GLENVILLE STATE COLLEGE

Glenville, West Virginia

Combined Financial Statements and
Additional Information for the Years
Ended June 30, 2005 and 2004 and
Independent Auditors' Reports

GLENVILLE STATE COLLEGE

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INDEPENDENT AUDITORS' REPORT

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

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, 2005 and 2004, 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 an opinion on these combined financial statements based on our audits. We did not audit the financial statements of Glenville 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 2005 and 2004 amounts included for Glenville 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 Glenville 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, 2005 and 2004, and the respective changes in net assets and cash flows, where applicable, 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 September 16, 2005, 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 conjunction with this report in considering the results of our audits.

The management's discussion and analysis on pages 3 through 10 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.

As discussed in Note 3 to the financial statements, certain errors resulting in understatement of previously reported capital assets as of June 30, 2004, were discovered by management of the College during the current year. Accordingly, the 2004 financial statements have been restated to correct the error.

Hayflich & Steinberg, CPA's, PLLC

September 16, 2005

GLENVILLE STATE COLLEGE
200 High Street
Glenville, WV 26351

Management Discussion and Analysis
Fiscal Years 2005, 2004, and 2003

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 2005 and 2004. The following management discussion and analysis provides an overview of the financial position and activities of the College for the years ended June 30, 2005, 2004, and 2003.

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 major areas of focus in fiscal year 2005 were the continued emphasis on recruitment and retention, planning and development, capital improvements, and grant activities. Each of these areas of concentration contributed to our financial position during this fiscal year. While we experienced a drop in our enrollment from FY2004 to FY2005, progress was made in aligning the College to ensure an improved enrollment picture beginning in FY2006. Major efforts were undertaken in the arena of charting the path for the College over the course of the next ten years. The College spent many man hours and approximately $100,000 in the development of long range visioning and facilities master plans. These plans outline goals and objectives as well as prescribed courses to be taken in order to strategically position the College for meeting the challenges of the next decade.

Grant revenue increased $837,464 in FY2005 due in large part to grants not directly related to student financial aid included the receipt of $975,008 in HUD grants designated for renovation of the Allan B. Mollohan Campus Community Center (formerly Heflin Student Union).

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, 2005, 2004 and 2003

Assets:	**2005**	**2004**	**2003**	**% Change**
Current assets	$ 4,868,191	$ 4,458,175	$ 4,413,634	9.20%
Non-current assets	1,833,061	1,069,420	1,124,578	71.40%
Capital assets, net	17,469,311	16,805,805	17,111,421	3.95%
Total Assets	$ 24,170,563	$ 22,333,400	$ 22,649,633	8.23%
Liabilities				
Current Liabilities	$ 2,127,346	$ 1,903,793	$ 2,002,079	11.74%
Non-current Liabilities	8,927,076	8,831,663	9,357,473	1.08%
Total Liabilities	$ 11,054,422	$ 10,735,456	$ 11,359,552	2.97%
Net Assets (Deficit)				
Invested in capital assets, net of related debt	$ 9,346,653	$ 8,653,845	$ 8,472,233	8.00%
Restricted – expendable	2,426,912	2,132,578	3,178,144	13.80%
Unrestricted	1,342,576	811,521	(360,296)	65.44%
Total Net Assets	$ 13,116,141	$ 11,597,944	$ 11,290,081	13 .09%
Total Liabilities and Net Assets	$ 24,170,563	$ 22,333,400	$ 22,649,633	8.23%

An indicator of short-term financial condition is the ratio of current assets to current liabilities, or current ratio. The current ratio was 2.3, 2.3, and 2.2 as of June 30, 2005, 2004 and 2003, respectively. These indicate that the College has sufficient available resources to meet its current obligations.

Significant Changes in Net Assets

At June 30, 2005, the College's total net assets increased from the previous year by $1,518,197. Current cash and cash equivalents increased by approximately $110,770 as a result of efficiencies gained by restrictions on departmental spending. The College reinstated staff positions that had been reduced in FY2004 from 1.00 to .87 FTE.

Non-current assets, consisting entirely of non-current cash and cash equivalents, increased by approximately $763,641. This was largely as a result of capital projects proceeds ($472,500) and a capital improvement loan ($375,000) received from the Commission.

Net capital assets increased approximately $663,506 due primarily to construction in progress on the Mollohan Campus Community Center, Robert F. Kidd Library, and science hall. Principal on the Pioneer Village bonds and system-wide debt assigned by the HEPC were reduced $80,000 and $ 254,261 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, 2005, 2004, and 2003

