

# **GLENVILLE STATE COLLEGE**

Glenville, West Virginia

Combined Financial Statements and  
Additional Information for the Years  
Ended June 30, 2006 and 2005 and  
Independent Auditors' Reports

# GLENVILLE STATE COLLEGE

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## INDEPENDENT AUDITORS' REPORT

To the Board of Governors  
Glennville State College  
Glennville, West Virginia

We have audited the accompanying combined financial statements of the business-type activities and discretely presented component unit of Glennville State College ("the College"), as of and for the years ended June 30, 2006 and 2005, which collectively comprise the College's basic financial statements as listed in the table of contents. These combined financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these combined financial statements based on our audits. We did not audit the financial statements of Glennville State College Foundation, Inc., which represents the only discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the 2006 and 2005 amounts included for Glennville State College Foundation, Inc. is based on the report of the other auditors.

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. The Glennville State College Foundation, Inc.'s financial statements, which were audited by other auditors, were not audited in accordance with *Governmental Auditing Standards*. 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 opinions.

In our opinion, based on our audits and the report of other auditors, the combined financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit, as of June 30, 2006 and 2005, and the respective changes in net assets and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2006, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Hayflick & Steinberg, CPAs, PLLC*  
October 31, 2006

**GLENVILLE STATE COLLEGE**  
200 High Street  
Glenville, WV 26351

**Management Discussion and Analysis**  
**Fiscal Years 2006, 2005, and 2004**

**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 2006 and 2005. The following management discussion and analysis provides an overview of the financial position and activities of the College for the years ended June 30, 2006, 2005, and 2004.

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 fiscal year ended June 30, 2006, can best be characterized as one of sustained growth and improvement. Enrollment numbers began to reflect results of continued efforts and concentration on recruitment and retention. This enrollment increase of 6.02% generated higher operating revenues, including tuition and auxiliary operation. Room occupancy and board participation rates enjoyed a 8.02% increase which resulted in a 13.02% increase in revenues. These increases were in spite of the disruptions on campus resulting from various capital improvement projects in various stages of completion.

Although operating grant revenues decreased by \$533,548 from FY2005, capital grants increased by \$4,516,262 as a result of \$5,275,572 in HUD grants designated for renovation of the Allan B. Mollohan Campus Community Center.

**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. Title to all property was transferred to the Glenville State College Board of Governors 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, 2006, 2005 and 2004**

<b>Assets:</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>% Change</b>
Current assets	\$ 4,386,776	\$ 4,868,191	\$ 4,458,175	(9.89%)
Non-current assets	648,413	1,833,061	1,069,420	(64.63%)
Capital assets, net	<u>24,119,905</u>	<u>17,469,311</u>	<u>16,805,805</u>	<u>38.07%</u>
<b>Total Assets</b>	<b><u>\$ 29,155,094</u></b>	<b><u>\$ 24,170,563</u></b>	<b><u>\$ 22,333,400</u></b>	<b><u>20.62%</u></b>
 <b>Liabilities</b>				
Current Liabilities	\$ 2,052,433	\$ 2,127,346	\$ 1,903,793	(3.52%)
Non-current Liabilities	<u>8,346,471</u>	<u>8,927,076</u>	<u>8,831,663</u>	<u>(6.50%)</u>
<b>Total Liabilities</b>	<b><u>\$ 10,398,904</u></b>	<b><u>\$ 11,054,422</u></b>	<b><u>\$ 10,735,456</u></b>	<b><u>(5.93%)</u></b>
 <b>Net Assets (Deficit)</b>				
Invested in capital assets, net of related debt	\$ 16,378,349	\$ 9,346,653	\$ 8,653,845	75.23%
Restricted – expendable	1,142,183	2,426,912	2,132,578	(52.94%)
Unrestricted	<u>1,235,658</u>	<u>1,342,576</u>	<u>811,521</u>	<u>(7.96%)</u>
<b>Total Net Assets</b>	<b><u>\$ 18,756,190</u></b>	<b><u>\$ 13,116,141</u></b>	<b><u>\$ 11,597,944</u></b>	<b><u>43.00%</u></b>
 <b>Total Liabilities and Net Assets</b>	 <b><u>\$ 29,155,094</u></b>	 <b><u>\$ 24,170,563</u></b>	 <b><u>\$ 22,333,400</u></b>	 <b><u>20.62%</u></b>

An indicator of short-term financial condition is the ratio of current assets to current liabilities, or current ratio. The current ratio was 2.1, 2.3, and 2.3 as of June 30, 2006, 2005 and 2004, respectively. These indicate that the College has sufficient available resources to meet its current obligations.

**Significant Changes in Net Assets**

At June 30, 2006, the College's total net assets increased from the previous year by \$5,640,049. Current cash and cash equivalents decreased by approximately \$618,717.

Non-current assets, consisting entirely of non-current cash and cash equivalents, decreased by approximately \$1,184,648. This was largely a result of expenditures for capital projects completed during the fiscal year.

Net capital assets increased approximately \$6,650,594 due primarily to construction on the Mollohan Campus Community Center, Robert F. Kidd Library, and science hall. Principal on the Pioneer Village bonds, capital loan from the HEPC, and system-wide debt assigned by the HEPC were reduced \$85,000, \$75,000 and \$159,366 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, 2006, 2005, and 2004

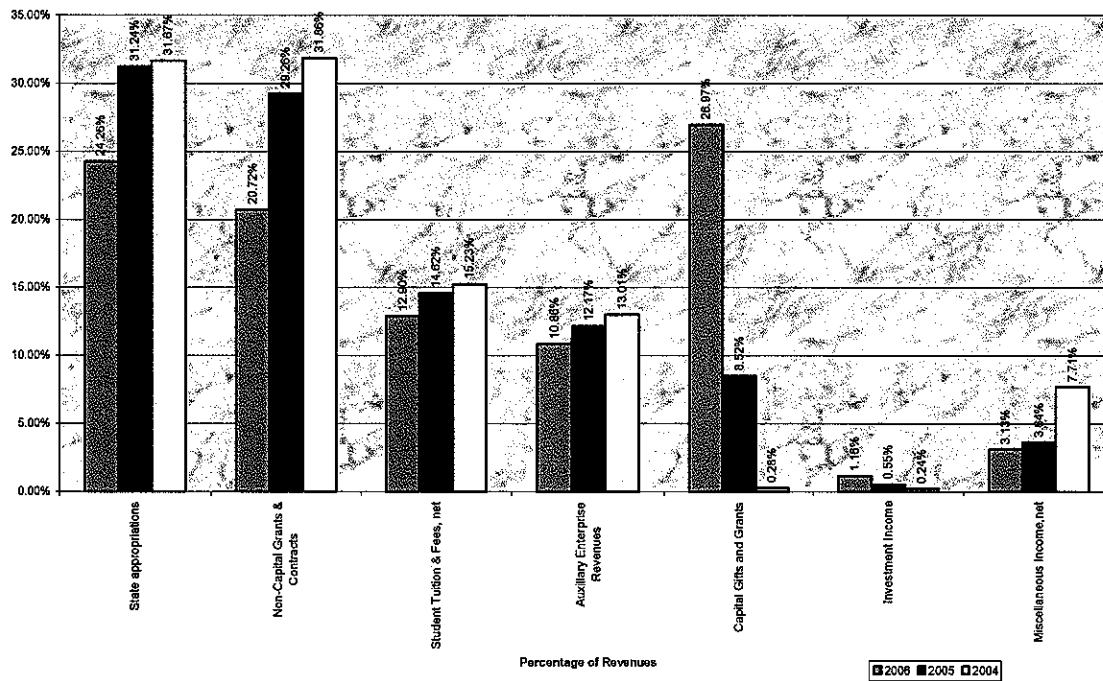
	2006	2005	2004	% Change
Operating revenues	\$ 10,624,879	\$ 10,518,778	\$ 11,276,248	1.01%
Operating expenses	<u>16,248,134</u>	<u>15,662,644</u>	<u>15,643,176</u>	<u>3.74%</u>
Operating loss	(5,623,255)	(5,143,866)	(4,366,928)	(9.32%)
Non-operating Revenues	5,672,534	5,602,801	5,305,260	1.24%
Non-operating Expenses	<u>426,812</u>	<u>442,058</u>	<u>436,827</u>	<u>(3.45%)</u>
Net Non-operating revenues	5,245,722	5,160,743	4,868,433	1.65%
Income (loss) before other revenues, expenses, gains or losses	(377,533)	16,877	501,505	(2,336.97%)
Capital Projects Proceeds	6,017,582	1,501,320	47,000	300.82%
Transfer of assets to CTC			<u>(240,642)</u>	
Increase in net assets	5,640,049	1,518,197	307,863	271.50%
Net assets, beginning of year	<u>13,116,141</u>	<u>11,597,944</u>	<u>11,290,081</u>	<u>13.09%</u>
Net assets, end of year	<u>\$ 18,756,190</u>	<u>\$ 13,116,141</u>	<u>\$ 11,597,944</u>	<u>43.00%</u>

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

**Revenues:**

	2006	2005	2004	% Change
<b>Program revenues (by major source)</b>				
Tuition & fees before allowances	\$ 4,505,631	\$ 3,991,292	\$ 4,056,403	12.89%
Less: scholarship discounts & allowances	(1,627,145)	(1,414,795)	(1,523,206)	(15.01%)
Research grants & contracts	4,623,296	5,156,844	5,298,200	(10.35%)
Auxiliary enterprise sales & services, net	2,423,494	2,144,356	2,162,950	13.02%
Miscellaneous	699,603	641,081	1,281,901	9.13%
<b>General revenues (by major source)</b>				
State appropriations	5,413,712	5,505,796	5,265,600	(1.67%)
Investment income	258,822	97,005	39,660	166.81%
Capital grants and gifts	6,017,582	1,501,320	47,000	300.82%
<b>Total Revenues</b>	<b>\$ 22,314,995</b>	<b>\$ 17,622,899</b>	<b>\$ 16,628,508</b>	<b>26.62%</b>

Total Revenues for the Years Ended June 30, 2006, 2005, 2004





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.

