Glenville State College

Combined Financial Statements and Additional Information as of and for the Years Ended June 30, 2003 and 2002 and Independent Auditors' Reports

GLENVILLE STATE COLLEGE

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Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

To the Glenville State College Governing Board

We have audited the accompanying combined financial statements of Glenville State College (the "College") as of June 30, 2003 and 2002 and for the years then ended, listed in the foregoing Table of Contents. These financial statements are the responsibility of the management of the College. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the combined financial position of the College at June 30, 2003 and 2002, and the combined changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the combined financial statements, the College changed its financial statement presentation to adopt the provisions of the Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2001.

The Management's Discussion and Analysis (MD&A) on pages 3 to 9 is not a required part of the basic combined financial statements, but is supplemental information required by the GASB. This supplemental information is the responsibility of the College's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards,* we have also issued our report dated November 7, 2003, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

November 7, 2003

GLENVILLE STATE COLLEGE
200 High Street
Glenville, WV 26351

Management Discussion and Analysis
Fiscal Years 2003 and 2002

Overview of the Combined Financial Statements and Financial Analysis

Glenville State College (the "College") is pleased to present its combined financial statements for the fiscal years 2003 and 2002. The following management discussion and analysis provides an overview of the financial position and activities of the College for the years ended June 30, 2003 and 2002.

There are three financial statements presented: the Combined Statements of Net Assets; the Combined Statements of Revenues, Expenses, and Changes in Net Assets; and the Combined Statements of Cash Flows. These statements provide both long-term and short-term financial information on the College.

Financial Highlights

The College's financial position, as a whole, improved during the 2003 fiscal year. At June 30, 2003, the College's total combined net assets increased 6.83% from the previous year. The Fall 2002 enrollment was 1,789 Full Time Equivalent and 2,184 head count compared to the Fall 2001 enrollment of 1,807 FTE and 2,144 headcount, respectively. Tuition revenues increased 2.32% for 2003, however, state appropriations were reduced by $273,142 as a result of a 3.4% mid-year reduction.

Grant revenue increased $1,024,388 in FY2003 due largely to a $200,000 Fund for the Improvement of Post Secondary Education ("FIPSE") award, a $50,000 Nursing grant, and a $50,000 Professional Development School grant. The Perkins Loan Program is in the final stages of termination and resulted in a $680,099 reduction of net loans receivable.

Combined Statement of Net Assets

The Combined Statement of Net Assets presents the assets, liabilities, and net assets of the College as of the end of the fiscal year. The purpose of the Combined Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the College. The Combined Statement of Net Assets presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Assets (Assets minus Liabilities). The difference between current and noncurrent assets and liabilities is discussed in the footnotes to the combined financial statements.

The Combined Statement of Net Assets provides a way to measure the financial position of the College. It provides a picture of the net assets and their availability for expenditure by the College. From the data presented, readers of the Combined Statement of Net Assets are able to determine the assets available to continue the operations of the College. They are also able to determine how much is owed to employees, vendors and lending institutions.

Net assets are divided into three major categories. The first category, invested in capital assets, accounts for equity in the property, plant and equipment owned by the College, with title held by the Higher Education Policy Commission (HEPC). The next asset category is restricted net assets, net of related debt, which is divided into two categories: nonexpendable (permanently restricted) and expendable. Expendable restricted net assets are available for expenditure but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. Included in restricted expendable net assets are balances that have been designated for specific purposes in West Virginia State Code. This category includes auxiliary enterprise balances as well as certain student fee funds that are designated within state code for specific general purposes such as housing operations or library operations. The final category is unrestricted net assets, which are available for expenditure for any lawful purpose of the College.

Combined Statements of Net Assets
For the Years Ended June 30, 2003, and 2002

Assets:	**2003**	**2002**	**% Change**
Current assets	$ 4,413,634	$ 4,411,161	0.01%
Non-current assets	1,124,578	952,597	18.05%
Capital assets, net	17,111,421	16,978,794	0.78%
Total Assets	$ 22,649,633	$ 22,342,552	1.37%
Liabilities			
Current Liabilities	$ 2,002,079	$ 2,098,744	-4.61%
Non-current Liabilities	9,357,473	9,676,030	-3.29%
Total Liabilities	11,359,552	11,774,774	-3.53%
Net Assets (Deficit)			
Invested in capital assets, net of related debt	8,472,233	8,795,621	(3.68%)
Restricted – expendable	3,178,144	2,148,820	47.90%
Unrestricted	(360,296)	(376,663)	(4.34%)
Total Net Assets	11,290,081	10,567,778	6.83%
Total Liabilities and Net Assets	$ 22,649,633	$ 22,342,552	1.37%

An indicator of short-term financial condition is the ratio of current assets to current liabilities, or current ratio. The current ratio was 2.2 and 2.1 as of June 30, 2003 and 2002, respectively. These indicate that the College has sufficient available resources to meet its current obligations.

Significant Changes in Net Assets

At June 30, 2003, the College's total net assets increased from the previous year by $722,303. Current cash and cash equivalents increased by approximately $419,000 as a result of budget cuts and restrictions placed on spending units. The College is in the final stages of phasing out the Perkins Loan Program. Loans to students assigned back to the federal government represented a reduction in current assets of approximately $317,000.

Non-current assets increased by $171,981. Non-current cash and cash equivalents increased by approximately $535,000, largely as a result of $380,828 in Capital Projects Proceeds from the HEPC. Loans assigned back to the federal government represented a reduction in non-current assets of approximately $363,000.

Net capital assets increased approximately $132,000. During the year the College took on additional debt to acquire a new telephone system of $630,735 and new copiers of $150,425.

Principal on the Pioneer Village bonds and system-wide debt assigned by the HEPC were reduced $70,000 and $211,303 respectively.

Combined Statements of Revenues, Expenses and Changes in Net Assets

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

Generally speaking, operating revenues are earned for providing goods and services to the various customers and constituencies of the College. 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 mission of the College. Revenues for which goods and services are not provided are reported as nonoperating revenues. State appropriations are nonoperating revenues because they are provided by the West Virginia Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues.

