets	992,139
Donor Restricted Endowment Funds, Which Must be appropriated by the Board of Directors Before Use:	
Scholarships	11,898,683
Faculty Travel and Professional Development	296,940
Library	444,694
Speakers and Lectures	344,527
Maintenance	229,276
Academic Programs	111,232
Athletic Programs	97,785
Other	426,448
Total Endowment Funds Managed by the Foundation	13,849,585
Beneficial Interest in Trust for Scholarships	2,251,816
Total Net Assets with Donor Restrictions	$ 17,093,540

FAIR VALUE MEASUREMENTS

As required by U.S. GAAP, each financial asset and liability must be identified as having been valued according to specified level of input. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets, and inputs other than quoted prices that are observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy, within which the fair value measurement in its entirety falls, has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset.

NOTE 21 COMPONENT UNIT'S DISCLOSURE (CONTINUED)

FAIR VALUE MEASUREMENTS (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The Foundation classified investments in equity securities and mutual funds as Level 1 instruments because they comprise assets traded on public exchanges with readily determinable fair values and observable market-based inputs. Debt securities are classified as Level 2 securities and are valued using a matrix pricing or other market approaches. The fair value of the mortgage loan is estimated to be its amortized cost.

June 30, 2018
Valued on a recurring basis:

	Level 1	Level 2	Level 3	Total
Assets:				
Equity Securities	$ 9,838,478	$ -	$ -	$ 9,838,478
Debt Securities	-	295,612	-	295,612
Mutual Funds	4,030,156	-	-	4,030,156
Alternative Investment Funds	934,455	-	-	934,455
Money Market Funds	985,809	-	-	985,809
Mortgage Loan	-	109,104	-	109,104
Investments and Cash Equivalents at Estimated Fair Value	15,788,898	404,716	-	16,193,614
Beneficial Interest in Perpetual Trust	-	-	2,251,816	2,251,816
Total	$ 15,788,898	$ 404,716	$ 2,251,816	$ 18,445,430

	Level 1	Level 2	Level 3	Total
Assets:				
Equity Securities	$ 9,231,536	$ -	$ -	$ 9,231,536
Debt Securities	-	455,734	-	455,734
Mutual Funds	3,656,919	-	-	3,656,919
Alternative Investment Funds	898,742	-	-	898,742
Money Market Funds	392,899	-	-	392,899
Mortgage Loan	-	120,700	-	120,700
Investments and Cash Equivalents at Estimated Fair Value	14,180,096	576,434	-	14,756,530
Beneficial Interest in Perpetual Trust	-	-	2,175,746	2,175,746
Total	$ 14,180,096	$ 576,434	$ 2,175,746	$ 16,932,276

NOTE 21 COMPONENT UNIT'S DISCLOSURE (CONTINUED)

FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value of the contribution from the beneficial interest in the perpetual trust is measured using the fair value of the assets held in the trusts as reported by the trustee as of June 30, 2018. The Foundation considers the measurement of its beneficial interest in the trusts to be a Level 3 measurement within the fair value hierarchy because, even though that measurement is based on the adjusted fair values of the trusts' assets reported by the trustee, the Foundation will never receive those assets or have the ability to direct the trustee to redeem them.

The beneficial interest in perpetual trust (split interest agreement) is valued using unobservable inputs (Level 3) in accordance with the authoritative guidance on fair value measurements. Changes to the beneficial interest in perpetual trust in fiscal year 2018 are as follows:

	2018	2017
Beginning Balance	$ 2,175,746	$ 2,056,347
Investment Income for Beneficial Interest in Perpetual Trust	98,465	94,870
Distribution from Beneficial Interest in Perpetual Trust	(98,465)	(94,870)
Net Valuation Gain	76,070	119,399
Total	$ 2,251,816	$ 2,175,746

ENDOWMENT FUNDS

Endowment Investments

The Foundation's endowment consists of approximately 100 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Donor-restricted endowment funds are subject to a time restriction imposed by SPMIFA until amounts are appropriated for expenditure by the Foundation. In addition, most donor restricted endowment funds are subject to restrictions on the use of the appropriated amounts. Note 7 describes the purposes for which donor-restricted endowment funds may be used. As a result, donor-restricted endowment funds are classified as net assets with donor restrictions.

NOTE 21 COMPONENT UNIT'S DISCLOSURE (CONTINUED)

ENDOWMENT FUNDS (Continued)

Endowment Investments (Continued)

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies – The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets which create the framework for a well-diversified asset mix that can be expected to generate long-term returns at a level of risk suitable to West Liberty University Foundation, Inc.