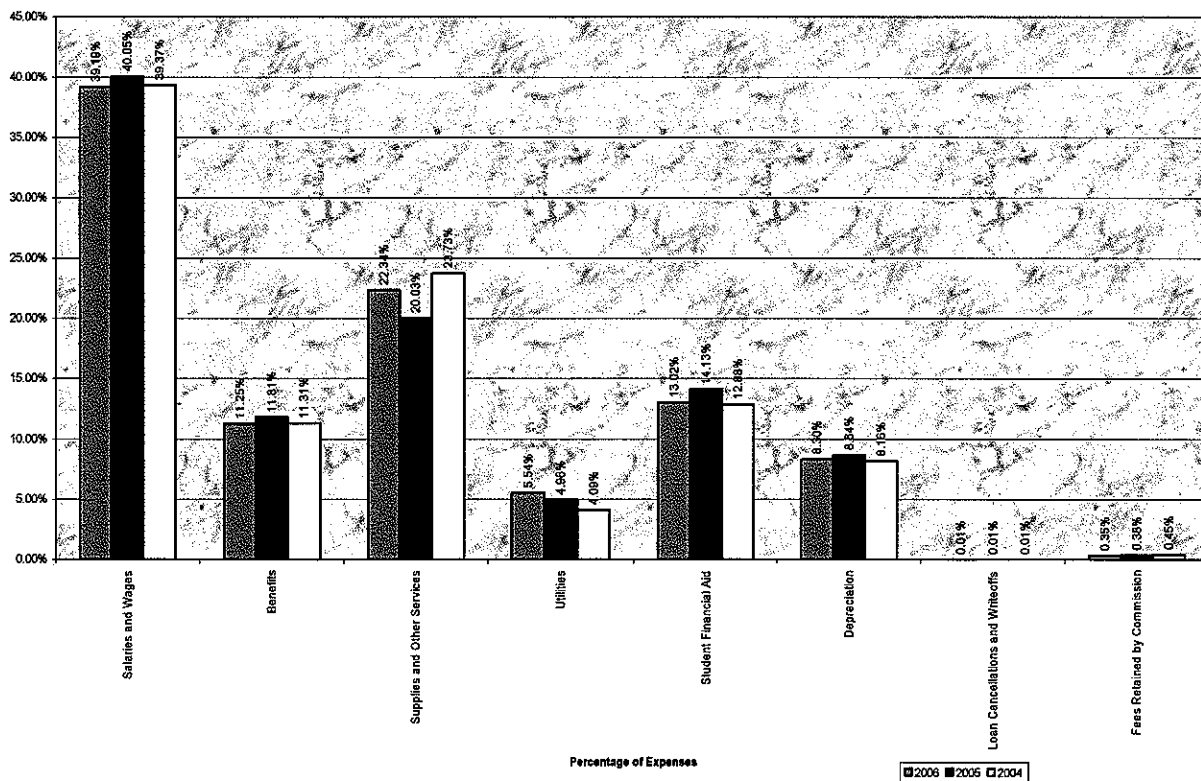
- Student tuition and fees (net of scholarship allowance) made up 27.09% of the College's operating revenues and 12.90% of total revenues. Tuition and fee revenues increased over the previous year as a result of resident and non-resident tuition and fee increases of 10.74% and 10.01%, respectively.
- Other revenues such as contracts and grants, auxiliary enterprise revenue, interest on loans receivable, and miscellaneous revenues comprised 61.68%, 50.62%, and 52.58% of the College's total revenues in FY 2006, FY 2005 and FY 2004, respectively. FY 2006 grant awards included payments of \$94,200 from the US Department of Education for the first year of the TRIO grant program, \$90,000 in private gifts to fund a faculty and a staff position, and capital grants of \$5,275,572 from the US Housing and Urban Development for the Mollohan Campus Community Center renovation project.
- State appropriated general revenue funds in the amount of \$5,413,712 accounted for 24.26% of total revenues in FY 2006 compared to 31.24% in FY2005 and 31.67% in FY 2004. These appropriations are used to pay salaries and benefits in support of the operations of the College.
- Investment income increased by \$161,817 or 166.81% from FY2005 to FY2006. This revenue source made up 1.16% of total revenues in FY 2006 compared to 0.55% in FY2005 and 0.24% in FY 2004. The College participates in the investment pool managed by the State.

## Operating and Non-operating Expenses:

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

	2006	2005	2004	% Change
Salaries and wages	\$ 6,368,013	\$ 6,273,630	\$ 6,158,296	1.50%
Benefits	1,827,273	1,849,182	1,768,959	(1.18%)
Supplies and other services	3,630,326	3,136,458	3,712,330	15.75%
Utilities	899,998	776,100	640,556	15.96%
Student financial aid, scholarships and fellowships	2,115,656	2,212,444	2,015,424	(4.37%)
Depreciation	1,348,842	1,353,949	1,275,834	(0.38%)
Loan cancellations and write-offs	1,855	939	1,192	97.55%
Fees retained by Commission for operations	56,171	59,942	70,585	(6.29%)
<b>Total Operating Expenses</b>	<b>\$ 16,248,134</b>	<b>\$ 15,662,644</b>	<b>\$ 15,643,176</b>	<b>3.74%</b>

Total Operating Expenses for the Years Ended June 30, 2006, 2005, 2004



- Salaries and wages, and employee benefits made up approximately 50.44% of the operating expenses of the College in FY 2006 compared to 51.86% in FY2005, and 50.67% FY 2004.

- Utility costs in FY 2006 were \$899,998, an increase of 15.96% from FY 2005 and an increase of 40.50% from FY 2004. These costs represented 5.54% of the FY2006 operating expenses compared to 4.96% in FY2005 and 4.09% in FY 2004.
- Scholarship and fellowship expenses decreased \$96,788 or 4.37% from FY 2005, and an increase of 4.97% from FY2004. They represented 13.02%, 14.13% and 12.88% of the total operating expenses in FY 2006, FY 2005, and FY 2004, respectively.

Non-operating expenses consisted primarily of interest on indebtedness \$414,822 and fees assessed by the HEPC for system-wide debt service \$11,990.

### Combined Statements of Cash Flows

The Combined Statements of Cash Flows presents detailed information about the cash activities of the College during the year. These statements assist the users in analyzing the College's ability to generate net cash flows, meet obligations as they come due, and determining 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, 2006, 2005, and 2004

	2006	2005	2004	% Change
Cash provided by (used in):				
Operating activities	\$ (4,108,480)	\$ (3,956,176)	\$ (3,191,827)	(3.85%)
Non capital financing activities	5,413,712	5,721,077	5,794,787	(5.37%)
Capital financing activities	(2,136,300)	(1,741,058)	(2,035,241)	22.70%
Investing activities	<u>212,351</u>	<u>86,927</u>	<u>42,145</u>	<u>144.29%</u>
Increase (decrease) in				
cash and cash equivalents	(618,717)	110,770	609,864	(658.56%)
Cash and cash equivalents, beginning of year	<u>4,060,068</u>	<u>3,949,298</u>	<u>3,339,434</u>	<u>2.80%</u>
Cash and cash equivalents, end of year	<u>\$ 3,441,351</u>	<u>\$ 4,060,068</u>	<u>\$ 3,949,298</u>	<u>(15.24%)</u>

## **Capital Asset and Debt Administration**

The College had capital asset additions of \$7,999,436, \$2,017,455 and \$1,210,860 for the years ended June 30, 2006, 2005 and 2004, respectively. The FY 2006 additions were funded primarily by federal grants, capital reserves and private donations.

- The renovation of the first floor of the Robert F. Kidd Library was completed. This project included the installation of a \$307,113 fire suppression (sprinkler) system for the total facility. Total expenditures for the renovation project were \$508,811 with most of the work being performed in-house by talented GSC craftsmen.
- The major renovation of the Mollohan Campus Community Center was approximately 70% complete at June 30, 2006. The first three floors of the building were released to GSC and placed back in use in January, 2006. The renovation of the top floor was in its final stages. As of June 30, 2006, \$7,222,492 in expenditures were reflected as additions to buildings and \$885,562 of expenditures remained on balance as Construction in Progress. The total budget for this project is \$10,500,000 with a scheduled completion date of November 1, 2006.
- In FY2006, expenditures of \$294,820 were made for architectural services and hazardous material abatement associated with the renovation of the Science Hall. The College has \$5,000,000 in State Lottery Bond revenues allocated for this project which has a projected budget of approximately \$7,800,000.
- Other capital improvement projects completed in FY2006 included a \$198,800 upgrade to the campus-wide fire alarm and fire suppression system and \$90,348 in roof replacements.
- The College was fortunate again to receive a generous capital donation for improvements at the Morris Stadium facilities in FY2006. Bleachers were installed on the visitor's side of the stadium, the track and portions of the parking lot were resurfaced, and the softball field was improved. These improvements totaled \$449,115
- New capital debt in the amount of \$167,127 was undertaken in FY2006 for the purchase of a new fiber main distribution frame (MDF) and HVAC system for the MDF room.