Combined Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2003, and 2002

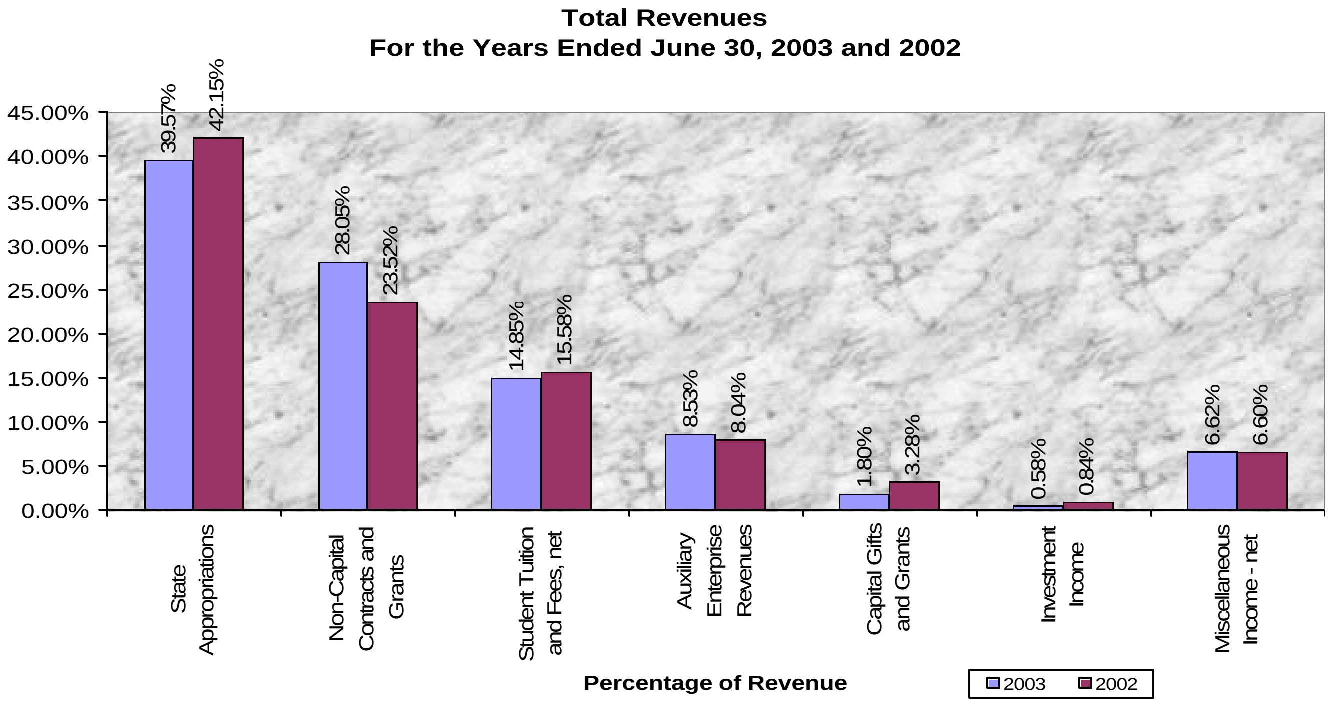
	2003	2002	% Change
Operating revenues	$ 12,264,782	$ 10,729,537	14.31%
Operating expenses	19,891,318	18,673,391	6.52%
Operating loss	(7,626,536)	(7,943,854)	3.99%
Non-operating Revenues	8,482,799	8,583,617	(1.17%)
Non-operating Expenses	514,788	714,899	(27.99%)
Net Non-operating revenues	7,968,011	7,868,718	1.26%
Income (loss) before other revenues, expenses, gains or losses	341,475	(75,136)	554.47%
Capital Projects Proceeds	380,828	655,000	(41.86%)
Transfer of liability from HEPC		(2,868,593)	(100.00%)
Increase (Decrease) in net assets	722,303	(2,288,729)	131.56%
Net assets, beginning of year	10,567,778	12,856,507	(17.80%)
Net assets, end of year	$ 11,290,081	$ 10,567,778	6.83%

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

Revenues:

	2003	2002	% Change
Program revenues (by major source)			
Tuition & fees before allowances	$5,152,018	$5,035,245	2.32%
Less: scholarship discounts & allowances	(2,013,817)	(1,924,820)	4.62%
Research grants & contracts	5,926,551	4,696,470	26.19%
Auxiliary enterprise sales & services, net	1,801,923	1,604,524	12.30%
Miscellaneous	1,398,107	1,318,118	6.07%
General revenues (by major source)			
State appropriations	8,360,459	8,416,070	(0.66%)

Investment income	122,340	167,547	(26.98%)
Capital grants and gifts	380,828	655,000	(41.86%)
Total Revenues	$21,128,409	$19,968,154	5.81%



The major sources of revenue for the College include student tuition and fees, interest on loans receivable, state appropriations, capital grants and gifts, government grants, contracts, and student aid, auxiliary enterprise revenues, investment income, and miscellaneous income.

- Student tuition and fees (net of scholarship allowance) made up 25.59% of the College's operating revenues and 15.25% of total revenues. Tuition and fee revenues increased over the previous year because resident and non-resident tuition and fees were increased by 8.52% and 5.88%, respectively.

- Other operating revenues such as noncapital contracts and grants, auxiliary enterprise revenue, interest on loans receivable, and miscellaneous – net revenues comprised 43.00% and 38.16% of the College's operating revenues in FY 2003 and FY 2002, respectively. FY2003 grant awards included a $200,000 FIPSE award, a $50,000 Professional Development Schools grant, and a $50,000 Nursing grant.

- State appropriations consisted mainly of State appropriated general revenue funds in the amount of $7,760,459, net of a 3.4% mid-year reduction of $273,142. The College also received a $600,000 appropriation of Lottery Special Revenue funds. These State appropriations accounted for 39.39% of total revenues in FY 2003 compared to 42.15% in FY 2002. These appropriations are used to pay salaries and benefits in support of the operations of the College.

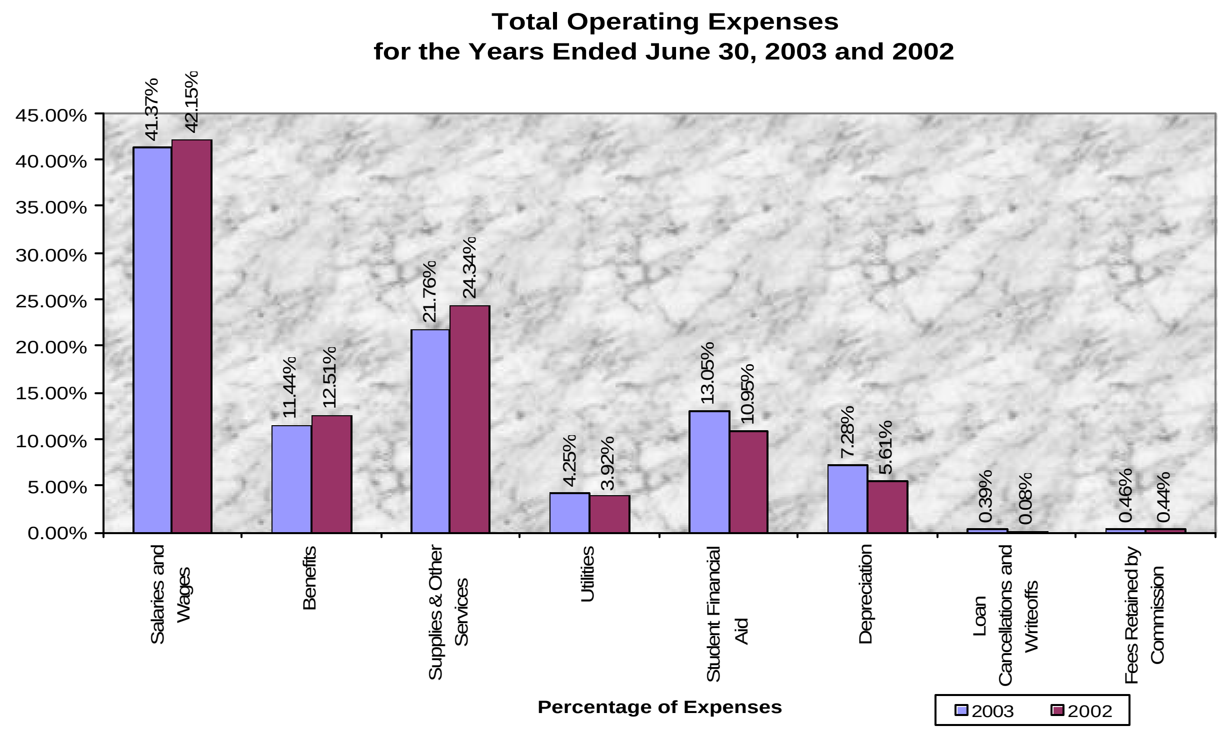
- Investment income made up 0.58% of total revenues in FY 2003 compared to 0.84% in FY 2002. The College participates in the investment pool managed by the State.

