

GLENVILLE STATE COLLEGE

Glennville, West Virginia

Combined Financial Statements and
Additional Information for the Years
Ended June 30, 2007 and 2006 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, 2007 and 2006, which collectively comprise the College's basic financial statements as listed in the table of contents. These combined financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these combined financial statements based on our audits. We did not audit the financial statements of 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 2007 and 2006 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, 2007 and 2006, and the respective changes in net assets and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2007, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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

Kaylid & Steady, CPAs, PLLC

December 6, 2007

GLENVILLE STATE COLLEGE
200 High Street
Glenville, WV 26351

Management Discussion and Analysis
Fiscal Years 2007, 2006, and 2005

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 2007 and 2006. The following management discussion and analysis provides an overview of the financial position and activities of the College for the years ended June 30, 2007, 2006, and 2005.

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

Glenville State College enjoyed financial improvements in many areas in the fiscal year ended June 30, 2007. The College gives credit for its financial growth to partnerships formed to link higher education with K-12 education, business, community, and economic development. Partnerships were formed with thirteen county school systems in the College's primary service area, the Federal Correctional Facility (FCI-Gilmer), local businesses, and governmental agencies to extend educational services, promote higher education, spark economic development, and help ensure continued growth of the College.

The College experienced growth in current, non-current, capital and net assets, as well as net operating and total revenues. This growth is primarily the result of grant revenues for operations and capital projects. The College received \$324,595 for the TRIO grant, \$118,271 in first year funding from the US Department of Justice, Criminal Justice Grant, and \$516,819 from a three year, \$3,700,000 STEM Initiative Grant from NASA. There was a decrease of \$3,001,348 in HUD grants, due to the completion of the renovation of the Mollohan Campus Community Center. However, this decrease was offset by \$4,689,656 in capital proceeds from the Higher Education Policy Commission for the renovation of the science building.

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, 2007, 2006 and 2005**

Assets:	2007	2006	2005	% Change
Current assets	\$ 5,039,991	\$ 4,386,776	\$ 4,868,191	14.89%
Non-current assets	2,631,825	648,413	1,833,061	305.89%
Capital assets, net	<u>30,258,476</u>	<u>24,119,905</u>	<u>17,469,311</u>	<u>25.45%</u>
Total Assets	<u>\$37,930,292</u>	<u>\$ 29,155,094</u>	<u>\$ 24,170,563</u>	<u>30.10%</u>
 Liabilities				
Current Liabilities	\$ 2,812,057	\$ 2,052,433	\$ 2,127,346	37.01%
Non-current Liabilities	<u>9,326,189</u>	<u>8,346,471</u>	<u>8,927,076</u>	<u>11.74%</u>
Total Liabilities	<u>\$ 12,138,246</u>	<u>\$ 10,398,904</u>	<u>\$ 11,054,422</u>	<u>16.73%</u>
 Net Assets (Deficit)				
Invested in capital assets, net of related debt	\$ 21,437,199	\$ 16,378,349	\$ 9,346,653	30.89%
Restricted – expendable	2,823,457	1,142,183	2,426,912	147.20%
Unrestricted	<u>1,531,390</u>	<u>1,235,658</u>	<u>1,342,576</u>	<u>23.93%</u>
Total Net Assets	<u>\$ 25,792,046</u>	<u>\$ 18,756,190</u>	<u>\$ 13,116,141</u>	<u>37.51%</u>
 Total Liabilities and Net Assets	 <u>\$ 37,930,292</u>	 <u>\$ 29,155,094</u>	 <u>\$ 24,170,563</u>	 <u>30.10%</u>

An indicator of short-term financial condition is the ratio of current assets to current liabilities, or current ratio. The current ratio was 1.8, 2.1, and 2.3 as of June 30, 2007, 2006 and 2005, respectively. These indicate that the College has sufficient available resources to meet its current obligations.

Significant Changes in Net Assets

At June 30, 2007, the College's total net assets increased from the previous year by \$7,035,856. Current cash and cash equivalents increased by approximately \$851,850.

Non-current assets, consisting entirely of non-current cash and cash equivalents, increased by approximately \$1,983,412. This was largely a result of funding received for capital projects underway at the end of the fiscal year.

Net capital assets increased approximately \$6,138,571 due primarily to the completion of the Mollohan Campus Community Center, Robert F. Kidd Library, and science hall. Principal on the Pioneer Village bonds, capital loan from the HEPC, and system-wide debt assigned by the HEPC were reduced \$85,000, \$75,000 and \$162,486 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, 2007, 2006, and 2005