## **Economic Outlook**

The Glenville State College Board of Governors and the College administration remain optimistic about the financial position of the College for the future. Continued improvements in the State's economy along with enrollment growth and campus improvements support this position.

Glenville State College continues to emphasize the recruitment and retention of students. Preliminary numbers indicate a 2.0% increase in enrollment from fall 2005 to fall 2006. Glenville continues to be recognized as an excellent choice by students wishing to further their educational experiences while preparing for or enhancing their career objectives. Glenville State College is seen as an exceptional educational value which offers students a quality education at an affordable price. As a result, enrollment continues to increase despite lower numbers of West Virginia high school graduates, especially in the College's primary service area.

There was a change in presidential leadership at the College beginning July 1, 2006. With the change comes a renewed emphasis on recruitment and retention. There is also a new emphasis on marketing to better promote the College and penetrate untapped markets. In addition, the Glenville State College Foundation continues to support the recruitment efforts by allocating additional resources to this cause.

The College administration credits the first year efforts of the federally funded TRIO grant to higher retention numbers. This grant funded program targets incoming college freshmen with a primary

objective of improving the skills necessary for a successful transition from high school to college. Additionally, the College is encouraged that all of the scheduled capital improvement projects will contribute greatly to recruitment and retention efforts. Our students are excited about the improvements to the Mollohan Campus Community Center and there has been a visible increase in student activity in this state of the art facility. The completion of the top floor will draw additional use from campus and off-campus groups.

In FY2007, the College will receive funding from first year allocations of three year federal Criminal Justice and NASA grants totaling nearly \$760,161, and \$3,700,000, respectively. The Criminal Justice grant will enhance the educational experiences in the areas of forensic science. The NASA grant funds programs that promote and enhance NASA's STEM (science, technology, engineering, mathematics) initiatives. The College is excited about these grants and the educational opportunities they will provide for students in these fields of study.

# GLENVILLE STATE COLLEGE

## COMBINED STATEMENTS OF NET ASSETS JUNE 30, 2006 AND 2005

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<b>ASSETS</b>	<b>2006</b>	<b>2005</b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 3,441,351	\$ 4,060,068
Appropriations due from Primary Government	577,819	167
Accounts receivable—net	277,640	682,025
Loans to students—current portion	11,980	6,576
Prepaid expenses	6,926	11,044
Inventories	<u>71,060</u>	<u>108,311</u>
Total current assets	<u>4,386,776</u>	<u>4,868,191</u>
<b>NONCURRENT ASSETS:</b>		
Cash and cash equivalents	648,413	1,833,061
Capital assets—net	<u>24,119,905</u>	<u>17,469,311</u>
Total noncurrent assets	<u>24,768,318</u>	<u>19,302,372</u>
<b>TOTAL ASSETS</b>	<u>\$29,155,094</u>	<u>\$24,170,563</u>

(Continued)

# GLENVILLE STATE COLLEGE

## COMBINED STATEMENTS OF NET ASSETS JUNE 30, 2006 AND 2005

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LIABILITIES AND NET ASSETS	2006	2005
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 473,604	\$ 666,214
Accrued liabilities	583,702	570,840
Due to the Commission	3,949	7,452
Compensated absences—current portion	316,486	309,141
Deferred revenue	60,238	58,679
Note payable—current portion	144,750	77,524
Capital lease obligations—current portion	223,737	194,649
Bonds payable—current portion	83,481	83,481
Higher Education Policy Commission Debt Payable—current portion	162,486	159,366
Total current liabilities	2,052,433	2,127,346
<b>NONCURRENT LIABILITIES</b>	<u>8,346,471</u>	<u>8,927,076</u>
Total liabilities	<u>10,398,904</u>	<u>11,054,422</u>
<b>NET ASSETS:</b>		
Invested in capital assets—net of related debt:	16,378,349	9,346,653
Restricted for:		
Expendable:		
Scholarships	42,459	10,514
Loans	63,747	64,338
Capital projects		1,041,718
Debt service	1,035,977	802,461
Other		507,881
Unrestricted	1,235,658	1,342,576
Total net assets	<u>18,756,190</u>	<u>13,116,141</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$29,155,094</u>	<u>\$24,170,563</u>

See notes to combined financial statements.

(Concluded)

# GLENVILLE STATE COLLEGE

**THE GLENVILLE STATE COLLEGE FOUNDATION, INC.  
A COMPONENT UNIT OF GLENVILLE STATE COLLEGE  
STATEMENTS OF NET ASSETS  
JUNE 30, 2006 AND 2005**

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<b>ASSETS</b>	<b>2006</b>	<b>2005</b>
ASSETS:		
Cash	\$ 44,648	\$ 144,323
Investments	4,832,213	4,849,188
Unconditional promises to give—net of allowance for uncollectible promises of \$0 and \$0	623,203	603,379
Other current assets	69,750	72,274
Investment in capital assets	4,783	4,005
Land and other assets held for investment	<u>131,914</u>	<u>131,914</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,706,511</u></b>	<b><u>\$ 5,805,083</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
NET ASSETS:		
Unrestricted	231,633	399,038
Temporarily restricted	1,065,208	1,170,677
Permanently restricted	<u>4,409,670</u>	<u>4,235,368</u>
Total net assets	<u>5,706,511</u>	<u>5,805,083</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,706,511</u></b>	<b><u>\$ 5,805,083</u></b>

See notes to combined financial statements.



# GLENVILLE STATE COLLEGE

## COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
<b>OPERATING REVENUES:</b>		
Student tuition and fees (net of scholarship allowance of \$1,627,145 and \$1,414,795)	\$ 2,878,486	\$ 2,576,497
Contracts and grants:		
Federal	1,936,212	2,990,985
State	1,498,295	1,460,798
Private	1,188,789	705,061
Interest on student loans receivable	22	25
Sales and services of educational activities	558,093	513,074
Auxiliary enterprise revenue (net of scholarship allowance of \$1,178,482 and \$1,177,501)	2,423,494	2,144,356
Miscellaneous—net	141,488	127,982
	<u>10,624,879</u>	<u>10,518,778</u>
<b>OPERATING EXPENSES:</b>		
Salaries and wages	6,368,013	6,273,630
Benefits	1,827,273	1,849,182
Supplies and other services	3,630,326	3,136,458
Utilities	899,998	776,100
Student financial aid—scholarships and fellowships	2,115,656	2,212,444
Depreciation	1,348,842	1,353,949
Loan cancellations and write-offs	1,855	939
Fees assessed by the Commission for operations	56,171	59,942
	<u>16,248,134</u>	<u>15,662,644</u>
<b>OPERATING LOSS</b>	<u>(5,623,255)</u>	<u>(5,143,866)</u>

(Continued)

# GLENVILLE STATE COLLEGE

## COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2006 AND 2005

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	2006	2005
NONOPERATING REVENUES (EXPENSES):		
State appropriations	\$ 5,413,712	\$ 5,505,796
Investment income	258,822	97,005
Interest on indebtedness	(414,822)	(430,075)
Fees assessed by the Commission for debt service	<u>(11,990)</u>	<u>(11,983)</u>
Net nonoperating revenues	<u>5,245,722</u>	<u>5,160,743</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(377,533)	16,877
CAPITAL PROJECTS PROCEEDS FROM THE COMMISSION CAPITAL GRANTS AND GIFTS	292,715 <u>5,724,867</u>	472,500 <u>1,028,820</u>
INCREASE (DECREASE) IN NET ASSETS	5,640,049	1,518,197
NET ASSETS—Beginning of year	<u>13,116,141</u>	<u>11,597,944</u>
NET ASSETS—End of year	<u>\$18,756,190</u>	<u>\$13,116,141</u>

See notes to combined financial statements.

(Concluded)

# GLENVILLE STATE COLLEGE

**THE GLENVILLE STATE COLLEGE FOUNDATION, INC.  
A COMPONENT UNIT OF GLENVILLE STATE COLLEGE  
STATEMENTS OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Grants and donations	\$ 77,905	\$ 519,715	\$ 205,323	\$ 802,943
Administration fee	132,654			132,654
Investment income	46,196	200,632	521	247,349
Net assets released from restrictions- Satisfaction of program restrictions	<u>31,174</u>	<u>          </u>	<u>(31,174)</u>	<u>          </u>
Total revenues, gain and other support	<u>287,929</u>	<u>720,347</u>	<u>174,670</u>	<u>1,182,946</u>
EXPENSES:				
Program services	283,208	693,530		976,738
Management and general	146,661	132,286	368	279,315
Fundraising	11,242			11,242
Professional fees	12,797			12,797
Depreciation	<u>1,426</u>	<u>          </u>	<u>          </u>	<u>1,426</u>
Total expenses	455,334	825,816	368	1,281,518
CHANGE IN NET ASSETS	(167,405)	(105,469)	174,302	(98,572)
NET ASSETS—Beginning of year	<u>399,038</u>	<u>1,170,677</u>	<u>4,235,368</u>	<u>5,805,083</u>
NET ASSETS—End of year	<u>\$ 231,633</u>	<u>\$ 1,065,208</u>	<u>\$ 4,409,670</u>	<u>\$ 5,706,511</u>

See notes to combined financial statements.