- In FY 2003, the College received $380,828 in Capital Projects Proceeds from the Commission.

Operating and Non-operating Expenses:

The operating expenses of the College by natural classification are as follows:

	2003	2002	% Change
Salaries and wages	$8,228,874	$7,871,238	4.54%
Benefits	2,276,266	2,335,367	(2.53%)
Supplies and other services	4,327,837	4,546,186	(4.80%)
Utilities	844,972	731,351	15.54%
Student financial aid, scholarships and fellowships	2,596,177	2,045,576	26.92%
Depreciation	1,448,604	1,047,127	38.34%
Loan cancellations and write-offs	76,884	14,355	435.59%
Fees retained by Commission for operations	91,704	82,191	11.57%
Total Operating Expenses	$19,891,318	$18,673,391	6.52%



- Salaries and wages, and employee benefits made up approximately 52.81% of the operating expenses of the College in FY 2003 compared to 54.66% FY 2002.

- Utility costs in FY 2003 were $844,972, an increase of 15.54% from FY 2002. These costs represented 4.25% of the operating expenses compared to 3.92% in FY 2002.

- Scholarship and fellowship expenses increased $550,601 or 26.92% over FY 2002. They represented 13.05% and 10.95% of the total operating expenses in FY 2003 and FY 2002, respectively.

Non-operating expenses consisted primarily of interest on indebtedness $334,625 and fees assessed by the HEPC for system-wide debt service $180,163.

Transfer of Capital Projects Proceeds From Policy Commission

The FY2003 transfer of capital projects proceeds from the Policy Commission in the amount of $380,828 represents a "one time" transfer of excess capital projects funds that had accumulated at the HEPC for several years. The College plans to use these restricted funds for the renovation of the main floor of the Robert F. Kidd Library.

Combined Statements of Cash Flows

The Combined Statements of Cash Flows presents detailed information about the cash activities of the College during the year. This statement assists the users to analyze the College's ability to generate net cash flows, meet obligations as they come due, and its need for external financing.

The Statement of Cash Flows is divided into five parts:

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

2) *Cash flows from non-capital financing activities*. This section reflects the cash received and paid for non-operating, non-investing, and non-capital financing purposes.

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

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

5) *Reconciliation of net cash used to the operating loss*. This part provides a schedule that reconciles the accrual-based operating loss and net cash flow used in operating activities to the operating loss reflected in the SRECNA.

Combined Statements of Cash Flows
For the Years Ended June 30, 2003, and 2002

	2003	2002	% Change
Cash provided by (used in):			
Operating activities	$(6,275,895)	$(6,411,074)	(2.11%)
Non capital financing activities	8,366,731	8,106,633	3.21%
Capital financing activities	(1,794,186)	(1,378,066)	30.20%
Investing activities	122,340	172,599	(29.12%)
Increase in cash and cash equivalents	418,990	490,092	(14.51%)
Cash and cash equivalents, beginning of year	2,920,444	2,430,352	20.17%
Cash and cash equivalents, end of year	$3,339,434	$ 2,920,444	14.35%

Capital Asset and Debt Administration

The College had capital asset additions of $1,581,126 and $1,147,225 for the years ended June 30, 2003 and 2002, respectively. The FY 2003 additions were funded from a variety of sources including federal grants, capital debt, and College funds.

- The College completed two new 30 station computer labs funded by a $200,000 FIPSE award.
- A new telephone system was installed to replace the antiquated System 75. This state of the art system will allow the College to automate our billing process, provide better telephone service to the student body, and facilitate better communication between students, faculty and administration. The College financed the acquisition of this system with a loan of $630,735 through the State Department of Administration.
- The College replaced copiers with multi-purpose copy/printers. The debt on these copiers, $150,425, was financed through the State Department of Administration.
- Improvements were made to Pioneer Way, the main traffic artery on campus. These included a new parking lot at the North Entrance, planters and traffic control.
- Improvements to the Administration building included new windows in the East wing, renovations and ADA upgrades to the main floor bathrooms, and the construction of a new conference and document room.
- Working toward the goals set out in the Campus Facilities Master Plan, the Turner property for $79,000. This is the second of five properties the College has acquired along High Street, across from the Administration Building.

Economic Outlook

The College's financial position is largely dependent upon the economy of the State of West Virginia and its local service area. State appropriations contribute approximately 39.39% of all revenues. As a result of the passage of HB2224, the Community and Technical College component of the College, with the exception of the Land Resources program, was transferred to New River Community and Technical College of Bluefield State College and Fairmont State College. With this transfer, the College anticipates a loss of approximately one third of its enrollment and a corresponding loss in tuition revenue. The FY2004 budget was developed on the assumption of an enrollment of 1,200 FTE and fee increases for in-state and out-of-state students of 9.53% and 12.75%, respectively. The College made personnel cuts and operating budget reductions in order to balance the FY2004 budget.

All State Higher Education institutions have been advised to plan for a 9.6% reduction in the base state appropriated budgets for FY2005. This will result in some major cuts in personnel and operational budgets. Although there are no planned increases for employee health insurance premiums, we are planning for significant increases in utility costs and premiums for Board of Risk Insurance Management. For FY 2005, the College is projecting a slight increase in enrollment and fee increases of 7.5% for in-state and 10.0% for out-of-state students to help offset these increases.

A renewed emphasis has been placed on the recruitment and retention of students. The College has historically been attractive for offering a quality education at an affordable price. Through competitive tuition rates and a continued emphasis on recruitment, the College anticipates an increase in enrollment and financial growth.