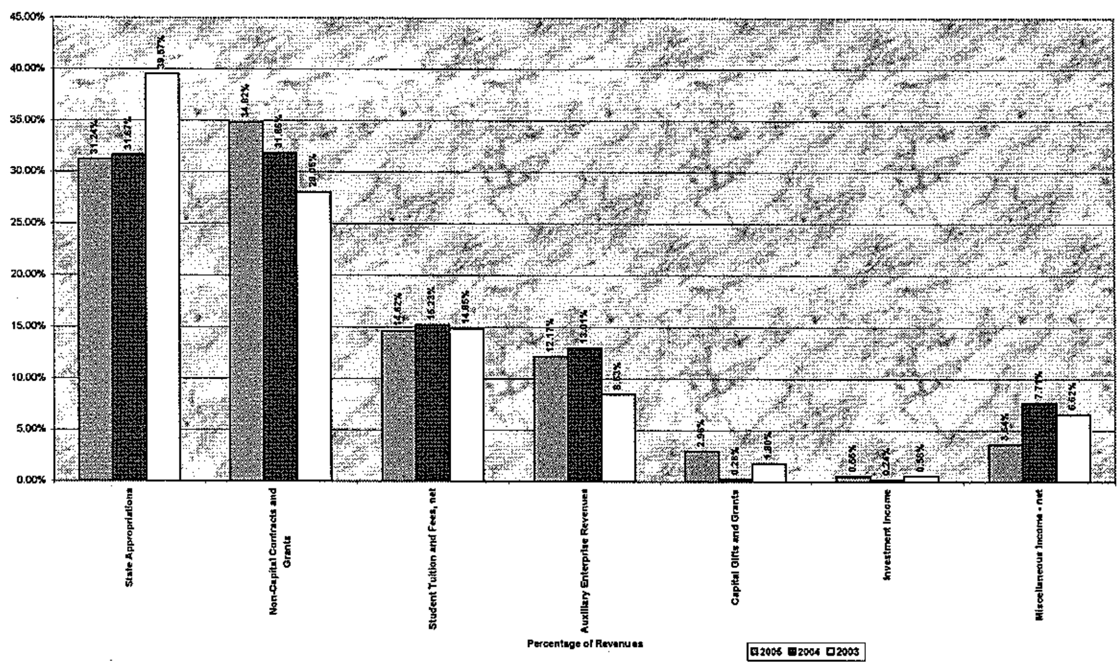
	2005	2004	2003	% Change
Operating revenues	$ 11,497,598	$ 11,276,248	$ 12,264,782	1.96%
Operating expenses	15,662,644	15,643,176	19,891,318	0.12%
Operating loss	(4,165,046)	(4,366,928)	(7,626,536)	(4.62%)
Non-operating Revenues	5,602,801	5,305,260	8,482,799	5.61%
Non-operating Expenses	442,058	436,827	514,788	1.20%
Net Non-operating revenues	5,160,743	4,868,433	7,968,011	6.00%
Income (loss) before other revenues, expenses, gains or losses	995,697	501,505	341,475	98.54%
Capital Projects Proceeds	522,500	47,000	380,828	1,011.70%
Transfer of assets to CTC		(240,642)		
Increase in net assets	1,518,197	307,863	722,303	393.14%
Net assets, beginning of year	11,597,944	11,290,081	10,567,778	2.73%
Net assets, end of year	$ 13,116,141	$ 11,597,944	$ 11,290,081	13.09%

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

Revenues:

	2005	2004	2003	% Change
Program revenues (by major source)				
Tuition & fees before allowances	$ 3,991,292	$ 4,056,403	$ 5,152,018	1.61%
Less: scholarship discounts & allowances	(1,414,795)	(1,523,206)	(2,013,817)	7.11%
Research grants & contracts	6,135,664	5,298,200	5,926,551	15.81%
Auxiliary enterprise sales & services, net	2,144,356	2,162,950	1,801,923	(0.86%)
Miscellaneous	641,081	1,281,901	1,398,107	(49.99%)
General revenues (by major source)				
State appropriations	5,505,796	5,265,600	8,360,459	4.56%
Investment income	97,005	39,660	122,340	144.59%
Capital grants and gifts	522,500	47,000	380,828	1,011.70%
Total Revenues	$17,622,899	$16,628,508	$21,128,409	(5.98%)

Total Revenues for the Years Ended June 30, 2005, 2004, 2003



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 22.41% of the College's operating revenues and 14.62% 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 10.98% and 7.50%, respectively.

- Other revenues such as contracts and grants, auxiliary enterprise revenue, interest on loans receivable, and miscellaneous revenues comprised 50.62%, 52.58%, and 43.20% of the College's total revenues in FY 2005, FY 2004 and FY 2003, respectively. FY2005 grant awards included final payments of $39,731 and $20,047 from USDA and FIPSE awards, $65,640 in Teacher Education program support grants, and a $975,008 installment from a US Housing and Urban Development Grant.

- State appropriated general revenue funds in the amount of $5,505,796 accounted for 31.24% of total revenues in FY 2005 compared to 31.67% in FY2004 and 39.57% in FY 2003. These appropriations are used to pay salaries and benefits in support of the operations of the College.

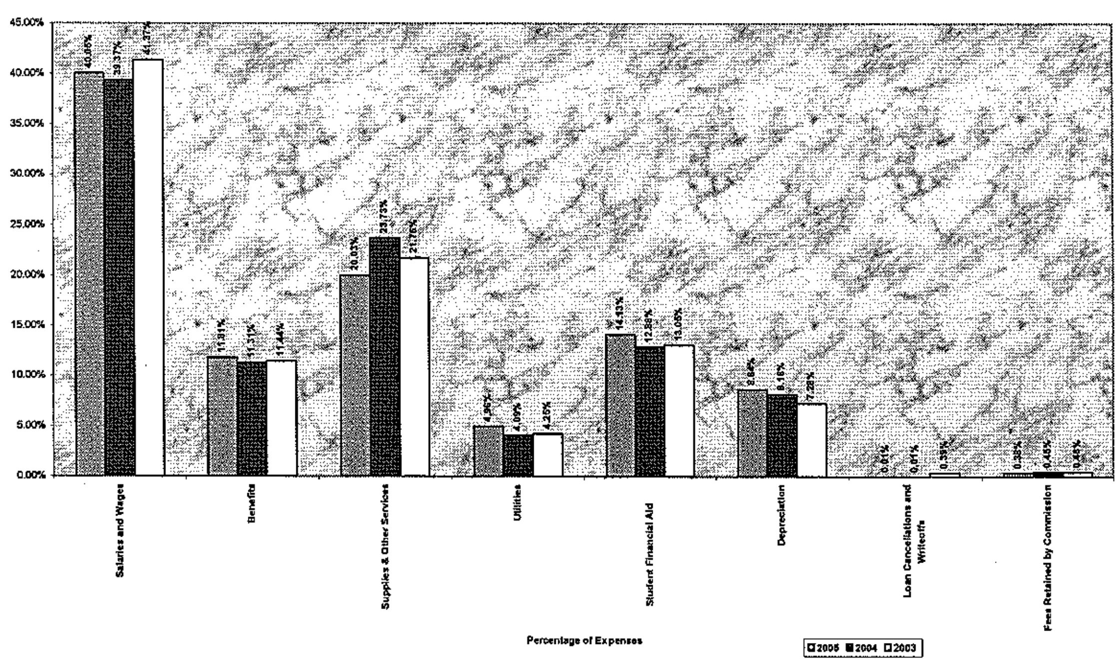
- Investment income increased by $57,345 or 144.59% from FY2004 to FY2005. This revenue source made up 0.55% of total revenues in FY 2005 compared to 0.24% in FY2004 and 0.58% in FY 2003. The College participates in the investment pool managed by the State.