# GLENVILLE STATE COLLEGE

**THE GLENVILLE STATE COLLEGE FOUNDATION, INC.  
A COMPONENT UNIT OF GLENVILLE STATE COLLEGE  
STATEMENTS OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Grants and donations	\$ 65,250	\$ 503,683	\$ 695,959	\$ 1,264,892
Administration fee	106,748			106,748
Investment income	55,265	262,425	57,238	374,928
	<u>227,263</u>	<u>766,108</u>	<u>753,197</u>	<u>1,746,568</u>
EXPENSES:				
Program services	89,181	659,366		748,547
Management and general	109,238	86,867	19,881	215,986
Fundraising	10,150			10,150
Professional fees	11,166			11,166
Depreciation	1,215			1,215
	<u>220,950</u>	<u>746,233</u>	<u>19,881</u>	<u>987,064</u>
CHANGE IN NET ASSETS	6,313	19,875	733,316	759,504
NET ASSETS—Beginning of year	<u>392,725</u>	<u>1,150,802</u>	<u>3,502,052</u>	<u>5,045,579</u>
NET ASSETS—End of year	<u>\$ 399,038</u>	<u>\$ 1,170,677</u>	<u>\$ 4,235,368</u>	<u>\$ 5,805,083</u>

See notes to combined financial statements.

# GLENVILLE STATE COLLEGE

## COMBINED STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Student tuition and fees	\$ 4,035,271	\$ 2,432,339
Contracts and grants	3,225,821	4,078,346
Payments to and on behalf of employees	(8,229,496)	(7,911,227)
Payments to suppliers	(3,585,540)	(2,883,207)
Payments to utilities	(876,706)	(790,539)
Payments for scholarships and fellowships	(2,881,732)	(1,374,488)
Loans issued to students	(118,742)	(127,192)
Collection of loans to students	125,740	129,124
Advances from federal government returned		(8,916)
Sales and service of educational activities	617,652	527,067
Auxiliary enterprise charges	3,494,159	1,986,269
Fees assessed by the Commission for operations	(56,171)	(59,942)
Other receipts and payments—net	<u>141,264</u>	<u>46,190</u>
Net cash used in operating activities	<u>(4,108,480)</u>	<u>(3,956,176)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	5,413,712	5,721,077
William D. Ford direct lending receipts	4,356,117	3,957,127
William D. Ford direct lending payments	<u>(4,356,117)</u>	<u>(3,957,127)</u>
Net cash provided by noncapital financing activities	<u>5,413,712</u>	<u>5,721,077</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Purchases of capital assets	(7,947,342)	(1,864,507)
Debt service paid to Commission	(260,505)	(254,261)
Non-operating fees retained by the Commission	(11,990)	(11,983)
Principal paid on notes, bonds and leases	(354,598)	(254,508)
Interest paid on notes, bonds and leases	(314,800)	(418,478)
Decrease (Increase) in noncurrent cash and cash equivalents	1,184,648	(763,641)
Loan proceeds from the Commission		375,000
Capital Grants - Federal	5,275,572	978,820
Capital projects proceeds from the Commission	<u>292,715</u>	<u>472,500</u>
Net cash used in capital financing activities	<u>(2,136,300)</u>	<u>(1,741,058)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on investments	<u>212,351</u>	<u>86,927</u>
Net cash provided by investing activities	<u>212,351</u>	<u>86,927</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(618,717)</b>	<b>110,770</b>
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<b><u>4,060,068</u></b>	<b><u>3,949,298</u></b>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<b><u>\$ 3,441,351</u></b>	<b><u>\$ 4,060,068</u></b>

(Continued)

# GLENVILLE STATE COLLEGE

## COMBINED STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2006 AND 2005

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	2006	2005
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$(5,623,255)	\$(5,143,866)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	1,348,842	1,353,949
Changes in assets and liabilities:		
Accounts receivable—net	404,385	(509,575)
Loans to students—net	(5,404)	1,833
Prepaid expenses	4,118	1,191
Inventories	37,251	(7,976)
Accounts payable	(192,610)	261,068
Accrued liabilities and due to the Commission	9,359	(151,925)
Compensated absences	(92,725)	189,362
Deferred revenue	1,559	58,679
Advances from Federal Sponsors	<u>          </u>	<u>(8,916)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$(4,108,480)</u>	<u>\$(3,956,176)</u>
NONCASH TRANSACTIONS:		
Accretion of bond discount into bonds payable	<u>\$ 1,519</u>	<u>\$ 1,519</u>
Capital lease obligation incurred for equipment	<u>\$ 167,127</u>	<u>\$ 102,948</u>

See notes to combined financial statements.

(Concluded)

# GLENVILLE STATE COLLEGE

## NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2006 AND 2005

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### 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.

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 (which includes West Virginia Network for Educational Telecomputing), and West Virginia Council for Community and Technical College Education, form the Higher Education Fund of the State. The Higher Education Fund is considered a component unit of the State, and its financial statements are discretely presented in the State's comprehensive annual financial report.

The accompanying combined financial statements present all funds under the authority of the College, including its blended component units, Glenville State College Research Corporation (the "Corporation"), which was formed on December 10, 1990 as a nonprofit, nonstock corporation and Glenville State College Housing Corporation (the "Housing Corporation"), which received tax-exempt status on June 11, 1973 as a nonprofit 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 under GASB Statement No. 14, *The Financial Reporting Entity*.

As of July 1, 2003, the College adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, as an amendment to GASB Statement No. 14. As a result, the audited financial statements of The Glenville State College Foundation, Inc. (the "Foundation") are presented here with the College's financial statements for the fiscal years ended June 30, 2006 and 2005. The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein (see also Note 17).

**Financial Statement Presentation**—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* 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. 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 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 structure and removed the restrictions but included designations associated with auxiliary and capital items. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the West Virginia State Legislature.

- *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 did not have any restricted nonexpendable net assets at June 30, 2006 and 2005, 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.

***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.

Prior to July 2005, cash and cash equivalents balances on deposit with the State of West Virginia Treasurer’s Office (the “State Treasurer”) were pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Investment Management Board (the “IMB”). Effective July 2005, investment of such funds is overseen and managed 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, and by provisions of bond indentures and trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments for External Investment Pools*. The IMB, and subsequently the BTI, were established by the State Legislature and are 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 and, accordingly, are presented as cash and cash equivalents in the accompanying combined financial statements.

The IMB, and subsequently the BTI, maintain the Consolidated Fund Investment Fund which consists of five investment pools and participant-directed accounts, in which the state and local governmental agencies invest. These pools have been structured as multiparticipant variable net asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the IMB’s and the BTI’s investment operations pool can be found in their respective annual reports. A copy of those annual reports can be obtained from the following address: 500 Virginia Street East, Suite 200, Charleston, WV 25301 or <http://www.wvimb.org> or <http://www.wvbt.com>.

***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. These revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Appropriations which remain undrawn at the end of the year may be drawn through the thirty-first day of July after the end of the year for which the appropriation is made.

***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. No interest was capitalized as part of the cost of assets for the year ended June 30, 2006. 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, 10 years for equipment, 7 years for library books, and 3 years for furniture. The College's capitalization threshold is \$1,000.

**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 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.

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

**Classification of Revenues**—The College 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 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.
- **Other Revenues**—Other revenues consist primarily of capital grants and gifts.

**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 2006 and 2005, the College received and disbursed \$4,356,117 and \$3,957,127, 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 2006 and 2005, the College received and disbursed approximately \$2,310,105 and \$2,427,831, 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.

**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.

**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.

**Risk and Uncertainties**—Investments 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 combined financial statements.

**Recent Statements Issued by the Government Accounting Standards Board**—The GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after December 15, 2006. This statement provides standards for the measurement, recognition and display of other postemployment benefit

expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. Effective July 1, 2006, the College will adopt GASB Statement No. 45. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State of West Virginia. Effective July 1, 2006, the College is required to participate in this multiple employer cost sharing plan sponsored by the State of West Virginia. Details regarding this plan can be obtained by contacting Public Employees Insurance Agency, State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, WV 25305-0710 or <http://www.wvpeia.com>. No liability related to this plan exists for the College at June 30, 2006.