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF NET ASSETS
JUNE 30, 2003 AND 2002

ASSETS	2003	2002
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,339,434	$ 2,920,444
Appropriations due from Primary Government	744,635	750,907
Accounts receivable—net	212,194	321,160
Loans to students—current portion	13,522	330,592
Prepaid expenses	199	196
Inventories	103,650	87,862
Total current assets	4,413,634	4,411,161
NONCURRENT ASSETS:		
Cash and cash equivalents	1,124,578	589,568
Loans to students (net of allowance of $-0- and $498,936)		363,029
Capital assets—net	17,111,421	16,978,794
Total noncurrent assets	18,235,999	17,931,391
TOTAL ASSETS	$22,649,633	$22,342,552

(Continued)

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF NET ASSETS
JUNE 30, 2003 AND 2002

LIABILITIES AND NET ASSETS	2003	2002
CURRENT LIABILITIES:		
Accounts payable	$ 244,048	$ 229,459
Accrued liabilities	761,860	993,640
Due to the Commission	12,998	97,639
Advances from federal sponsors	100,078	
Compensated absences—current portion	361,239	361,764
Deferred revenue	57,632	82,201
Note payable—current portion	7,239	5,000
Capital lease obligations—current portion	161,255	47,653
Bonds payable—current portion	75,000	70,000
Higher Education Policy Commission Debt Payable—current portion	220,730	211,388
Total current liabilities	2,002,079	2,098,744
NONCURRENT LIABILITIES	9,357,473	9,676,030
Total liabilities	11,359,552	11,774,774
NET ASSETS:		
Invested in capital assets—net of related debt	8,472,233	8,795,621
Restricted for:		
Expendable:		
Specific purposes by State Code	1,469,159	656,325
Scholarships	135,272	141,204
Loans	72,778	145,476
Capital projects	335,913	953,533
Debt service	658,947	121,071
Other	506,075	131,211
Unrestricted	(360,296)	(376,663)
Total net assets	11,290,081	10,567,778
TOTAL LIABILITIES AND NET ASSETS	$22,649,633	$22,342,552

See notes to combined financial statements (Concluded)

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
OPERATING REVENUES:		
Student tuition and fees (net of scholarship allowance of $2,013,817 and $1,924,820)	$ 3,138,201	$ 3,110,425
Contracts and grants:		
Federal	3,851,275	3,431,520
State	1,460,439	1,230,221
Private	614,837	34,729
Interest on student loans receivable	6,177	12,987
Sales and services of educational activities	1,391,123	1,292,858
Auxiliary enterprise revenue (net of scholarship allowance of $943,053 and $667,475)	1,801,923	1,604,524
Miscellaneous—net	807	12,273
Total operating revenues	12,264,782	10,729,537
OPERATING EXPENSES:		
Salaries and wages	8,228,874	7,871,238
Benefits	2,276,266	2,335,367
Supplies and other services	4,327,837	4,546,187
Utilities	844,972	731,350
Student financial aid—scholarships and fellowships	2,596,177	2,045,576
Depreciation	1,448,604	1,047,127
Loan cancellations and write-offs	76,884	14,355
Fees assessed by the Commission for operations	91,704	82,191
Total operating expenses	19,891,318	18,673,391
OPERATING LOSS	(7,626,536)	(7,943,854)

(Continued)

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
NONOPERATING REVENUES (EXPENSES):		
State appropriations	$ 8,360,459	$ 8,416,070
Investment income	122,340	167,547
Interest on indebtedness	(334,625)	(319,130)
Other nonoperating expense—net		(478)
Fees assessed by the Commission:		
Principal		(201,658)
Interest and fees	(180,163)	(193,633)
Net nonoperating revenues	7,968,011	7,868,718
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	341,475	(75,136)
CAPITAL PROJECTS PROCEEDS FROM THE COMMISSION	380,828	
CAPITAL GRANTS AND GIFTS		655,000
INCREASE IN NET ASSETS BEFORE TRANSFERS	722,303	579,864
TRANSFER OF LIABILITY FROM POLICY COMMISSION		2,868,593
INCREASE (DECREASE) IN NET ASSETS	722,303	(2,288,729)
NET ASSETS—Beginning of year (as restated in 2002)	10,567,778	12,856,507
NET ASSETS—End of year	$11,290,081	$10,567,778

See notes to combined financial statements (Concluded)

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 2,801,315	$ 2,724,196
Contracts and grants	5,732,173	4,707,785
Payments to and on behalf of employees	(10,550,615)	(9,919,697)
Payments to suppliers	(4,362,532)	(4,580,141)
Payments to utilities	(834,462)	(467,965)
Payments for scholarships and fellowships	(2,489,913)	(2,045,576)
Loans issued to students	(133,712)	(368,612)
Collection of loans to students	237,482	277,255
Sales and service of educational activities	1,418,959	758,163
Auxiliary enterprise charges	1,804,722	2,019,530
Fees assessed by the Commission for operations	91,704	395,291
Other receipts and payments—net	8,984	88,697
Net cash used in operating activities	(6,275,895)	(6,411,074)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	8,366,731	8,106,633
William D. Ford direct lending receipts	4,818,036	3,822,112
William D. Ford direct lending payments	(4,818,036)	(3,822,112)
Net cash provided by noncapital financing activities	8,366,731	8,106,633
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of capital assets	(720,481)	(1,624,843)
Debt service paid to Commission	(391,551)	(395,291)
Principal paid on notes, bonds and leases	(194,866)	(101,366)
Interest paid on notes, bonds and leases	(333,106)	(318,089)
Decrease in noncurrent cash and cash equivalents	(535,010)	
Capital projects proceeds from the Commission	380,828	1,061,523
Net cash used in capital financing activities	(1,794,186)	(1,378,066)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	122,340	172,599
Net cash provided by investing activities	122,340	172,599
INCREASE IN CASH AND CASH EQUIVALENTS	418,990	490,092
CASH AND CASH EQUIVALENTS—Beginning of year	2,920,444	2,430,352
CASH AND CASH EQUIVALENTS—End of year	$ 3,339,434	$ 2,920,444

(Continued)

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (7,626,536)	$ (7,943,854)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	1,448,604	1,047,127
Changes in assets and liabilities:		
Accounts receivable—net	108,966	(16,457)
Loans to students—net	680,099	(54,129)
Prepaid expenses	(3)	774
Inventories	(15,788)	(26,924)
Accounts payable	14,589	9,724
Accrued liabilities and due to the Commission	(316,421)	270,113
Compensated absences	43,543	355,601
Deferred revenue	(24,569)	(15,424)
Advances from Federal Sponsors	(588,379)	(37,625)
NET CASH USED IN OPERATING ACTIVITIES	$ (6,275,895)	$ (6,411,074)
NONCASH TRANSACTIONS:		
Transfer in of Commission Debt	$ -	$ 2,868,593
Capital gifts of equipment and stadium turf	$ -	$ 655,000
Accretion of bond discount into bonds payable	$ 1,519	$ 1,519
Capital lease obligation and note payable incurred for equipment	$ 860,750	$ -

See notes to combined financial statements. (Concluded)

1. ORGANIZATION

Glenville State College (the "College") is governed by the Glenville State College Board of Governors (the "Board"). The Board was established by Senate Bill 653 ("S.B. 653").