Operating and Non-operating Expenses:

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

	2005	2004	2003	% Change
Salaries and wages	$ 6,273,630	$ 6,158,296	$ 8,228,874	1.87%
Benefits	1,849,182	1,768,959	2,276,266	4.54%
Supplies and other services	3,136,458	3,712,330	4,327,837	(15.51%)
Utilities	776,100	640,556	844,972	21.16%
Student financial aid, scholarships and fellowships	2,212,444	2,015,424	2,596,177	9.78%
Depreciation	1,353,949	1,275,834	1,448,604	6.12%
Loan cancellations and write-offs	939	1,192	76,884	(21.22%)
Fees retained by Commission for operations	59,942	70,585	91,704	(15.08%)
Total Operating Expenses	$15,662,644	$15,643,176	$19,891,318	0.12%

Total Operating Expenses for the Years Ended June 30, 2005, 2004, 2003



- Salaries and wages, and employee benefits made up approximately 51.86% of the operating expenses of the College in FY 2005 compared to 50.67% in FY2004, and 52.81% FY 2003.

- Utility costs in FY 2005 were $776,100, an increase of 21.16% from FY 2004 and a decrease of 8.15% from FY 2003. These costs represented 4.96% of the FY2005 operating expenses compared to 4.09% in FY2004 and 4.25% in FY 2003.

- Scholarship and fellowship expenses increased $197,020 or 9.78% from FY 2004, and a decrease of 14.78% from FY2003. They represented 14.13%, 12.88% and 13.05% of the total operating expenses in FY 2005, FY 2004, and FY 2003, respectively.

Non-operating expenses consisted primarily of interest on indebtedness $430,075 and fees assessed by the HEPC for system-wide debt service $11,983.

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, 2005, 2004, and 2003

	2005	2004	2003	% Change
Cash provided by (used in):				
Operating activities	$(2,977,356)	$(3,191,827)	$(6,275,895)	6.72%
Non capital financing activities	5,721,077	5,794,787	8,366,731	(1.27%)
Capital financing activities	(2,719,878)	(2,035,241)	(1,794,186)	33.64%
Investing activities	86,927	42,145	122,340	106.26%
Increase in cash and cash equivalents	110,770	609,864	418,990	(81.84%)
Cash and cash equivalents, beginning of year	3,949,298	3,339,434	2,920,444	18.26%
Cash and cash equivalents, end of year	$ 4,060,068	$ 3,949,298	$ 3,339,434	2.80%

Capital Asset and Debt Administration

The College had capital asset additions of $2,017,455, $1,210,860 and $1,581,126 for the years ended June 30, 2005, 2004 and 2003, respectively. The FY 2005 additions were funded from a variety of sources including federal grants, College funds and private donations.

- A portion of the third floor of Louis Bennett Hall was renovated to provide laboratory space for enhancing Criminal Justice programs.
- The College began a renovation of the first floor of the Robert F. Kidd Library. This project includes the installation of a fire suppression (sprinkler) system of the total facility. The total budget for the project is $500,000 with most of the work being performed in-house. Construction in Progress expenditures for this project totaled $55,250 at June 30, 2005.
- The major renovation of the Mollohan Campus Community Center (formerly Heflin Student Union) was well underway in FY2005. Most of the demolition work was completed and some of the construction phase work completed. As of June 30, 2005, $2,178,540 of Construction in Progress expenditures had been made for this project. The total budget for this project is $10,500,000 with a scheduled completion date of January 1, 2007.
- In FY2005, expenditures of $33,426 were made for architectural services associated with the renovation of the Science Hall. The total budget for this project is $5,000,000.
- Other capital improvement projects scheduled for FY2006 will address ADA issues, life safety, fire alarm and fire suppression, roof replacements, and science hall renovation. Nearly $6,000,000 is budgeted for these capital projects.
- New capital debt in the amount of $102,948 was undertaken in FY2005 for the purchase of vehicles.

Economic Outlook

The demographics and economy of the state and more particularly central West Virginia are factors which greatly influence the financial position of the College. State appropriations, tuition, and auxiliary revenue collections from students make up nearly 60% of all revenues of the College. The economy of the State is reported to be getting stronger and although contrary to the declining number of high school graduates in the region, the enrollment picture for the College appears to be improving.

The administrative and legislative leadership of the State report a high level of optimism with regard to the financial position of West Virginia. Increased revenue collections and an operating surplus in FY2005 have supported this position. As a result, appropriations have been made in partial support of employee salary increases to take effect November 1, 2005. These raises will be the first given by the College in three years. Additional appropriations are expected for FY2007 in support of annualizing these salary increases.

Glenville State College continues to emphasize the recruitment and retention of students. Preliminary numbers for fall 2005 indicate a 5.0% increase in enrollment from fall 2004. The Glenville State College Foundation has played a large role in the recruitment efforts by continuing the allocation of resources, in the forms of scholarships and marketing materials, to this cause. The College continues to be competitive in offering students a quality education at an affordable price. 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 pending completion of the Mollohan Campus Community Center. When completed, this first class facility will be the main hub for campus activities and provide many offerings not currently available to our students.

In FY2006, the College will receive the first year's funding of a four year federal TRIO grant totaling nearly $880,000. This grant will aid in the College's continued efforts to ensure the success of its students, thereby improving retention. This grant is for the development and implementation of programs which target incoming college freshmen with a primary objective of improving the skills necessary for a successful transition from high school to college.