**Reclassifications**—Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

### 3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2006 and 2005, was held as follows:

	<u>2006</u>		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
State Treasurer	\$2,549,878	\$ 467,168	\$3,017,046
Municipal Bond Commission	266,818		266,818
Trustee		181,245	181,245
Banks	<u>624,655</u>		<u>624,655</u>
	<u>\$3,441,351</u>	<u>\$ 648,413</u>	<u>\$4,089,764</u>
	<u>2005</u>		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
State Treasurer	\$3,236,388	\$1,651,191	\$4,887,579
Municipal Bond Commission	256,947		256,947
Trustee		181,870	181,870
Banks	<u>566,733</u>		<u>566,733</u>
	<u>\$4,060,068</u>	<u>\$1,833,061</u>	<u>\$5,893,129</u>

Amounts held by the State Treasurer includes \$708,342 and \$1,847,839 of restricted cash for grant programs, capital improvements, debt service, and student financial aid among others as of June 30, 2006 and 2005, respectively.

Amounts held by the Municipal Bond Commission or Trustee represents various project revenue, debt service, and other repair and replacement reserve funds required to be escrowed by various bond trust indentures.

The combined carrying amounts of cash in the bank at June 30, 2006 and 2005 were \$624,655 and \$566,733, respectively, as compared with the combined bank balance of \$656,483 and \$626,159. The difference is primarily caused by items in transit.

Amounts with the State Treasurer and the Municipal Bond Commission as June 30, 2006 and 2005 are comprised of the following investment pools:

**2006:**

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

**Cash Liquidity Pool**

**Credit Risk**

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

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

Security Type	Credit Rating *		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Commercial paper	P1	A-1	\$ 943,057	54.14 %
Corporate bonds and notes	Aaa	AAA	61,992	3.56
	Aa	AA	55,063	3.16
	Aa	A	12,000	0.69
			<u>129,055</u>	<u>7.41</u>
U.S. agency bonds	Aaa	AAA	43,663	2.51
U.S. Treasury bills	Aaa	AAA	306,279	17.58
Certificates of deposit	P1	A-1	99,000	5.68
	NR	NR	23,800	1.37
			<u>122,800</u>	<u>7.05</u>
U.S. agency discount notes	P1	A-1	93,851	5.39
Money market funds	Aaa	AAA	758	0.04
Repurchase agreements (underlying securities)				
U.S. Treasury notes	Aaa	AAA	73,000	4.19
U.S. agency notes	Aaa	AAA	29,339	1.69
			<u>102,339</u>	<u>5.88</u>
			<u>\$ 1,741,802</u>	<u>100.00 %</u>

\* NR = Not Rated

Glenville State College's ownership represents 0.12% of these amounts held by the BTI.

### **Government Money Market Pool**

#### **Credit Risk**

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

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
U.S. agency bonds	Aaa	AAA	\$ 21,420	11.76 %
U.S. Treasury bills	Aaa	AAA	28,346	15.56
U.S. agency discount notes	P1	A-1	112,399	61.70
Money market funds	Aaa	AAA	109	0.06
Repurchase agreements (underlying securities)				
U.S. Treasury strips	Aaa	AAA	15,602	8.56
U.S. agency bonds	Aaa	AAA	4,298	2.36
			<u>19,900</u>	<u>10.92</u>
			<u>\$ 182,174</u>	<u>100.00 %</u>

Glenville State College's ownership represents 0.03% of these amounts held by the BTI.



## Enhanced Yield Pool

### Credit Risk

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

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Corporate asset backed securities	P1	A-1	\$ 46,963	17.70 %
Corporate bonds and notes	Aaa	AAA	2,448	0.92
	Aa	AA	3,790	1.43
	Aa	A	15,660	5.90
	A	AA	3,048	1.15
	A	A	46,847	17.65
			<u>71,793</u>	<u>27.05</u>
U.S. agency bonds	Aaa	AAA	87,215	32.86 %
U.S. Treasury bills	Aaa	AAA	58,067	21.88
Repurchase agreements (underlying securities)				
U.S. agency mortgage backed securities	Aaa	AAA	<u>1,346</u>	<u>0.51</u>
			<u>\$ 265,384</u>	<u>100.00 %</u>

Glenville State College's ownership represents 0.42% of these amounts held by the BTI.

### Interest Rate Risk

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

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

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 102,339	3
U.S. Treasury bills	306,279	32
Commercial paper	943,057	25
Certificates of deposit	122,800	105
U.S. agency discount notes	93,851	89
Corporate notes	129,055	77
U.S. agency bonds/notes	43,663	208
Money market fund	758	1
	<u>\$1,741,802</u>	<u>42</u>

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

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 19,900	3
U.S. Treasury bills	28,346	42
U.S. agency discount notes	112,399	39
U.S. agency bonds/notes	21,420	152
Money market fund	109	1
	\$ 182,174	49

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

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 1,346	3
U.S. Treasury bonds/notes	58,067	894
Corporate notes	71,793	588
Corporate asset backed securities	46,963	688
U.S. agency bonds/notes	87,215	594
	\$ 265,384	672

#### **Other Investment Risks**

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

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

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

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

### Depository Accounts

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the college's deposits may not be returned to it. The college does not have a deposit policy for custodial credit risk. As of June 30, 2006, \$356,001 of the college's bank balance of \$656,483 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 0
Uninsured and collateral held by pledging bank's trust department not in the college's name	<u>356,001</u>
Total	<u>\$ 356,001</u>

2005:

### Cash Liquidity Pool

#### Credit risk

The IMB limits the exposure to credit risk in the Cash Liquidity Pool by requiring all corporate bonds to be rated AA or higher. Commercial paper must be rated A1 by Standard & Poor's and P1 by Moody's. Additionally, the pool must have at least 15% of its assets in United States Treasury issues.

The following table provides information on the weighted average credit ratings of the Cash Liquidity Pool's investments.

Security Type	Moody's	S&P	Carrying Value	Percent of Assets
Commercial paper	P1	A-1	\$ 598,241,394	37.9%
U. S. Treasury bills	Aaa	AAA	259,397,648	16.4%
Corporate notes	Aaa	AAA	155,559,323	9.9%
Certificates of deposit	P1	A-1	152,998,937	9.7%
Agency bonds	Aaa	AAA	147,955,465	9.4%
Agency discount notes	P1	A-1	119,564,248	7.6%
Money market funds	Aaa	AAA	4,241,278	0.3%
Total rated investments			<u>\$1,437,958,293</u>	<u>91.2%</u>

The Glenville State College ownership represents .25 % of these amounts held by IMB.

Unrated securities include repurchase agreements of \$141,050,000. Acceptable collateral for the repurchase agreements include U. S. Treasury and government agency securities, all of which carry the highest credit rating.

**Concentration of credit risk**

West Virginia statutes prohibit the Cash Liquidity Pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2005, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

**Custodial credit risk**

At June 30, 2005, the Cash Liquidity Pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the IMB. Securities lending collateral that is reported in the Statement of Assets and Liabilities is invested in the lending agent's money market fund.

**Interest rate risk**

The weighted average maturity of the investments of the Cash Liquidity Pool cannot exceed 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the weighted average maturities (WAM) for the various asset types in the Cash Liquidity Pool.

Security Type	Carrying Value	WAM
Commercial paper	\$ 598,241,394	49
U. S. Treasury bills	259,397,648	30
Corporate notes	155,559,323	53
Certificates of deposit	152,998,937	42
Agency bonds	147,955,465	88
Repurchase agreements	141,050,000	1
Agency discount notes	119,564,248	52
Money market funds	4,241,278	1
Total assets	\$ 1,579,008,293	45

**Foreign currency risk**

The Cash Liquidity Pool has no securities that are subject to foreign currency risk.

**Government Money Market**

**Credit risk**

The IMB limits the exposure to credit risk in the Government Money Market Pool by limiting the pool to U. S. Treasury issues, U. S. government agency issues, money market funds investing in U. S. Treasury issues and U. S. government agency issues, and repurchase agreements collateralized by U. S. Treasury issues and U. S. government agency issues. None of the government agency issues held by the pool have the explicit guarantee of the U. S. Treasury; however, they are all rated Aaa by Moody's and

AAA by Standard & Poor's. Agency discount notes held by the pool are rated P1 by Moody's and A-1 by Standard & Poor's.

**Concentration of credit risk**

West Virginia statutes prohibit the Government Money Market Pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2005, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

**Custodial credit risk**

At June 30, 2005, the Government Money Market Pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the IMB. Securities lending collateral that is reported in the Statement of Assets and Liabilities is invested in the lending agent's money market fund.

**Interest rate risk**

The weighted average maturity of the investments of the Government Money Market Pool cannot exceed 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the weighted average maturities (WAM) for the various asset types in the Government Money Market Pool.

Security Type	Carrying Value	WAM (days)
Agency discount notes	\$ 46,409,362	32
Agency bonds	42,571,144	75
Repurchase agreements	39,950,000	1
U. S. Treasury bills	24,903,836	48
Money market funds	985,190	1
Total assets	\$ 154,819,532	38

The Glenville State College ownership represents .20 % of these amounts held by IMB.

**Foreign currency risk**

The Government Money Market Pool has no securities that are subject to foreign currency risk.

**Enhanced Yield**

**Credit risk**

The IMB limits the exposure to credit risk in the Enhanced Yield Pool by requiring all corporate bonds to be rated A or higher. Commercial paper must be rated A1 by Standard & Poor's and P1 by Moody's. Additionally, the pool must have at least 15% of its assets in United States Treasury issues.

The following table provides information on the weighted average credit ratings of the Enhanced Yield Pool's investments.