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements of the College have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"), including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis - for Public Colleges and Universities (an Amendment of GASB Statement No. 34)*. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows and replaces the fund-group perspective previously required.

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

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

The accompanying combined financial statements present all funds under the authority of the College, including its component units, Glenville State College Research Corporation (the "Corporation"), which was formed on December 10, 1990 as a non-profit, non-stock corporation and Glenville State College Housing Corporation (the "Housing Corporation"), which received tax-exempt status on June 11, 1973 as a non-profit corporation. The basic criterion for inclusion in the accompanying combined financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities. A related Foundation and Alumni Association of the College are not part of the College reporting entity and are not included in the accompanying combined financial statements as the College has no ability to designate management, cannot significantly influence operations of these entities and is not accountable for the fiscal matters of the Foundation and Alumni Association.

Financial Statement Presentation—During fiscal 2002, the College adopted GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a combined basis to focus on the College as a whole. Previously, financial statements focused on the accountability of individual fund groups rather than on the College as a whole. GASB Statement No. 35 reports equity as "net assets" rather than "fund balance". Net assets are classified into four categories according to external donor restrictions or availability of assets for satisfaction of College obligations. The College's net assets are classified as follows:

- *Invested in capital assets, net of related debt*—This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

- *Restricted net assets, expendable*—This includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

  The West Virginia Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by "Article 10, Fees and Other Money Collected at State Institutions of Higher Education" of the West Virginia Code. These restrictions are primarily for the following: debt service; graduate or branch colleges; off campus instruction; student unions; public interest research group; libraries, library supplies, and improvement in student services; faculty improvement; health education student loan fund; health sciences education; athletic programs; student activities; auxiliary operations; and special programs. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the West Virginia Legislature.

- *Restricted net assets, nonexpendable*—This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College does not have any restricted nonexpendable net assets at June 30, 2003 and 2002, respectively.

- *Unrestricted net assets*—Unrestricted net assets represent resources derived from student tuition and fees, state appropriations and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the Board of Governors to meet current expenses for any purpose. These resources also include resources of auxiliary enterprises, which are substantially self-supporting activities, that provide services for students, faculty and staff.

GASB Statement No. 35 requires the statements of net assets, revenues, expenses, and changes in net assets, and cash flows to be reported on an entity-wide basis. The provisions of GASB Statement No. 35 have been applied to the years presented. Following is a reconciliation of total June 30, 2001 fund balances, as previously reported, to the restated net asset balances for the same date:

Combined fund balances—as previously reported	$ 30,355,577
Accumulated depreciation	(17,059,378)
Infrastructure capitalization	286,390
Reclassification of federal loan programs (Perkins)	(726,082)
Combined fund balances, restated as net assets— beginning of year ended June 30, 2002	$ 12,856,507

Basis of Accounting—For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's combined financial statements have been prepared on the accrual basis of accounting with a flow of economic resources measurement focus. Revenues are reported when earned and expenditures when materials or services are received. All intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents—For purposes of the statements of net assets, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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 Investment Management Board (the "IMB"). These funds are transferred to the IMB and the IMB is directed by the State Treasurer to invest the funds in specific external investment pools. Balances in the investment pools are recorded at fair value, which is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments for External Investment Pools*. The IMB 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 with the State Treasurer are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying combined financial statements.

Appropriations Due from Primary Government—For financial reporting purposes, appropriations due from the State are presented separate from cash and cash equivalents, as amounts are not specific deposits with the State Treasurer but are obligations of the State.

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

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

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

Capital Assets—Capital assets include property, plant and equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 20 years for land improvements and library books, and 3 to 10 years for furniture and equipment.

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

Compensated Absences—The College accounts for compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. This statement requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

The College's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1-1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired July 1, 2001 or later will no longer receive sick leave credit toward insurance premiums when they retire.

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally 3-1/3 years of teaching service extend health insurance for one year of single coverage and five years extend health insurance for one year of family coverage.

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

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

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

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

Classification of Revenues—The College has classified its revenues as either operating or nonoperating 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, (4) Federal appropriations, and (5) sales and services of educational activities.

- *Nonoperating Revenues*—Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting* and GASB Statement No. 34, such as state appropriations and investment income. Nonoperating revenues also exclude student fees which were billed for capital improvements.

Use of Restricted Net Assets—The College has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Generally, the College attempts to utilize restricted net assets first when practicable.

Federal Financial Assistance Programs—The College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through universities like the College. Direct student loan receivables are not included in the College's balance sheets as the loans are repayable directly to the U.S. Department of Education. In 2003 and 2002, the College received and disbursed approximately $4,818,036 and $3,822,112, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses and changes in net assets.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant and College Work Study programs. The activity of these programs is recorded in the accompanying combined financial statements. In 2003 and 2002, the College received and disbursed approximately $3,495,158 and $3,129,466, respectively, under these federal student aid programs.

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

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and College Business Officers ("NACUBO"). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the combined financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a College basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

Gifts and Pledges—The College does not report pledges in the combined financial statements until the gifts are collected. The College's gift records indicate that an immaterial amount of pledges are outstanding at June 30, 2003.

Government Grants and Contracts—Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. The College recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to five years.

Interest Expense—The College accounts for interest on debt as an expense of the period in which it is incurred. The College does not capitalize interest on debt or part of the cost of the asset.

Income Taxes—The College is exempt from income taxes, except for unrelated business income, as a nonprofit organization under federal income tax laws and regulations of the Internal Revenue Service.

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

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

Reclassifications-Certain amounts in the 2002 financial statements have been reclassified to conform with the 2003 presentation.

Recent Statements Issued By the Government Accounting Standards Board—The GASB issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14. This statement is effective for periods beginning after June 15, 2003. The College has not completed the process of evaluating the impact, if any, that will result from adopting GASB Statement No. 39. This statement, when adopted, could result in additional entities being included in the College's combined financial statements.

The GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement is effective for periods beginning after June 15, 2004. The University has not completed the process of evaluating the impact, if any, that will result from adopting GASB Statement No. 40. The statement, when adopted, could result in additional disclosure in the University's financial statements regarding custodial credit risk, concentration of credit risk, and interest rate risk related to deposits and investments.

The GASB has also issued Statement No. 41, *Budgetary Comparison Schedule—Perspective Differences*, that clarifies existing guidance on budgetary comparisons in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The University does not believe the adoption of GASB Statement No. 41 will have an effect on the financial statements.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents was as follows at June 30, 2003 and 2002:

	2003		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer	$2,617,516	$ 951,720	$3,569,236
Cash in bank	721,918	172,858	894,776
	$3,339,434	$1,124,578	$4,464,012

	2002		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer	$2,229,801	$ 468,497	$2,698,298
Cash in bank	690,643	121,071	811,714
	$2,920,444	$ 589,568	$3,510,012

Cash held by the State Treasurer includes $2,337,416 and $1,854,319 of restricted cash for student housing, student activities, faculty improvement and federal grants among others as of June 30, 2003 and 2002, respectively.