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF NET ASSETS
JUNE 30, 2005 AND 2004 (as restated)

ASSETS	2005	2004 (as restated)
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,060,068	$ 3,949,298
Appropriations due from Primary Government	167	215,448
Accounts receivable—net	682,025	172,450
Loans to students—current portion	6,576	8,409
Prepaid expenses	11,044	12,235
Inventories	108,311	100,335
Total current assets	4,868,191	4,458,175
NONCURRENT ASSETS:		
Cash and cash equivalents	1,833,061	1,069,420
Capital assets—net	17,469,311	16,805,805
Total noncurrent assets	19,302,372	17,875,225
TOTAL ASSETS	$24,170,563	$22,333,400

(Continued)

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF NET ASSETS
JUNE 30, 2005 AND 2004 (as restated)

LIABILITIES AND NET ASSETS	2005	2004 (as restated)
CURRENT LIABILITIES:		
Accounts payable	$ 666,214	$ 405,146
Accrued liabilities	570,840	666,676
Due to the Commission	7,452	63,541
Advances from federal sponsors		8,916
Compensated absences—current portion	309,141	334,486
Deferred revenue	58,679	
Note payable—current portion	77,524	7,377
Capital lease obligations—current portion	194,649	167,131
Bonds payable—current portion	83,481	80,000
Higher Education Policy Commission Debt Payable—current portion	159,366	170,520
Total current liabilities	2,127,346	1,903,793
NONCURRENT LIABILITIES	8,927,076	8,831,663
Total liabilities	11,054,422	10,735,456
NET ASSETS (DEFICIT):		
Invested in capital assets—net of related debt:	9,346,653	8,653,845
Restricted for:		
Expendable:		
Specific purposes by State Code		
Scholarships	10,514	71,205
Loans	64,338	68,313
Capital projects	1,041,718	361,666
Debt service	802,461	714,546
Other	507,881	916,848
Unrestricted	1,342,576	811,521
Total net assets	13,116,141	11,597,944
TOTAL LIABILITIES AND NET ASSETS	$24,170,563	$22,333,400

See notes to combined financial statements. (Concluded)

THE GLENVILLE STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF GLENVILLE STATE COLLEGE
STATEMENTS OF NET ASSETS
JUNE 30, 2005 AND 2004

ASSETS	2005	2004
ASSETS:		
Cash	$ 144,323	$ 171,131
Investments	4,849,188	4,576,586
Unconditional promises to give—net of allowance for uncollectible promises of $0 and $0	603,379	87,077
Other current assets	72,274	74,652
Investment in capital assets	4,005	4,219
Land and other assets held for investment	131,914	131,914
TOTAL ASSETS	$ 5,805,083	$ 5,045,579

LIABILITIES AND NET ASSETS		
NET ASSETS:		
Unrestricted	399,038	392,725
Temporarily restricted	1,170,677	1,150,802
Permanently restricted	4,235,368	3,502,052
Total net assets	5,805,083	5,045,579
TOTAL LIABILITIES AND NET ASSETS	$ 5,805,083	$ 5,045,579

See notes to combined financial statements.

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2005 AND 2004 (as restated)

	2005	2004 (as restated)
OPERATING REVENUES:		
Student tuition and fees (net of scholarship allowance of $1,414,795 and $1,523,206)	$ 2,576,497	$ 2,533,197
Contracts and grants:		
Federal	3,969,805	3,386,545
State	1,460,798	1,201,786
Private	705,061	709,869
Interest on student loans receivable	25	32
Sales and services of educational activities	513,074	1,281,869
Auxiliary enterprise revenue (net of scholarship allowance of $1,177,501 and $992,337)	2,144,356	2,162,950
Miscellaneous—net	127,982	
Total operating revenues	11,497,598	11,276,248
OPERATING EXPENSES:		
Salaries and wages	6,273,630	6,158,296
Benefits	1,849,182	1,768,959
Supplies and other services	3,136,458	3,712,330
Utilities	776,100	640,556
Student financial aid—scholarships and fellowships	2,212,444	2,015,424
Depreciation	1,353,949	1,275,834
Loan cancellations and write-offs	939	1,192
Fees assessed by the Commission for operations	59,942	70,585
Total operating expenses	15,662,644	15,643,176
OPERATING LOSS	(4,165,046)	(4,366,928)

(Continued)

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2005 AND 2004 (as restated)

	2005	2004 (as restated)
NONOPERATING REVENUES (EXPENSES):		
State appropriations	$ 5,505,796	$ 5,265,600
Investment income	97,005	39,660
Interest on indebtedness	(430,075)	(334,826)
Fees assessed by the Commission for debt service	(11,983)	(102,001)
Net nonoperating revenues	5,160,743	4,868,433
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	995,697	501,505
CAPITAL PROJECTS PROCEEDS FROM THE COMMISSION	472,500	
CAPITAL GRANTS AND GIFTS	50,000	47,000
INCREASE IN NET ASSETS BEFORE TRANSFER	1,518,197	548,505
TRANSFER OF ASSETS TO BLUEFIELD - NEW RIVER CTC		(240,642)
INCREASE (DECREASE) IN NET ASSETS	1,518,197	307,863
NET ASSETS—Beginning of year	11,597,944	11,290,081
NET ASSETS—End of year	$13,116,141	$11,597,944

See notes to combined financial statements.

(Concluded)

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
Total revenues, gain and other support	227,263	766,108	753,197	1,746,568
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
Total expenses	220,950	746,233	19,881	987,064
CHANGE IN NET ASSETS	6,313	19,875	733,316	759,504
NET ASSETS—Beginning of year	392,725	1,150,802	3,502,052	5,045,579
NET ASSETS—End of year	$ 399,038	$ 1,170,677	$ 4,235,368	$ 5,805,083

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, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Grants and donations	$ 74,672	$ 548,652	$ 90,550	$ 713,874
Administration fee	131,246			131,246
Investment income	69,819	333,148	21,906	424,873
Net assets released from restrictions—Satisfaction of program restrictions		151,873	(151,873)	
Total revenues, gain and other support	275,737	1,033,673	(39,417)	1,269,993
EXPENSES:				
Program services	87,857	520,062	458	608,377
Management and general	137,026	122,898	8,348	268,272
Fundraising	14,517			14,517
Professional fees	11,248			11,248
Depreciation	8,304			8,304
Total expenses	258,952	642,960	8,806	910,718
CHANGE IN NET ASSETS	16,785	390,713	(48,223)	359,275
NET ASSETS—Beginning of year	375,940	760,089	3,550,275	4,686,304
NET ASSETS—End of year	$392,725	$ 1,150,802	$ 3,502,052	$5,045,579

See notes to combined financial statements.