Security Type	Moody's	S&P	Fair Value	Percent of Assets
Corporate notes	A	AA	\$ 81,631,581	30.0%
Agency bonds	Aaa	AAA	69,203,277	25.5%
U. S. Treasury notes	Aaa	AAA	66,466,539	24.5%
Corporate asset backed securities	Aaa	AAA	49,990,408	18.4%
Total rated investments			<u>\$ 267,291,805</u>	<u>98.4%</u>

The Glenville State College ownership represents .40 % of these amounts held by IMB.

Unrated securities include repurchase agreements of \$4,362,262. Acceptable collateral for the repurchase agreements include U. S. Treasury and government agency securities, all of which carry the highest credit rating.

### Concentration of credit risk

West Virginia statutes prohibit the Enhanced Yield Pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2005, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

### Custodial credit risk

At June 30, 2005, the Enhanced Yield Pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the IMB. Securities lending collateral that is reported in the Statement of Assets and Liabilities is invested in the lending agent's money market fund.

### Interest rate risk

The weighted average maturity of the investments of the Enhanced Yield Pool cannot exceed two years. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the weighted average maturities (WAM) for the various asset types in the Enhanced Yield Pool.

Security Type	Fair Value	WAM (years)
Corporate notes	\$ 81,631,581	1.7
Agency bonds	69,203,277	1.9
U. S. Treasury notes	66,466,539	2.3
Corporate asset backed securities	49,990,408	1.1
Repurchase agreement	4,362,262	0.0
Total assets	<u>\$ 271,654,067</u>	<u>1.7</u>

### Foreign currency risk

The Enhanced Yield Pool has no securities that are subject to foreign currency risk.

### **Money Market Fund**

In addition to funds invested with IMB, Glenville State College has \$ 181,870 in a money market fund, Government Obligations Fund managed by United National Bank.

### **Credit risk**

Glenville State College limits its exposure to credit risk by investing only in money market funds with a rating of AAA. United National Bank limits the exposure to credit risk in the money market fund by restricting investments to U.S. Treasuries, government agency securities, and repurchase agreements backed by government securities

### **Concentration of credit risk**

Glenville State College minimizes credit concentration risk by investing less than 1% of its funds in money market funds.

### **Custodial credit risk**

At June 30, 2005, the money market fund held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized by government securities. The collateral is not held in the name of the Glenville State College.

### **Interest rate risk**

The weighted average maturity of the investments in money market funds is 27 days, with over 53% of investments having a maturity of 7 days or less

### **Foreign currency risk**

The money market fund has no securities that are subject to foreign currency risk.

### **Depository Accounts**

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the college's deposits may not be returned to it. The college does not have a deposit policy for custodial credit risk. As of June 30, 2005, \$319,881 of the college's bank balance of \$624,908 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	0
Uninsured and collateral held by pledging bank's trust department not in the college's name		<u>319,881</u>
Total		<u>\$ 319,881</u>



4. **ACCOUNTS RECEIVABLE**

Accounts receivable were as follows at June 30, 2006 and 2005:

	<b>2006</b>	<b>2005</b>
Student tuition and fees, net of allowance for doubtful accounts of \$621,029 and \$559,069, respectively	\$ 151,927	\$ 110,917
Due from the Commission	11,049	22,192
Due from other State agencies	42,308	10,514
Due from Federal Government	43,905	491,695
Other accounts receivable	<u>28,451</u>	<u>46,707</u>
	<u>\$ 277,640</u>	<u>\$ 682,025</u>

## 5. CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2006 and 2005:

	2006				
	Beginning Balance	Additions	Reductions	Transfer	Ending Balance
Capital assets not being depreciated:					
Land	\$ 462,913				\$ 462,913
Construction In Progress	<u>2,267,216</u>	<u>\$ 6,224,334</u>		<u>\$(7,277,742)</u>	<u>1,213,808</u>
Total capital assets not being depreciated	<u>\$ 2,730,129</u>	<u>\$ 6,224,334</u>	<u>\$</u>	<u>\$(7,277,742)</u>	<u>\$ 1,676,721</u>
Other capital assets:					
Land improvements	\$ 2,002,395	\$ 387,214			\$ 2,389,609
Infrastructure	1,371,697	62,081			1,433,778
Buildings	25,914,462	778,202		\$7,277,742	33,970,406
Equipment	5,510,488	512,693	\$(461,856)		5,561,325
Library books	<u>1,540,029</u>	<u>34,912</u>	<u>(1,039)</u>		<u>1,573,902</u>
Total other capital assets	<u>36,339,071</u>	<u>1,775,102</u>	<u>(462,895)</u>	<u>7,277,742</u>	<u>44,929,020</u>
Less accumulated depreciation for:					
Land improvements	677,133	94,620			771,753
Infrastructure	976,430	100,369			1,076,799
Buildings	14,788,803	750,745			15,539,548
Equipment	3,798,984	449,724	(570,757)		3,677,951
Library books	<u>1,358,539</u>	<u>62,285</u>	<u>(1,039)</u>		<u>1,419,785</u>
Total accumulated depreciation	<u>21,599,889</u>	<u>1,457,743</u>	<u>(571,796)</u>		<u>22,485,836</u>
Other capital assets—net	<u>\$ 14,739,182</u>	<u>\$ 317,359</u>	<u>\$ 108,901</u>	<u>\$ 7,277,742</u>	<u>\$ 22,443,184</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 2,730,129	\$ 6,224,334		\$(7,277,742)	\$ 1,676,721
Other capital assets	<u>36,339,071</u>	<u>1,775,102</u>	<u>\$(462,895)</u>	<u>7,277,742</u>	<u>44,929,020</u>
Total cost of capital assets	39,069,200	7,999,436	(462,895)		46,605,741
Less accumulated depreciation	<u>21,599,889</u>	<u>1,457,743</u>	<u>(571,796)</u>		<u>22,485,836</u>
Capital assets—net	<u>\$ 17,469,311</u>	<u>\$ 6,541,693</u>	<u>\$ 108,901</u>	<u>\$</u>	<u>\$ 24,119,905</u>

	Beginning Balance	Additions	Reductions	Transfer	Ending Balance
Capital assets not being depreciated:					
Land	\$ 462,913				\$ 462,913
Construction In Progress	<u>642,606</u>	<u>\$ 1,624,610</u>			<u>2,267,216</u>
Total capital assets not being depreciated	<u>\$ 1,105,519</u>	<u>\$ 1,624,610</u>			<u>\$ 2,730,129</u>
Other capital assets:					
Land improvements	\$ 1,986,192	\$ 16,203			\$ 2,002,395
Infrastructure	1,371,697				1,371,697
Buildings	25,867,029	47,433			25,914,462
Equipment	5,225,048	292,797	\$ (7,357)		5,510,488
Library books	<u>1,504,835</u>	<u>36,412</u>	<u>(1,218)</u>		<u>1,540,029</u>
Total other capital assets	<u>35,954,801</u>	<u>392,845</u>	<u>(8,575)</u>		<u>36,339,071</u>
Less accumulated depreciation for:					
Land improvements	608,327	68,806			677,133
Infrastructure	880,039	96,391			976,430
Buildings	14,174,265	614,538			14,788,803
Equipment	3,303,025	503,316	(7,357)		3,798,984
Library books	<u>1,288,859</u>	<u>70,898</u>	<u>(1,218)</u>		<u>1,358,539</u>
Total accumulated depreciation	<u>20,254,515</u>	<u>1,353,949</u>	<u>(8,575)</u>		<u>21,599,889</u>
Other capital assets—net	<u>\$ 15,700,286</u>	<u>\$ (961,104)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,739,182</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 1,105,519	\$ 1,624,610			\$ 2,730,129
Other capital assets	<u>35,954,801</u>	<u>392,845</u>	<u>\$ (8,575)</u>	<u>\$ -</u>	<u>36,339,071</u>
Total cost of capital assets	37,060,320	2,017,455	(8,575)		39,069,200
Less accumulated depreciation	<u>20,254,515</u>	<u>1,353,949</u>	<u>(8,575)</u>		<u>21,599,889</u>
Capital assets—net	<u>\$ 16,805,805</u>	<u>\$ 663,506</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,469,311</u>

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

## 6. LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the College for the years ended June 30, 2006 and 2005:

	2006				
	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 \$181,245 at June 30, 2006	\$ 4,726,641	\$ 1,519	\$ 85,000	\$ 4,643,160	\$ 83,481
Capital lease obligations	784,768	167,127	227,858	724,037	223,737
Note payable	447,275		77,525	369,750	144,750
Commission Debt Payable	<u>2,163,974</u>		<u>159,366</u>	<u>2,004,608</u>	<u>162,486</u>
Total bonds, capital leases, and note payable	8,122,658	168,646	549,749	7,741,555	614,454
Other liabilities:					
Accrued compensated absences	<u>1,628,579</u>	<u>380,505</u>	<u>473,228</u>	<u>1,535,856</u>	<u>316,486</u>
Total noncurrent liabilities	<u>\$ 9,751,237</u>	<u>\$ 549,151</u>	<u>\$ 1,022,977</u>	<u>\$ 9,277,411</u>	<u>\$ 930,940</u>
	2005				
	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 \$181,870 at June 30, 2005	\$ 4,805,122	\$ 1,519	\$ 80,000	\$ 4,726,641	\$ 83,481
Capital lease obligations	848,951	102,948	167,131	784,768	194,649
Note payable	79,652	375,000	7,377	447,275	77,524
Commission Debt Payable	<u>2,418,235</u>		<u>254,261</u>	<u>2,163,974</u>	<u>159,366</u>
Total bonds, capital leases, and note payable	8,151,960	479,467	508,769	8,122,658	515,020
Other liabilities:					
Accrued compensated absences	1,439,217	568,303	378,941	1,628,579	309,141
Advances from Federal Sponsors	<u>8,916</u>		<u>8,916</u>		
Total noncurrent liabilities	<u>\$ 9,600,093</u>	<u>\$ 1,047,770</u>	<u>\$ 896,626</u>	<u>\$ 9,751,237</u>	<u>\$ 824,161</u>