The combined carrying amounts of cash in the bank at June 30, 2003 and 2002 was $894,776 and $811,714, respectively, as compared with the combined bank balance of $919,509 and $850,659. The difference is primarily caused by items in transit. The bank balances were covered by federal depository insurance or were secured by financial instruments held as collateral by the State's agent.

Cash on deposit with the Treasurer is a noncategorized deposit in accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Receivable Agreements), and Reverse Repurchase Agreements.*

4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30, 2003 and 2002:

	2003	2002
Student tuition and fees, net of allowance for doubtful accounts of $438,347 and $333,299, respectively	$152,110	$ 118,713
Due from the Commission	3,159	15,448
Due from other State agencies	26,038	38,273
Other accounts receivable—net of allowance for doubtful accounts of $1,070 and $800, respectively	30,887	148,726
	$212,194	$ 321,160

5. CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2003 and 2002:

	2003				
	Beginning Balance	Additions	Reductions	Transfer	Ending Balance
Capital assets not being depreciated:					
Land	$ 462,913	$ -	$ -	$ -	$ 462,913
Total capital assets not being depreciated	$ 462,913	$ -	$ -	$ -	$ 462,913
Other capital assets:					
Land improvements	$ 1,299,965	$ 43,204	$	$ 600,000	$ 1,943,169
Infrastructure	1,346,103	25,594			1,371,697
Buildings	25,477,169	339,313			25,816,482
Equipment	4,865,007	1,141,573	(115,893)	(600,000)	5,290,687
Library books	1,487,512	31,442	(132,224)		1,386,730
Total other capital assets	34,475,756	1,581,126	(248,117)	-	35,808,765
Less accumulated depreciation for:					
Land improvements	441,092	63,656	(105)	36,603	541,246
Infrastructure	687,739	96,230			783,969
Buildings	13,030,801	614,317			13,645,118
Equipment	2,502,461	631,987	(115,893)	(36,603)	2,981,952
Library books	1,297,782	42,414	(132,224)		1,207,972
Total accumulated depreciation	17,959,875	1,448,604	(248,222)	-	19,160,257
Other capital assets—net	$ 16,515,881	$ 132,522	$ 105	$ -	$ 16,648,508
Capital asset summary:					
Capital assets not being depreciated	$ 462,913	$ -	$ -	$ -	462,913
Other capital assets	34,475,756	1,581,126	(248,117)		35,808,765
Total cost of capital assets	34,938,669	1,581,126	(248,117)	-	36,271,678
Less accumulated depreciation	17,959,875	1,448,604	(248,222)		19,160,257
Capital assets—net	$ 16,978,794	$ 132,522	$ 105	$ -	$ 17,111,421

	2002				
	Beginning Balance	Additions	Reductions	Transfer	Ending Balance
Capital assets not being depreciated:					
Land	$ 462,913	$ -	$ -	$ -	$ 462,913
Construction in progress	3,626,416	1,132,618		(4,759,034)	
Total capital assets not being depreciated	$ 4,089,329	$1,132,618	$ -	$(4,759,034)	$ 462,913
Other capital assets:					
Land improvements	$ 1,231,283	$ 68,682	$ -	$ -	$ 1,299,965
Infrastructure	1,291,103	55,000			1,346,103
Buildings	20,584,205	133,930		4,759,034	25,477,169
Equipment	4,010,023	854,984			4,865,007
Library books	1,656,821	34,629	(203,938)		1,487,512
Total other capital assets	28,773,435	1,147,225	(203,938)	4,759,034	34,475,756
Less accumulated depreciation for:					
Land improvements	391,777	49,315			441,092
Infrastructure	593,215	94,524			687,739
Buildings	12,529,027	501,774			13,030,801
Equipment	2,173,039	329,422			2,502,461
Library books	1,429,628	72,092	(203,938)		1,297,782
Total accumulated depreciation	17,116,686	1,047,127	(203,938)	-	17,959,875
Other capital assets—net	$11,656,749	$ 100,098	$ -	$ 4,759,034	$16,515,881
Capital asset summary:					
Capital assets not being depreciated	$ 4,089,329	$1,132,618	$ -	$(4,759,034)	$ 462,913
Other capital assets	28,716,127	1,147,225	(203,938)	4,759,034	34,418,448
Total cost of capital assets	32,805,456	2,279,843	(203,938)	-	34,881,361
Less accumulated depreciation	17,059,378	1,047,127	(203,938)		17,902,567
Capital assets—net	$15,746,078	$1,232,716	$ -	$ -	$16,978,794

The College maintains various collections of inexhaustible assets to which no value can be 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.

Title for certain real property is with the Commission.

6. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the College for the years ended June 30, 2003 and 2002:

	2003				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, capital leases, and notes payable:					
Student Housing bonds payable net of discount, including unexpended funds of $172,857 at June 30, 2003	$ 4,947,084	$ 1,519	$ 70,000	$ 4,878,603	$ 75,000
Capital lease obligations	352,496	781,750	117,757	1,016,489	161,255
Note payable	15,000	79,000	7,109	86,891	7,239
Commission Debt Payable	2,868,593		211,388	2,657,205	220,730
Total bonds, capital leases, and note payable	8,183,173	862,269	406,254	8,639,188	464,224
Other liabilities:					
Accrued compensated absences	1,500,205	227,080	183,537	1,543,748	361,239
Advances from Federal Sponsors	688,457		588,379	100,078	100,078
Total noncurrent liabilities	$ 10,371,835	$ 1,089,349	$ 1,178,170	$ 10,283,014	$ 925,541

	2002				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, capital leases, and notes payable:					
Student Housing bonds payable net of discount,including unexpended funds of $121,071 at June 30, 2002	$ 4,990,565	$ 1,519	$ 45,000	$ 4,947,084	$ 70,000
Capital lease obligations	403,862		51,366	352,496	47,653
Note payable	20,000		5,000	15,000	5,000
Commission Debt Payable		2,868,593		2,868,593	211,388
Total bonds, capital leases, and note payable	5,414,427	2,870,112	101,366	8,183,173	334,041
Other liabilities:					
Accrued compensated absences	1,144,604	457,198	101,597	1,500,205	361,764
Advances from Federal Sponsors	726,082		37,625	688,457	
Total noncurrent liabilities	$ 7,285,113	$ 3,327,310	$ 240,588	$ 10,371,835	$ 695,805

7. BONDS PAYABLE

Bonds payable consisted of the following at June 30, 2003 and 2002:

	2003			2002		
	Interest Rate	Annual Principal Installment Due	Principal Amount Outstanding	Interest Rate	Annual Principal Installment Due	Principal Amount Outstanding
Student Housing Bonds:						
Series 2000 A, mature various dates through October 1, 2030	5.0% to 6.2%	Various	$ 4,920,000	5.0%-6.2%	Various	$ 4,990,000
Total bonds payable			$ 4,920,000			$ 4,990,000

The following is a schedule by year of future annual minimum payments required under the Series 2000 A bonds existing at June 30, 2003:

Year Ending June 30	Principal	Interest	Total
2004	$ 75,000	$ 293,886	$ 368,886
2005	80,000	289,875	369,875
2006	85,000	285,564	370,564
2007	85,000	281,080	366,080
2008	90,000	276,420	366,420
2009 - 2013	540,000	1,298,828	1,838,828
2014 - 2018	715,000	1,114,262	1,829,262
2019 - 2023	960,000	862,320	1,822,320
2024 - 2028	1,300,000	517,134	1,817,134
2028 and Thereafter	990,000	94,550	1,084,550
Total	$ 4,920,000	$ 5,313,919	$ 10,233,919

8. CAPITAL LEASE OBLIGATIONS

The College leases various equipment. These obligations are accounted for as capital leases. The following is a schedule by year of future annual minimum payments required under the lease obligations existing at June 30, 2003:

Year Ending June 30	Principal	Interest	Total
2004	$ 161,255	$ 36,582	$ 197,837
2005	167,679	30,158	197,837
2006	174,362	23,475	197,837
2007	180,906	16,931	197,837
2008	160,501	9,891	170,392
Thereafter	171,786	4,256	176,042
			1,137,782
Less interest			121,293
			$ 1,016,489

The net book value of leased assets was $1,016,488 as of June 30, 2003.

9. NOTE PAYABLE

Note payable consisted of the following at June 30, 2003 and 2002:

	2003			2002		
	Interest Rate	Annual Principal Installment Due	Principal Amount Outstanding	Interest Rate	Annual Principal Installment Due	Principal Amount Outstanding
Real Estate Purchase:						
$35,000 promissory note collateralized by 1st lien on purchased Lot 35, Gilmer County, West Virginia	8.0%	$5,000 every January 1 through 2005	$ 10,000	8.0%	$5,000 every January 1 through 2005	$ 15,000
$79,000 promissory note collateralized by 1st lien on purchased house and Lot, Gilmer County, West Virginia	6.0%	$565.98 monthly through 6/07 plus balloon	$ 76,891			

The following is a schedule by year of future annual minimum payments required under the note existing at June 30, 2003:

Year Ending June 30	Principal	Interest	Total
2004	7,239	$ 5,353	$ 12,592
2005	7,377	4,815	12,192
2006	2,525	4,267	6,792
2007	69,750	4,112	73,862
Total			105,438
Less portion representing interest			18,547
			$ 86,891

10. COMPENSATED ABSENCES LIABILITY

The composition of the compensated absences liability was as follows at June 30, 2003 and 2002:

	2003	2002
Health or life insurance benefits	$1,101,262	$ 1,064,239
Accrued vacation leave	442,486	435,966
	$1,543,748	$ 1,500,205

For the year ended June 30, 2003 and 2002, the amount paid by the College for extended health or life insurance coverage retirement benefits totaled $61,140 and $52,006, respectively. As of June 30, 2003 and 2002, there were 26 and 27 retirees currently eligible for these benefits.

11. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

The State has chartered the Commission with the responsibility to construct or renovate, finance and maintain various academic and other facilities of the State's universities and colleges, including certain facilities of the College. Financing for these facilities was provided through revenue bonds issued by the former Board of Regents or the former Boards of the College and College Systems (the "Boards"). These obligations administered by the Commission are the direct and total responsibility of the Commission, as successor to the former Boards.

The Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as a 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, 2001. The amount allocated to the College during the years ended June 30, 2003 and 2002 was $2,657,205 and $2,868,593, respectively.

12. RETIREMENT PLANS

Substantially all full-time employees of the College participate in either the West Virginia Teachers' Retirement System (the "STRS") or the Teachers' Insurance and Annuities Association - College Retirement Equities Fund (the "TIAA-CREF"). Previously, upon full-time employment, all employees were required to make an irrevocable selection between the STRS and TIAA-CREF. Effective July 1, 1991, the STRS was closed to new participants. Current participants in the STRS are permitted to make a one-time election to cease their participation in that plan and commence contributions to the West Virginia Teachers' Defined Contribution Plan. Contributions to and participation in the West Virginia Teachers' Defined Contribution Plan by College employees have not been significant to date.

The STRS is a cost sharing, defined benefit public employee retirement system. Employer and employee contribution rates are established annually by the State Legislature. The College accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for the year ended June 30, 2003 and 2002, respectively. Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2003 and 2002, respectively. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest 5 years' salaries out of the last 15 years) multiplied by the number of years of service.

The TIAA-CREF is a defined contribution benefit plan in which benefits are based solely upon amounts contributed plus investment earnings. Employees who elect to participate in this plan are required to make a contribution equal to 6% of total annual compensation. The College matches the employees' 6% contribution. Contributions are immediately and fully vested.

Total contributions to the STRS for the years ended June 30, 2003, 2002 and 2001, were $483,764, $511,808 and $563,854, respectively, which consisted of $345,544, $365,575 and $402,754 from the College in 2003, 2002 and 2001, respectively, and $138,221, $146,233 and $161,100 from the covered employees in 2003, 2002 and 2001, respectively.

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

Total contributions to the TIAA-CREF for the years ended June 30, 2003, 2002 and 2001, were $609,722, $592,546 and $563,758, respectively, which consisted of equal contributions from the College and covered employees in 2003, 2002 and 2001 of $304,861, $296,273 and $281,879, respectively.

The College's total payroll for the years ended June 30, 2003 and 2002, was $7,871,238 and $7,938,236; total covered employees' salaries in the STRS and TIAA-CREF were $2,303,619 and $5,070,543 in 2003, respectively, $2,437,167 and $4,918,905 in 2002, respectively.

13. FOUNDATION (UNAUDITED)

The Glenville State College Foundation, Inc. (the "Foundation") is a separate nonprofit organization incorporated in the State and has as its purpose, ". . . to aid, strengthen and further in every proper and useful way, the work and services of the College and its affiliated nonprofit organizations . . . ." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Directors of the Foundation employ management, form policy and maintain fiscal accountability over funds administered by the Foundation. Accordingly, the accompanying combined financial statements of the Foundation are not included in the accompanying combined financial statements.

Contributions to the Foundation, which are not reflected in the accompanying combined financial statements, totaled $523,160 and $669,065, respectively for the years ended June 30, 2003 and 2002. During the year ended June 30, 2003 and 2002, the Foundation contributed $210,905 and $260,269, respectively, to the College for scholarships.