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2005 AND 2004 (as restated)

	2005	2004 (as restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 2,432,339	$ 2,265,056
Contracts and grants	5,057,166	4,950,918
Payments to and on behalf of employees	(7,911,227)	(8,097,289)
Payments to suppliers	(2,883,207)	(3,512,892)
Payments to utilities	(790,539)	(636,655)
Payments for scholarships and fellowships	(1,374,488)	(1,303,530)
Loans issued to students	(127,192)	(94,742)
Collection of loans to students	129,124	118,131
Advances from federal government returned	(8,916)	(91,162)
Sales and service of educational activities	527,067	1,192,687
Auxiliary enterprise charges	1,986,269	2,095,360
Fees assessed by the Commission for operations	(59,942)	(70,585)
Other receipts and payments—net	46,190	(7,124)
Net cash used in operating activities	(2,977,356)	(3,191,827)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	5,721,077	5,794,787
William D. Ford direct lending receipts	3,957,127	3,981,635
William D. Ford direct lending payments	(3,957,127)	(3,981,635)
Net cash provided by noncapital financing activities	5,721,077	5,794,787
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of capital assets	(1,864,507)	(1,163,859)
Debt service paid to Commission	(254,261)	(238,970)
Non-operating fees retained by the Commission	(11,983)	
Principal paid on notes, bonds and leases	(254,508)	(249,777)
Interest paid on notes, bonds and leases	(418,478)	(437,793)
Decrease (Increase) in noncurrent cash and cash equivalents	(763,641)	55,158
Loan proceeds from the Commission	375,000	
Capital projects proceeds from the Commission	472,500	
Net cash used in capital financing activities	(2,719,878)	(2,035,241)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	86,927	42,145
Net cash provided by investing activities	86,927	42,145
INCREASE IN CASH AND CASH EQUIVALENTS	110,770	609,864
CASH AND CASH EQUIVALENTS—Beginning of year	3,949,298	3,339,434
CASH AND CASH EQUIVALENTS—End of year	$ 4,060,068	$ 3,949,298

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2005 AND 2004 (as restated)

	2005	2004 (as restated)
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$(4,165,046)	$(4,366,928)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	1,353,949	1,275,834
Changes in assets and liabilities:		
Accounts receivable—net	(509,575)	39,744
Loans to students—net	1,833	5,113
Prepaid expenses	1,191	(12,036)
Inventories	(7,976)	3,315
Accounts payable	261,068	161,098
Accrued liabilities and due to the Commission	(151,925)	(44,641)
Compensated absences	189,362	(104,532)
Deferred revenue	58,679	(57,632)
Advances from Federal Sponsors	(8,916)	(91,162)
NET CASH USED IN OPERATING ACTIVITIES	$(2,977,356)	$(3,191,827)
NONCASH TRANSACTIONS:		
Accretion of bond discount into bonds payable	$ 1,519	$ 1,519
Capital lease obligation incurred for equipment	$ 102,948	$ -

See notes to combined financial statements.

(Concluded)

1. ORGANIZATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 Council and West Virginia Higher Education Policy Commission (the "Commission")(which includes West Virginia Network for Educational Telecomputing), 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, 2005 and 2004. 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 20).

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, 2005 and 2004, 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.

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the "State Treasurer") are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Investment Management Board (the "IMB"). These funds are transferred to the IMB and the IMB is directed by the State Treasurer to invest the funds in specific external investment pools. Balances in the investment pools are recorded at fair value, which is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments for External Investment Pools*. The IMB was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit with the State Treasurer are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying combined financial statements.

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

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

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

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

Capital Assets—Capital assets include property, plant and equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. No interest was capitalized as part of the cost of assets for the year ended June 30, 2005. 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, and medical malpractice liability coverage to the College and its employees. Such coverage may be provided to the College by BRIM through self-insurance programs maintained by BRIM or policies underwritten by BRIM that may involve experience-related premiums or adjustments to BRIM.

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

Classification of Revenues—The College has classified its revenues 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 2005 and 2004, the College received and disbursed approximately $3,957,127 and $3,981,635, 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 2005 and 2004, the College received and disbursed approximately $2,427,831 and $2,444,503, 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.

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

Recent Statements Issued By the Government Accounting Standards Board—The GASB has issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, effective for fiscal years beginning after December 15, 2004. This statement requires the College to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred and record impaired assets and impairment losses accordingly. This statement also addresses the appropriate recording of an insurance recovery associated with events or changes in circumstances resulting in impairment of capital assets. The College has not yet determined the effect that the adoption of GASB Statement No. 42 may have on the financial statements.

The GASB has also 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. The College has not yet determined the effect that the adoption of GASB Statement No. 45 may have on the financial statements.

The GASB has also issued Statement No. 46, *Net Assets Restricted by Enabling Legislation* (an amendment of GASB Statement No. 34), effective for fiscal years beginning after June 15, 2005. This statement provides guidance clarifying the meaning of the phrase "legally enforceable" as it applies to restrictions imposed on the net asset use by enabling legislation. The College has not yet determined the effect, if any, that the adoption of GASB Statement No. 46 may have on its financial statements.

The GASB has also issued Statement No. 47, *Accounting for Termination Benefits*, effective for fiscal years beginning after June 15, 2005. However, for termination benefits that affect defined benefit postemployment benefits other than pensions, GASB Statement No. 47 should be implemented simultaneously with GASB Statement No. 45. This statement provides recognition and measurement guidance related to benefits provided to employees that are terminated. The College has not yet determined the effect, if any, that adoption of GASB Statement No. 47 may have on its financial statements.

3. CORRECTION OF AN ERROR

During the year ended June 30, 2005, the College discovered an error in previously reported Capital Assets. The College had erroneously understated Construction In Progress and overstated Supplies and other services. For the year ended June 30, 2004, capital assets, total non-current assets, total assets, net assets invested in capital assets, total liabilities and net assets, income before other revenues, expenses, gains or losses, increase in net assets before transfer, and increase in net assets, increased by $361,307. Supplies and other services, total operating expenses, and net operating loss, decreased by a corresponding amount.