Accordingly, the Foundation takes a total return approach regarding endowment assets. The assets are to be invested for the long-term, and a higher short-term volatility in these assets is to be expected and accepted. The total return approach is designed to give the Foundation financial flexibility with regard to ongoing capital structure decisions. The Foundation has a tolerance to accept short-term volatility in the value of the funds in line with the market fluctuations to seek long-term capital growth. Domestic equities of both large and small capitalization, fixed-income, and cash equivalents have been determined to be acceptable vehicles for plan assets. Additional asset classes and style strategies may be incorporated into the investment philosophy in the future.

Spending Policy – The Foundation has a policy for appropriating for distribution up to 4% of the value of the endowment assets. This amount will be calculated using a rolling 3-year moving average of the market value of the funds at fiscal year-end.

	June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	$ 196,301	$ 12,454,560	$ 12,650,861
Contributions	-	175,051	175,051
Investment Income	40,839	176,069	216,908
Program Revenue	-	102,172	102,172
Amounts Appropriated for Expenditure	(6,014)	(58,267)	(64,281)
Endowment Net Assets - End of Year	$ 231,126	$ 12,849,585	$ 13,080,711

NOTE 21 COMPONENT UNIT'S DISCLOSURE (CONTINUED)

ENDOWMENT FUNDS (Continued)

	June 30, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	$ 178,492	$ 10,265,204	$ 10,443,696
Contributions	5,000	975,853	980,853
Investment Income	23,328	1,526,877	1,550,205
Program Revenue	-	-	-
Amounts Appropriated for Expenditure	(10,519)	(313,374)	(323,893)
Endowment Net Assets - End of Year	$ 196,301	$ 12,454,560	$ 12,650,861

RELATED-PARTY TRANSACTIONS

In addition to the amounts expended in support of West Liberty University programs as reported on the statements of activities, the Foundation funds a loan to the University. The loan is secured by a deed of trust on real estate that is to be used for student housing.

WEST LIBERTY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
JUNE 30, 2018 AND 2017

Schedule of Proportionate Share of TRS Net Pension Liability
(In Thousands)

Measurement Date	University's Proportionate Share as a Percentage of Net Pension Liability	University's Proportionate Share	State's Proportionate Share	Total Proportionate Share	University's Covered Employee Payroll	University's Proportionate Share as a Percentage of Covered Payroll	University's Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2014	0.018471 %	$ 637	$ 1,440	$ 2,077	$ 568	112.15 %	66.95 %
June 30, 2015	0.018917	656	1,496	2,152	574	114	66.25
June 30, 2016	0.019397	797	1,518	2,315	501	159	61.42
June 30, 2017	0.018115	626	1,384	2,010	500	125	67.85

Schedule of Employer Contributions
(In Thousands)

Fiscal Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
June 30, 2015	$ 84	$ 85	$ (1)	$ 574	14.81 %
June 30, 2016	86	93	(7)	501	18.56
June 30, 2017	75	80	(5)	500	16.00
June 30, 2018	75	82	(7)	344	23.84

These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2018

There are no factors that affect trends in the amounts reported, such as a change of benefit terms or assumptions. With only three years reported in the required supplementary information, there is no additional information to include in the notes. Information, if necessary, can be obtained from the CPRB Comprehensive Annual Financial Report.

The asset valuation used to determine the contribution rate is 4 year, 25% smoothing of gain or (loss). Gain or (loss) is determined as the actual return on market value during the period less the expected return on actuarial value.

WEST LIBERTY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF
OTHER POST EMPLOYMENT OBLIGATIONS AND CONTRIBUTIONS
JUNE 30, 2018 AND 2017

Schedule of Proportionate Share of Net OPEB Liability
(In Thousands)

Measurement Date	University's Proportionate Share as a Percentage of Net OPEB Liability	University's Proportionate Share	State's Proportionate Share	Total Proportionate Share	University's Covered Employee Payroll	University's Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
June 30, 2017	0.259296877%	$ 6,376	$ 1,310	$ 7,686	$ 16,257	39.22%	25.10%

Schedule of Employer Contributions
(In Thousands)

Measurement Date	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
June 30, 2017	$ 533	$ 533	$ -	$ 16,257	3.28%

Notes to Required Supplementary Information
For the Year Ended June 30, 2018

There are no factors that affect trends in the amounts reported, such as a change of benefit terms or assumptions. Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the University will present information for only those years for which information is available.

Actuarial methods and assumptions are the same as those used in determining the net OPEB liability.

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

Governing Board
West Liberty University
West Liberty, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the business-type activities and the discretely presented component unit of West Liberty University, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise West Liberty University's basic financial statements, and have issued our report thereon dated October 15, 2018. Our report includes a reference to other auditors who audited the financial statements of West Liberty University Foundation, Inc. (the Foundation), as described in our report on West Liberty University's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* and, accordingly, do not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Liberty University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Liberty University's internal control. Accordingly, we do not express an opinion on the effectiveness of West Liberty University's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 15, 2018

CliftonLarsonAllen

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