**7. BONDS PAYABLE**

Bonds payable consisted of the following at June 30, 2006 and 2005:

	Interest Rate	Annual Principal Installment Due	2006 Principal Amount Outstanding	2005 Principal Amount Outstanding
Student Housing Bonds: Series 2000 A, mature various dates through October 1, 2030	5.3% to 6.2%	Various	\$ 4,680,000	\$ 4,765,000
Less: Discount			<u>36,840</u>	<u>38,359</u>
Total bonds payable			<u>\$ 4,643,160</u>	<u>\$ 4,726,641</u>

The following is a schedule by year of future annual minimum payments required under the Series 2000 A bonds existing at June 30, 2006:

Year Ending June 30	Principal	Interest	Total
2007	\$ 85,000	\$ 281,080	\$ 366,080
2008	90,000	276,420	366,420
2009	95,000	271,448	366,448
2010	100,000	266,157	366,157
2011	110,000	260,408	370,408
2012 - 2016	640,000	1,195,412	1,835,412
2017 - 2021	850,000	972,623	1,822,623
2022 - 2026	1,155,000	668,241	1,823,241
2027 - 2031	<u>1,555,000</u>	<u>252,805</u>	<u>1,807,805</u>
Total	<u>\$4,680,000</u>	<u>\$4,444,594</u>	<u>\$ 9,124,594</u>

## 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, 2006:

Year Ending June 30	Principal	Interest	Total
2007	\$ 223,737	\$ 24,801	\$ 248,538
2008	202,771	16,132	218,903
2009	168,431	8,447	176,878
2010	92,632	3,157	95,789
2011	36,466	887	<u>37,353</u>
			777,461
Less interest			<u>53,424</u>
			<u>\$ 724,037</u>

The net book value of leased assets was \$956,334 as of June 30, 2006.

## 9. NOTE PAYABLE

Note payable consisted of the following at June 30, 2006 and 2005:

	Interest Rate	Annual Principal Installment Due	2006 Principal Amount Outstanding	2005 Principal Amount Outstanding
Real Estate Purchase:				
\$79,000 promissory note collateralized by 1st lien on purchased house and Lot, Gilmer County, West Virginia	6.0%	\$566 monthly through 6/07 plus balloon	69,750	72,275
\$375,000 unsecured promissory note to the Commission	0.0%	\$37,500 semi-annually through 6/10	300,000	375,000
Total Note Payable			<u>\$369,750</u>	<u>\$447,275</u>

The following is a schedule by year of future annual minimum payments required under the notes existing at June 30, 2006:

Year Ending June 30	Principal	Interest	Total
2007	\$ 144,750	\$ 4,112	\$ 148,862
2008	75,000		75,000
2009	75,000		75,000
2010	75,000		<u>75,000</u>
Total			373,862
Less portion representing interest			<u>4,112</u>
			<u>\$ 369,750</u>

#### 10. COMPENSATED ABSENCES LIABILITY

The composition of the compensated absences liability was as follows at June 30, 2006 and 2005:

	2006	2005
Health and life insurance benefits	\$ 1,179,286	\$ 1,274,506
Accrued vacation leave	<u>356,570</u>	<u>354,073</u>
	<u>\$ 1,535,856</u>	<u>\$ 1,628,579</u>

For the years ended June 30, 2006 and 2005, the amount paid by the College for extended health and life insurance coverage retirement benefits totaled \$66,979 and \$74,091, respectively. As of June 30, 2006 and 2005, there were 32 and 36 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. During 2006 and 2005, the College paid \$260,505 and \$254,261, respectively, to the Commission against the debt obligation. The amount due to Commission at June 30, 2006 and 2005 was \$2,004,608 and \$2,163,974 respectively.

During the year ended June 30, 2005, the West Virginia Higher Education Policy Commission issued \$167,000,000 of 2004 Series B 30-year Revenue Bonds to fund capital projects at various higher education institutions in the State of West Virginia. The College has been approved to receive \$5,000,000 of these funds. State lottery funds will be used to repay the debt, although the College's revenues are pledged if lottery funds prove insufficient.

**Subsequent Event**

On October 26, 2006, the West Virginia Higher Education Policy Commission passed a resolution authorizing issuance of commercial development revenue bonds for \$1,500,000. The funds will provide for the reimbursement of construction, improvement, and renovation costs incurred in the renovation of the Mollohan Campus Community Center by the College.

**12. UNRESTRICTED NET ASSETS**

The College's unrestricted net assets include certain designated net assets as follows:

	2006	2005
Designated for auxiliaries	\$ 370,268	\$ 531,114
Designated for affiliated organizations	507,035	449,172
Undesignated	<u>358,355</u>	<u>362,290</u>
 Total unrestricted net assets	 <u>\$1,235,658</u>	 <u>\$1,342,576</u>

**13. 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.

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the Educators Money 401(a) basic retirement plan. New hires have the choice of either plan. As of June 30, 2006, no employees were enrolled in the Educators Money 401(a) basic retirement plan.

The STRS is a cost sharing, defined benefit public employee retirement system. Employer and employee contribution rates are established annually by the State Legislature. The 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, 2006 and 2005, respectively. Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2006 and 2005, 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.

Total contributions to the STRS for the years ended June 30, 2006, 2005 and 2004, were \$388,342, \$373,953 and \$414,412, respectively, which consisted of \$277,387, \$267,108 and \$296,008 from the College in 2006, 2005 and 2004, respectively, and \$110,955, \$106,845 and \$118,404 from the covered employees in 2006, 2005 and 2004, 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.

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. In addition, employees may elect to make additional contributions to TIAA-CREF which are not matched by the College.

Total contributions to the TIAA-CREF for the years ended June 30, 2006, 2005 and 2004, were \$487,248, \$452,220 and \$455,858, respectively, which consisted of equal contributions from the College and covered employees in 2006, 2005 and 2004 of \$243,624, \$226,110 and \$227,929, respectively.

The College's total payroll for the years ended June 30, 2006 and 2005 was \$6,198,617 and \$5,834,987; total covered employees' salaries in the STRS and TIAA-CREF were \$1,849,245 and \$4,042,453 in 2006, respectively, \$1,780,713 and \$3,753,154 in 2005, respectively.

#### **14. 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.

**15. 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:

**Glenville State College Housing Corporation**

<b>Condensed Statement of Net Assets (Unaudited)</b>	<b>2006</b>	<b>2005</b>
<b>Assets:</b>		
Current assets	\$ 407,199	\$ 345,553
Capital assets	<u>5,668,238</u>	<u>5,854,041</u>
<b>Total assets</b>	<u><b>\$6,075,437</b></u>	<u><b>\$6,199,594</b></u>
<b>Liabilities:</b>		
Deposits Payable	\$ 9,046	\$ 8,946
Bond indebtedness	4,643,160	4,726,641
Other note	<u>69,750</u>	<u>72,274</u>
<b>Total liabilities</b>	4,721,956	4,807,861
<b>Net Assets:</b>		
Invested in capital assets—net of related debt	955,328	1,055,125
<b>Restricted:</b>		
Debt service	181,245	181,870
Unrestricted	<u>216,908</u>	<u>154,738</u>
<b>Total net assets and liabilities</b>	<u><b>\$6,075,437</b></u>	<u><b>\$6,199,594</b></u>

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

	2006	2005
Operating:		
Operating revenues	\$ 509,955	\$ 494,669
Operating expenses	<u>(262,270)</u>	<u>(247,240)</u>
Net operating income	247,685	247,429
Nonoperating:		
Nonoperating revenues	7,414	2,908
Nonoperating expenses	<u>(293,351)</u>	<u>(298,208)</u>
Changes in net assets	(38,252)	(47,871)
Net assets—beginning of year	<u>1,391,733</u>	<u>1,439,604</u>
Net assets—end of year	<u>\$ 1,353,481</u>	<u>\$ 1,391,733</u>

**Condensed Statement of Cash Flows (Unaudited)**

	2006	2005
Net cash provided by operating activities	\$ 433,487	\$ 417,892
Net cash used by capital and related financing	<u>(371,841)</u>	<u>(410,368)</u>
Net increase in cash	61,646	7,524
Cash and cash equivalents—beginning of year	<u>345,553</u>	<u>338,029</u>
Cash and cash equivalents—end of year	<u>\$ 407,199</u>	<u>\$ 345,553</u>

### 16. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the year ended June 30, 2006 and 2005, the following table represents operating expenses within both natural and functional classifications:

	2006							Total
	Salaries and Wages	Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Cancellations and Write-offs	Fees Assessed by the Commission for Operations	
Instruction	\$2,900,615	\$ 697,677	\$ 232,550	\$	\$	\$	\$	\$ 3,830,842
Academic support	547,028	150,550	86,432					784,010
Student services	847,037	294,369	365,934					1,507,340
General institutional support	800,751	210,783	386,847					1,398,381
Operations and maintenance of plant	566,021	255,194	493,772	544,265				1,859,252
Student financial aid					2,115,656	1,855		2,117,511
Auxiliary enterprises								3,345,785
Depreciation	706,561	218,700	2,064,791	355,733		1,348,842		1,348,842
Fees assessed by the Commission for operations							56,171	56,171
<b>Total</b>	<b>\$6,368,013</b>	<b>\$1,827,273</b>	<b>\$3,630,326</b>	<b>\$899,998</b>	<b>\$2,115,656</b>	<b>\$ 1,855</b>	<b>\$ 56,171</b>	<b>\$16,248,134</b>

	2005							Total
	Salaries and Wages	Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Cancellations and Write-offs	Fees Assessed by the Commission for Operations	
Instruction	\$2,807,931	\$ 824,053	\$ 229,558	\$	\$	\$	\$	\$ 3,861,542
Academic support	568,040	190,140	170,189					928,369
Student services	743,966	172,524	268,285					1,184,775
General institutional support	1,047,112	213,447	522,581					1,783,140
Operations and maintenance of plant	553,637	220,222	264,155	451,861				1,489,875
Student financial aid					2,212,444	939		2,213,383
Auxiliary enterprises								2,787,669
Depreciation	552,944	228,796	1,681,690	324,239				1,353,949
Fees assessed by the Commission for operations							59,942	59,942
<b>Total</b>	<b>\$6,273,630</b>	<b>\$1,849,182</b>	<b>\$3,136,458</b>	<b>\$776,100</b>	<b>\$2,212,444</b>	<b>\$ 939</b>	<b>\$ 59,942</b>	<b>\$15,662,644</b>

## 17. FOUNDATION

The Foundation is a separate nonprofit organization incorporated in the state of West Virginia 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. Although the College 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 are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is therefore discretely presented with the College’s financial statements in accordance with GASB Statement No. 39. Based on the Foundation’s audited financial statements as of June 30, 2006 and 2005, the Foundation’s net assets (including unrealized gains) totaled \$5,706,511 and \$5,805,083, respectively. Complete financial statements for the Foundation can be obtained from the Executive Director of the Glenville State College Foundation, Inc., 200 High Street, Glenville, WV 26351.

During the year ended June 30, 2006 and 2005, the Foundation contributed \$254,273 and \$221,545, respectively, to the College for scholarships.

The following notes on pages 52 -- 55 are taken directly from the Foundation’s audited financial statements.

**NOTES TO FINANCIAL STATEMENTS**  
**GLENVILLE STATE COLLEGE FOUNDATION, INC.**  
**June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Glenville State College Foundation, Inc. was incorporated in 1959 as a non-profit organization to receive and provide funds for scholarships, endowments, educational research and other general educational purposes for the benefit of Glenville State College and the students at Glenville State College.

**Reporting Entity**

The financial statements of the Foundation include all funds, functions, and activities to which the Board of Trustees has oversight responsibility. There are no additional entities required to be included in the reporting entity.

**Fund Accounting**

The accounts of the Foundation are maintained on an accrual basis in accordance with the principles and practices of "Fund Accounting". Fund Accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or specified objectives.

These financial statements are prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions. Accordingly, fund transactions and balances are classified into three categories of net assets: 1) unrestricted net assets which have no donor-imposed restrictions; 2) temporarily-restricted net assets which have donor-imposed restrictions that will expire in the future; and 3) permanently-restricted net assets which have donor-imposed restrictions which do not expire.

The expiration of a donor-imposed restriction on a contribution or endowment income is recognized in the period in which the restriction expires, at which time the related resource is recognized as unrestricted net assets.

**Cash**

The Foundation maintains its cash at local financial institutions under normal financial arrangements. During the years ended June 30, 2006 and 2005, the Foundation cash balances periodically exceeded the FDIC insured deposit limit of \$100,000.

**Bequests and Contributions Receivable**

Bequests and contributions receivable consist of bequests and contributions to give stock, cash, and life insurance proceeds. Bequests and contributions to give cash and stock are recorded at fair value, bequests and contributions to give life insurance proceeds are recorded at net present value. All bequests and contributions at June 30, 2006 and 2005 are, in the opinion of Foundation management, fully collectible.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**GLENVILLE STATE COLLEGE FOUNDATION, INC.**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with respective gains and losses being included in the Statement of Activities.

**Equipment**

The cost of equipment owned by the Foundation is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight line method. Expenditures for major renewals and betterments that extend the useful lives of the equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

**Management Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates, such as the allowance for uncollectible pledges, are based upon known facts and circumstances. Estimates are revised by management in the period such facts and circumstances change.

**Tax Exempt Status**

The Foundation is exempt from federal income taxes as a non-profit organization under Section 501 (c) (3) of the Internal Revenue Code.

**Cash Flows**

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and deposits in banks.

No interest or income taxes were paid during the years ended June 30, 2006 and 2005.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**GLENVILLE STATE COLLEGE FOUNDATION, INC.**

**NOTE 2. INVESTMENTS**

Investments of the Foundation at June 30, 2006 consist of:

	<u>Cost</u>	<u>Fair Value</u>
American Century Mutual Funds	\$ 31,403	\$ 38,527
Lord Abbott Mutual Funds	61,512	72,905
United Bank Investment Portfolio	4,104,300	4,417,345
Huntington Bancshares, Inc. Common Stock	37,500	23,580
United Bancshares, Inc. Common Stock	68,124	183,150
Exxon Mobil Corporation Common Stock	9,391	95,706
Other Investments	1,000	1,000
	<u>\$ 4,313,230</u>	<u>\$ 4,832,213</u>

The United Bank Investment Portfolio consists of governmental agency notes and bonds 26%; corporate notes and bonds 31%; and corporate stock 43%.

Investments of the Foundation at June 30, 2005 consist of:

	<u>Cost</u>	<u>Fair Value</u>
American Century Mutual Funds	\$ 30,855	\$ 35,596
Lord Abbott Mutual Funds	55,922	64,890
United Bank Investment Portfolio	4,112,824	4,455,859
Huntington Bancshares, Inc. Common Stock	37,500	24,140
United Bancshares, Inc. Common Stock	68,124	178,050
Exxon Mobil Corporation Common Stock	9,391	89,653
Other Investments	1,000	1,000
	<u>\$ 4,315,616</u>	<u>\$ 4,849,188</u>

The United Bank Investment Portfolio consists of governmental agency notes and bonds 26%; corporate notes and bonds 32%; and corporate stock 42%.

**NOTE 3. REQUESTS AND CONTRIBUTIONS RECEIVABLE**

Requests and contributions receivable consist of the following at June 30:

	2006	2005
Cline, present value of life insurance policy	\$ 103,730	\$ 89,293
Kern, present value of life insurance policy	7,840	7,005
Rice, present value of life insurance policy	511,633	507,081
Other receivables	--	--
<b>TOTAL</b>	<u>\$ 623,203</u>	<u>\$ 603,379</u>



**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**GLENVILLE STATE COLLEGE FOUNDATION, INC.**

**NOTE 4. LOAN RECEIVABLE**

During the year ended June 30, 2003, the Foundation loaned Glenville State College \$79,000, secured by a deed of trust on the property known as the Turner House. The note bears interest at 6%, with monthly payments of \$566 through June 2007, at which time a final payment of \$67,637 is due. The balance of the note at June 30, 2006 and 2005 was \$69,750 and \$72,274, respectively.

**NOTE 5. PHALA WOODS LOAN TRUST FUND**

The Foundation has approximately \$80,000 held in trust by Bank One of Clarksburg, West Virginia. The Foundation receives only income from the trust and uses the monies as loan funds as required by the trust agreement. The Foundation has no control over trust principal. The trust fund is, therefore, not included on the Foundation Statement of Financial Position as of June 30, 2006 or 2005.

**NOTE 6. CONCENTRATIONS**

The Foundation relies primarily upon bequests and contributions from donors who are primarily from the Glenville, West Virginia area and graduates of Glenville State College.

**NOTE 7. ADMINISTRATIVE FEE ASSESSMENT**

As provided by the West Virginia Code, the Foundation is entitled to charge an administrative fee for the management of the various assets held in trust. For the years ended 2006 and 2005, the Foundation charged an administrative fee in an amount sufficient to cover operating expenses, of \$132,654 and \$106,748, respectively.

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**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**

Glenville State College Governing Board

We have audited the accompanying combined financial statements of the business-type activities and discretely presented component unit of Glenville State College (the "College"), as of and for the years ended June 30, 2006 and 2005, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 31, 2006, which states reliance on other auditors for the discretely presented component unit. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the combined financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the College's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is a lack of segregation of duties over cash maintained outside the State Treasurer.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

### **Compliance and Other Matters**

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 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Hayflich & Steinberg, CPAs, PLLC*

October 31, 2006