On the Statements of Cash Flows for the year ended June 30, 2004, payments to suppliers and net cash used in operating activities decreased by $361,307 while purchases of capital assets and net cash used in capital financing activities increased accordingly.

4. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents was as follows at June 30, 2005 and 2004:

	2005		
	Current	**Noncurrent**	**Total**
Cash on deposit with the State Treasurer	$3,236,388	$1,651,191	$4,887,579
Cash in bank	823,680	181,870	1,005,550
	$4,060,068	$1,833,061	$5,893,129

	2004		
	Current	**Noncurrent**	**Total**
Cash on deposit with the State Treasurer	$3,196,426	$ 892,806	$4,089,232
Cash in bank	752,872	176,614	929,486
	$3,949,298	$1,069,420	$5,018,718

Cash held by the State Treasurer includes $1,847,839 and $2,479,277 of restricted cash for student housing, student activities, faculty improvement and federal grants among others as of June 30, 2005 and 2004, respectively.

The combined carrying amounts of cash in the bank at June 30, 2005 and 2004 were $1,005,550 and $929,486, respectively, as compared with the combined bank balance of $1,064,975 and $977,482. The difference is primarily caused by items in transit.

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	319,881
Total	$ 319,881

Cash on deposit with the Treasurer is a noncategorized deposit in accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Receivable Agreements), and Reverse Repurchase Agreements.* Additionally, at June 30, 2005, such deposits represent 0.25% of the total amounts held by IMB and are subject to the following IMB policies and limits.

Cash Liquidity

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			$1,437,958,293	91.2%

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.

The Glenville State College ownership represents .25 % of the net asset position of this pool.

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.

<u>**Government Money Market**</u>

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.

The Glenville State College ownership represents .20 % of the net asset position of this pool.

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

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

<u>Enhanced Yield</u>

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			$ 267,291,805	98.4%

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.

The Glenville State College ownership represents .40 % of the net asset position of this pool.

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	$ 271,654,067	1.7

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. Treasurys, 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.

5. ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30, 2005 and 2004:

	2005	2004
Student tuition and fees, net of allowance for doubtful accounts of $559,069 and $511,821, respectively	$110,917	$ 92,414
Due from the Commission	22,192	1,932
Due from other State agencies	10,514	38,340
Due from Federal Government	491,695	
Other accounts receivable—net of allowance for doubtful accounts of $0 and $1,070, respectively	46,707	39,764
	$682,025	$172,450

6. CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2005 and 2004:

	2005				
	Beginning Balance	Additions	Reductions	Transfer	Ending Balance
Capital assets not being depreciated:					
Land	$ 462,913	$			$ 462,913
Construction In Progress	642,606	$ 1,624,610			2,267,216
Total capital assets not being depreciated	$ 1,105,519	$ 1,624,610			$ 2,730,129
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	1,504,835	36,412	(1,218)		1,540,029
Total other capital assets	35,954,801	392,845	(8,575)		36,339,071
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	1,288,859	70,898	(1,218)		1,358,539
Total accumulated depreciation	20,254,515	1,353,949	(8,575)		21,599,889
Other capital assets—net	$ 15,700,286	$ (961,104)	$ -	$	$ 14,739,182
Capital asset summary:					
Capital assets not being depreciated	$ 1,105,519	$ 1,624,610			$ 2,730,129
Other capital assets	35,954,801	392,845	$ (8,575)	$ -	36,339,071
Total cost of capital assets	37,060,320	2,017,455	(8,575)		39,069,200
Less accumulated depreciation	20,254,515	1,353,949	(8,575)		21,599,889
Capital assets—net	$ 16,805,805	$ 663,506	$ -	$	$ 17,469,311

	2004				
	Beginning Balance	Additions	Reductions	Transfer	Ending Balance
Capital assets not being depreciated:					
Land	$ 462,913				$ 462,913
Construction In Progress		$ 642,606			642,606
Total capital assets not being depreciated	$ 462,913	$ 642,606			$ 1,105,519
Other capital assets:					
Land improvements	$ 1,943,169	$ 43,023			$ 1,986,192
Infrastructure	1,371,697	22,937		$ (22,937)	1,371,697
Buildings	25,816,482	105,898		(55,351)	25,867,029
Equipment	5,290,687	277,029	$ (16,216)	(326,452)	5,225,048
Library books	1,386,730	119,367	(1,262)		1,504,835
Total other capital assets	35,808,765	568,254	(17,478)	(404,740)	35,954,801
Less accumulated depreciation for:					
Land improvements	541,246	67,081			608,327
Infrastructure	783,969	96,070			880,039
Buildings	13,645,118	530,003		(856)	14,174,265
Equipment	2,981,952	500,531	(16,216)	(163,242)	3,303,025
Library books	1,207,972	82,149	(1,262)		1,288,859
Total accumulated depreciation	19,160,257	1,275,834	(17,478)	(164,098)	20,254,515
Other capital assets—net	$ 16,648,508	$ (707,580)	$ -	$ (240,642)	$ 15,700,286
Capital asset summary:					
Capital assets not being depreciated	$ 462,913	$ 642,606			$ 1,105,519
Other capital assets	35,808,765	568,254	$ (17,478)	$ (404,740)	35,954,801
Total cost of capital assets	36,271,678	1,210,860	(17,478)	(404,740)	37,060,320
Less accumulated depreciation	19,160,257	1,275,834	(17,478)	(164,098)	20,254,515
Capital assets—net	$ 17,111,421	$ (64,974)	$ -	$ (240,642)	$ 16,805,805

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

Title for all real property has been transferred from the Higher Education Policy Commission to the Glenville State College Board of Governors.

7. LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the College for the years ended June 30, 2005 and 2004:

	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	2,418,235		254,261	2,163,974	159,366
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	8,916		8,916		
Total noncurrent liabilities	$ 9,600,093	$ 1,047,770	$ 896,626	$ 9,751,237	$ 824,161

	2004				
	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 $176,614 at June 30, 2004	$ 4,878,603	$ 1,519	$ 75,000	$ 4,805,122	$ 80,000
Capital lease obligations	1,016,489		167,538	848,951	167,131
Note payable	86,891		7,239	79,652	7,377
Commission Debt Payable	2,657,205	16,177	255,147	2,418,235	170,520
Total bonds, capital leases, and note payable	8,639,188	17,696	504,924	8,151,960	425,028
Other liabilities:					
Accrued compensated absences	1,543,748	324,852	429,383	1,439,217	334,486
Advances from Federal Sponsors	100,078	8,916	100,078	8,916	8,916
Total noncurrent liabilities	$ 10,283,014	$ 351,464	$ 1,034,385	$ 9,600,093	$768,430

8. BONDS PAYABLE

Bonds payable consisted of the following at June 30, 2005 and 2004:

	Interest Rate	Annual Principal Installment Due	2005 Principal Amount Outstanding	2004 Principal Amount Outstanding
Student Housing Bonds:				
Series 2000 A, mature various dates through October 1, 2030	5.0% to 6.2%	Various	$4,765,000	$4,845,000
Less: Discount			38,359	39,878
Total bonds payable			$4,726,641	$4,805,122

The following is a schedule by year of future annual minimum payments required under the Series 2000 A bonds existing at June 30, 2005:

Year Ending June 30	Principal	Interest	Total
2006	85,000	285,564	370,564
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 - 2015	605,000	1,232,488	1,837,488
2016 - 2020	805,000	1,022,717	1,827,717
2021 - 2025	1,085,000	737,074	1,822,074
2026 - 2030	1,465,000	346,360	1,811,360
2031 and Thereafter	350,000	10,850	360,850
Total	$4,765,000	$4,730,158	$ 9,495,158

9. 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, 2005:

Year Ending June 30	Principal	Interest	Total
2006	$ 194,649	$ 26,858	$ 221,507
2007	200,666	18,974	219,640
2008	181,254	11,445	192,699
2009	145,842	4,832	150,674
2010	62,357	724	63,081
Thereafter			
			847,601
Less interest			62,833
			$ 784,768

The net book value of leased assets was $943,880 as of June 30, 2005.

10. NOTE PAYABLE

Note payable consisted of the following at June 30, 2005 and 2004:

	Interest Rate	Annual Principal Installment Due	2005 Principal Amount Outstanding	2004 Principal Amount Outstanding
Real Estate Purchase:				
$35,000 promissory note collateralized by 1st lien on purchased Lot 35, Gilmer County, West Virginia	8.0%	$5,000 every January 1 through 2005	$0	$5,000
$79,000 promissory note collateralized by 1st lien on purchased house and Lot, Gilmer County, West Virginia	6.0%	$565.98 monthly through 6/07 plus balloon	72,275	74,652
$375,000 unsecured promissory note to the Commission	0.0%	$37,500.00 semi-annually through 6/10	375,000	0
Total Note Payable			$447,275	$79,652

The following is a schedule by year of future annual minimum payments required under the notes existing at June 30, 2005:

Year Ending June 30	Principal	Interest	Total
2006	$ 77,524	$ 4,268	$ 81,792
2007	144,751	4,112	148,863
2008	75,000		75,000
2009	75,000		75,000
2010	75,000		75,000
Total			455,655
Less portion representing interest			(8,380)
			$ 447,275

11. COMPENSATED ABSENCES LIABILITY

The composition of the compensated absences liability was as follows at June 30, 2005 and 2004:

	2005	2004
Health or life insurance benefits	$1,274,506	$1,045,479
Accrued vacation leave	354,073	393,738
	$1,628,579	$1,439,217

For the years ended June 30, 2005 and 2004, the amount paid by the College for extended health or life insurance coverage retirement benefits totaled $74,091 and $73,774, respectively. As of June 30, 2005 and 2004, there were 36 and 33 retirees currently eligible for these benefits.

12. 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 2005 and 2004, the College paid $254,261 and $255,147, respectively, to the Commission against the debt obligation. The amount due to Commission at June 30, 2005 and 2004 was $2,163,974 and $2,418,235 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.

13. UNRESTRICTED NET ASSETS

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

	2005	2004
Designated for auxiliaries	$ 531,114	$ 364,005
Designated for affiliated organizations	449,172	403
Undesignated	362,290	447,113
	$1,342,576	$ 811,521

14. 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, 2005, 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, 2005 and 2004, respectively. Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2005 and 2004, 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, 2005, 2004 and 2003, were $373,953 $414,412 and $483,765, respectively, which consisted of $267,108, $296,008 and $345,544 from the College in 2005, 2004 and 2003, respectively, and $16,845 $118,404 and $138,221 from the covered employees in 2005, 2004 and 2003, 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, 2005, 2004 and 2003, were $452,220, $455,858 and $609,722, respectively, which consisted of equal contributions from the College and covered employees in 2005, 2004 and 2003 of $226,110, $227,929 and $304,861, respectively.

The College's total payroll for the years ended June 30, 2005 and 2004 was $5,834,987 and $6,083,116; total covered employees' salaries in the STRS and TIAA-CREF were $1,780,713 and $3,753,154 in 2005, respectively, $1,973,386 and $3,782,817 in 2004, respectively.

15. AFFILIATED ORGANIZATION

The College has a separately incorporated affiliated organization, the Glenville State College Alumni Association. Oversight responsibility for this entity rests with an independent board and management not otherwise affiliated with the College. Accordingly, the financial statements of this organization are not included in the College's accompanying combined financial statements under GASB Statement No. 14, and they are not included in the College's accompanying combined financial statements under GASB Statement No. 39 because they are not significant.

16. 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.