14. AFFILIATED ORGANIZATION

The College has a separately incorporated affiliated organization, the Glenville State College Alumni Association. Oversight responsibility for this entity rests with an independent board and management not otherwise affiliated with the College. Accordingly, the accompanying combined financial statements of this organization are not included in the College's accompanying combined financial statements.

15. CONTINGENCIES

The nature of the educational industry is such that, from time-to-time, claims will be presented against the College on account of alleged negligence, acts of discrimination, breach of contract or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system.

In the opinion of management, all known claims are covered by insurance or are such that an award against the College would not seriously impact the financial status of the institution.

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

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

16. TRANSFER OF COMMUNITY AND TECHNICAL COLLEGE

During the 2003 session, the West Virginia Legislature passed House Bill 2224, which provided for the separation of the Community and Technical College ("CTC") component of Glenville State College. Effective July 1, 2003, the College's CTC service area was divided between New River Community and Technical College of Bluefield State College and Fairmont State College. The College has subsequently been involved with transition issues with regard to the transfer of employees, records, assets, liabilities, revenues and expenses. CTC assets and liabilities as of June 30, 2003 were $532,642 and $278,697, respectively. CTC revenues and expenses for the year ended June 30, 2003 were $4,977,950 and $4,958,864, respectively. CTC enrollment for fiscal 2003 was 709 full time equivalent.

17. SEGMENT INFORMATION (UNAUDITED)

The College issued revenue bonds to finance certain of its auxiliary enterprise activities. Investors in those bonds rely solely on the revenues generated by the activities of the auxiliaries for repayment.

The County Commission of Gilmer County, West Virginia, Commercial Development Revenue Bonds (Glenville State College Housing Corporation Project (the "Corporation")), Series 2000A

In September 2001, the Corporation sold $4,990,000 of Revenue Bonds, 2000 Housing Facilities Series A Bonds (the "Bonds"). The Bonds were issued under the authority contained in Chapter 18, Article 23 of the Code of West Virginia, 1931, as amended, and the Bonds will be secured pursuant to a Trust Indenture (the "Indenture") dated as of September 27, 2001, by and between the Interim Governing Board and United National Bank, Charleston, WV (the "Trustee"). The bonds are secured by and payable from the revenues of the student housing facilities and certain funds held under the Indenture. The proceeds of the Bonds are being used (1) to pay all or part of the cost of constructing ten two-story apartment buildings, each containing four four-bedroom units to be used as student housing and (2) paying a portion of the cost of issuing the bonds.

Condensed financial information for the College's segment is as follows:

The County Commission of Gilmer County,
West Virginia, Commercial Development Revenue Bonds
(Glenville State College Housing Corporation Project), Series 2000A

Condensed Statement of Net Assets (Unaudited)	2003	2002
Assets:		
Current assets	$ 318,861	$ 360,159
Capital assets	6,087,141	6,121,378
Total assets	$ 6,406,002	$ 6,481,537
Liabilities:		
Accounts payable	$	$ 45,000
Bond indebtedness	4,878,603	4,947,084
Other note	86,891	15,000
Total liabilities	4,965,494	5,007,084
Net Assets:		
Invested in capital assets—net of related debt	1,121,647	1,114,294
Restricted:		
Debt service	180,096	126,071
Unrestricted	138,765	234,088
Total net assets and liabilities	$ 6,406,002	$ 6,481,537

The County Commission of Gilmer County,
West Virginia, Commercial Development Revenue Bonds
(Glenville State College Housing Corporation Project), Series 2000A

Condensed Statement of Revenues, Expenses and Changes in Net Assets (Unaudited)	2003	2002
Operating:		
Operating revenues	$ 482,755	$ 532,690
Operating expenses	(211,948)	(168,179)
Net operating income	270,807	364,511
Nonoperating:		
Nonoperating revenues	2,217	16,989
Nonoperating expenses	(306,969)	(306,236)
Changes in net assets	(33,945)	75,264
Net assets—beginning of year	1,474,453	1,399,189
Net assets—end of year	$ 1,440,508	$ 1,474,453

Condensed Statement of Cash Flows (Unaudited)	**2003**	**2002**
Net cash provided by operating activities	$ 384,045	$ 451,922
Net cash used by capital and related financing	(425,342)	(1,425,346)
Net decrease in cash	(41,297)	(973,424)
Cash—beginning of year	360,159	1,333,583
Cash—end of year	$ 318,862	$ 360,159

18. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the year ended June 30, 2003 and 2002, the following table represents operating expenses within both natural and functional classifications:

2003

	Salaries and Wages	Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Cancellations and Write-offs	Fees Assessed by the Commission for Operations	Total
Instruction	$ 3,908,501	$ 884,053	$ 436,676	$ 19,445	$ -	$ -	$ -	$ -	$ 5,248,675
Academic support	702,868	150,490	290,473	24,211					1,168,042
Student services	976,872	265,739	264,324	33,909					1,540,844
General institutional support	1,390,431	532,385	891,164	108,287					2,922,267
Operations and maintenance of plant	550,124	238,776	751,461	333,038					1,873,399
Student financial aid					2,596,177				2,596,177
Auxiliary enterprises	700,078	204,823	1,693,739	326,082					2,924,722
Depreciation						1,448,604			1,448,604
Fees assessed by the Commission for operations								91,704	91,704
Other							76,884		76,884
Total	$ 8,228,874	$ 2,276,266	$ 4,327,837	$ 844,972	$ 2,596,177	$ 1,448,604	$ 76,884	$ 91,704	$ 19,891,318

2002

	Salaries and Wages	Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Cancellations and Write-offs	Fees Assessed by the Commission for Operations	Total
Instruction	$ 3,960,009	$ 912,771	$ 619,792	$ 13,546	$ -	$ -	$ -	$ -	$ 5,506,118
Academic support	465,517	130,450	477,410	37,177					1,110,554
Student services	831,228	236,378	482,520	24,261					1,574,387
General institutional support	1,456,481	460,265	845,316	63,388					2,825,450
Operations and maintenance of plant	624,987	291,504	373,312	304,544					1,594,347
Student financial aid					2,045,576				2,045,576
Auxiliary enterprises	533,016	303,999	1,747,837	288,434					2,873,286
Depreciation						1,047,127			1,047,127
Fees assessed by the Commission for operations								82,191	82,191
Other							14,355		14,355
Total	$ 7,871,238	$ 2,335,367	$ 4,546,187	$ 731,350	$ 2,045,576	$ 1,047,127	$ 14,355	$ 82,191	$ 18,673,391

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

To the Glenville State College Governing Board

We have audited the combined financial statements of Glenville State College (the "College") as of and for the year ended June 30, 2003 and have issued our report thereon dated November 7, 2003, which contains a consistency paragraph for the adoption of Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. 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.

Compliance

As part of obtaining reasonable assurance about whether the College's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the College's internal control over financial reporting and its operation that we considered to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the College in a separate letter dated November 7, 2003.

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

Deloitte & Touche LLP

November 7, 2003