17. TRANSFER OF COMMUNITY AND TECHNICAL COLLEGE

During the 2003 session, the West Virginia Legislature passed House Bill 2224, which provided for the separation of the Community and Technical College ("CTC") component of Glenville State College. Effective July 1, 2003, the College's CTC service area was divided between New River Community and Technical College of Bluefield State College and Fairmont State College. The College transferred equipment, infrastructure and buildings with net book values of $166,210, $22,937 and $54,495 respectively, to New River Community and Technical College of Bluefield State College on July 1, 2003.

18. 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

Condensed Statement of Net Assets (Unaudited)	**2005**	**2004**
Assets:		
Current assets	$ 345,553	$ 338,029
Capital assets	5,854,041	5,986,349
Total assets	$6,199,594	$6,324,378
Liabilities:		
Deposits Payable	$ 8,946	
Bond indebtedness	4,726,641	$4,805,122
Other note	72,274	79,652
Total liabilities	4,807,861	4,884,774
Net Assets:		
Invested in capital assets—net of related debt	1,055,125	1,101,575
Restricted:		
Debt service	181,870	176,614
Unrestricted	154,738	161,415
Total net assets and liabilities	$6,199,594	$6,324,378

Condensed Statement of Revenues, Expenses and Changes in Net Assets (Unaudited)	**2005**	**2004**
Operating:		
Operating revenues	$ 494,669	$ 488,723
Operating expenses	(247,240)	(188,207)
Net operating income	247,429	300,516
Nonoperating:		
Nonoperating revenues	2,908	1,338
Nonoperating expenses	(298,208)	(302,758)
Changes in net assets	(47,871)	(904)
Net assets—beginning of year	1,439,604	1,440,508
Net assets—end of year	$1,391,733	$1,439,604

Condensed Statement of Cash Flows (Unaudited)	2005	2004
Net cash provided by operating activities	$ 417,892	$ 411,036
Net cash used by capital and related financing	(410,368)	(391,869)
Net increase in cash	7,524	19,167
Cash and cash equivalents—beginning of year	338,029	318,862
Cash and cash equivalents—end of year	$ 345,553	$ 338,029

19. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the year ended June 30, 2005 and 2004, the following table represents operating expenses within both natural and functional classifications:

2005

	Salaries and Wages	Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Cancellations and Write-offs	Fees Assessed by the Commission for Operations	Total
Instruction	$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	552,944	228,796	1,681,690	324,239					2,787,669
Depreciation						1,353,949			1,353,949
Fees assessed by the Commission for operations								59,942	59,942
Total	$6,273,630	$1,849,182	$3,136,458	$776,100	$2,212,444	$1,353,949	$ 939	$59,942	$15,662,644

2004

	Salaries and Wages	Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Cancellations and Write-offs	Fees Assessed by the Commission for Operations	Total
Instruction	$2,889,376	$ 758,671	$ 302,678	$	$	$	$	$	$ 3,950,725
Academic support	468,516	130,403	286,020						884,939
Student services	706,642	228,052	311,532						1,246,226
General institutional support	908,274	233,388	454,505						1,596,167
Operations and maintenance of plant	466,023	224,496	464,928	319,111					1,474,558
Student financial aid					2,015,424				2,015,424
Auxiliary enterprises	719,465	193,949	1,892,667	321,445					3,127,526
Depreciation						1,275,834			1,275,834
Fees assessed by the Commission for operations								70,585	70,585
Other							1,192		1,192
Total	$6,158,296	$1,768,959	$3,712,330	$640,556	$2,015,424	$1,275,834	$ 1,192	$70,585	$15,643,176

20. 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, 2005 and 2004, the Foundation's net assets (including unrealized gains) totaled $5,805,083 and $5,045,579, 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, 2005 and 2004, the Foundation contributed $221,545 and $235,160, respectively, to the College for scholarships.

The following notes on pages 45 – 48 are taken directly from the Foundation's audited financial statements.

NOTES TO FINANCIAL STATEMENTS
GLENVILLE STATE COLLEGE FOUNDATION, INC.
June 30, 2005

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 objectives specified.

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 in conformity with Statements of Financial Accounting Standards No. 116 and 117, as adopted by the Financial Accounting Standards Board. The applicable financial accounting standards require classification of fund transactions and balances 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

The Foundation maintains its cash at local financial institutions under normal financial arrangements. During the years ended June 30, 2005 and 2004, 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, 2005 and 2004 are, in the opinion of Foundation management, fully collectible.

Investments

Investments are stated at fair market value.

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.

Operating activities reflect no interest and no income taxes were paid during the years ended June 30, 2005 and 2004.

NOTE 2. INVESTMENTS

The Foundation follows the provisions of SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations. This statement requires that investments in equity securities with readily determinable fair values and all investments in debt securities be reported at fair value with respective gains and losses being included in the Statement of Activities.

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

	Cost	Fair Value
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
	$ 4,315,616	$ 4,849,188

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

Investments of the Foundation at June 30, 2004 consist of:

	Cost	Fair Value
American Century Mutual Funds	$ 30,457	$ 33,244
Lord Abbott Mutual Funds	52,926	61,604
United Bank Investment Portfolio	3,927,732	4,225,978
Huntington Bancshares, Inc. Common Stock	37,500	22,980
United Bancshares, Inc. Common Stock	68,124	162,500
Exxon Mobil Corporation Common Stock	9,391	69,280
Other Investments	1,000	1,000
	$ 4,127,130	$ 4,576,586

NOTE 3. BEQUESTS AND CONTRIBUTIONS RECEIVABLE

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

	2005	2004
Cline, present value of life insurance policy	$ 89,293	$ 79,841
Kern, present value of life insurance policy	7,005	6,284
Rice, present value of life insurance policy	507,081	--
Other receivables	--	952
TOTAL	$ 603,379	$ 87,077

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, 2005 and 2004 is $72,274 and $74,652, 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, 2005 or 2004.

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 2005 and 2004, the Foundation charged an administrative fee in an amount sufficient to cover operating expenses.

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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 combined financial statements of Glenville State College (the "College") as of and for the years ended June 30, 2005 and 2004 and have issued our report thereon dated September 16, 2005, 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 opinion on the combined financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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, the West Virginia Higher Education Policy Commission, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hayflich & Steinberg, CPA's, PLLC

September 16, 2005