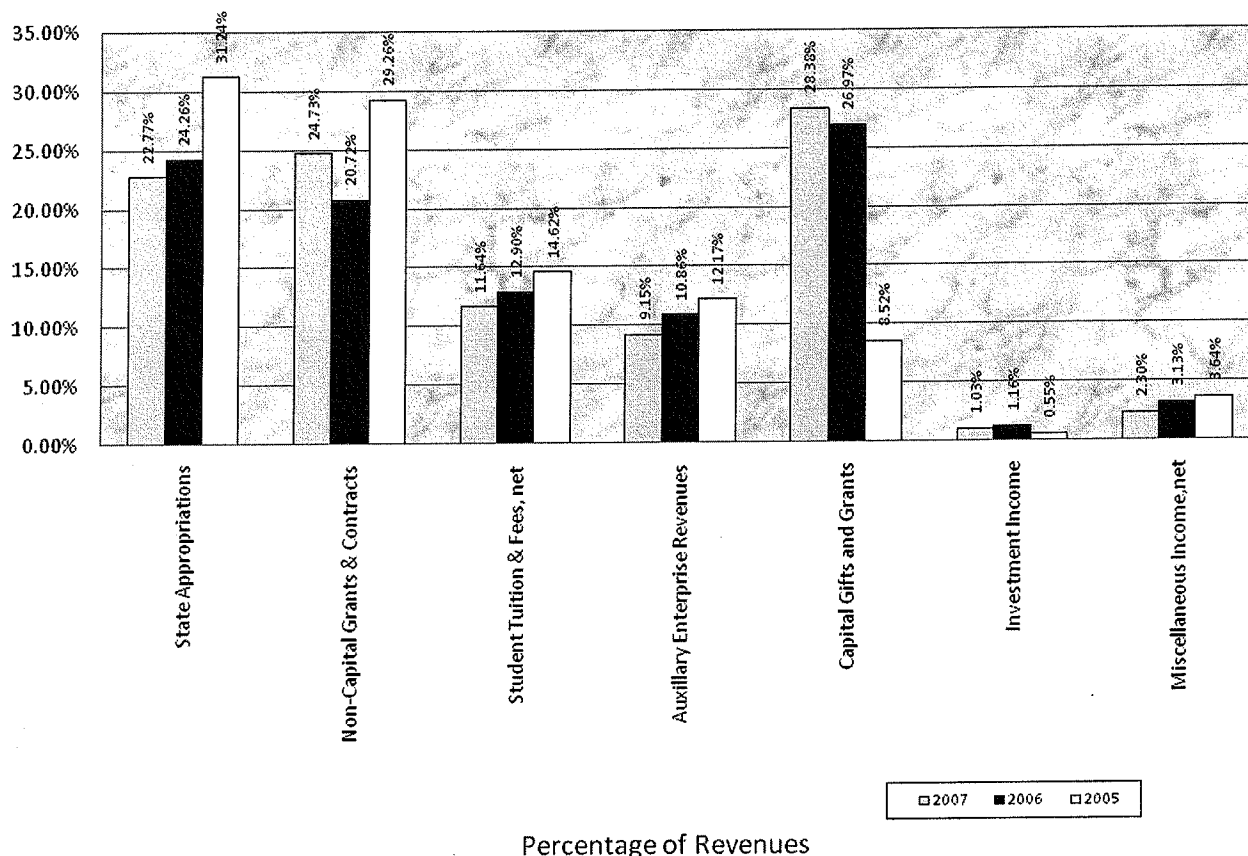
	2007	2006	2005	% Change
Operating revenues	\$ 11,502,013	\$ 10,624,879	\$ 10,518,778	8.26%
Operating expenses	<u>16,570,618</u>	<u>16,248,134</u>	<u>15,662,644</u>	<u>1.98%</u>
Operating loss	(5,068,605)	(5,623,255)	(5,143,866)	9.86%
Non-operating Revenues	5,724,572	5,672,534	5,602,801	0.92%
Non-operating Expenses	<u>447,391</u>	<u>426,812</u>	<u>442,058</u>	<u>4.82%</u>
Net Non-operating revenues	5,277,181	5,245,722	5,160,743	0.60%
Income (loss) before other revenues, expenses, gains or losses	208,576	(377,533)	16,877	155.25%
Capital Projects Proceeds	6,867,656	6,017,582	1,501,320	14.13%
Transfer from Commission	<u>(40,376)</u>	<u></u>	<u></u>	<u>(100.00%)</u>
Increase in net assets	7,035,856	5,640,049	1,518,197	24.75%
Net assets, beginning of year	<u>18,756,190</u>	<u>13,116,141</u>	<u>11,597,944</u>	<u>43.00%</u>
Net assets, end of year	<u>\$ 25,792,046</u>	<u>\$ 18,756,190</u>	<u>\$ 13,116,141</u>	<u>37.51%</u>

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

Revenues:

	2007	2006	2005	% Change
Program revenues (by major source)				
Tuition & fees before allowances	\$ 4,541,550	\$ 4,505,631	\$ 3,991,292	0.80%
Less: scholarship discounts & allowances	(1,740,621)	(1,627,145)	(1,414,795)	6.97%
Research grants & contracts	5,946,579	4,623,296	5,156,844	28.62%
Auxiliary enterprise sales & services, net	2,200,357	2,423,494	2,144,356	(9.21%)
Miscellaneous	554,148	699,603	641,081	(20.79%)
General revenues (by major source)				
State appropriations	5,475,753	5,413,712	5,505,796	1.15%
Investment income	248,819	258,822	97,005	(3.87%)
Capital grants and gifts	6,827,280	6,017,582	1,501,320	13.46%
Total Revenues	\$ 24,053,865	\$ 22,314,995	\$ 17,622,899	7.79%

Total Revenues for the Year Ended June 30, 2007, 2006, 2005



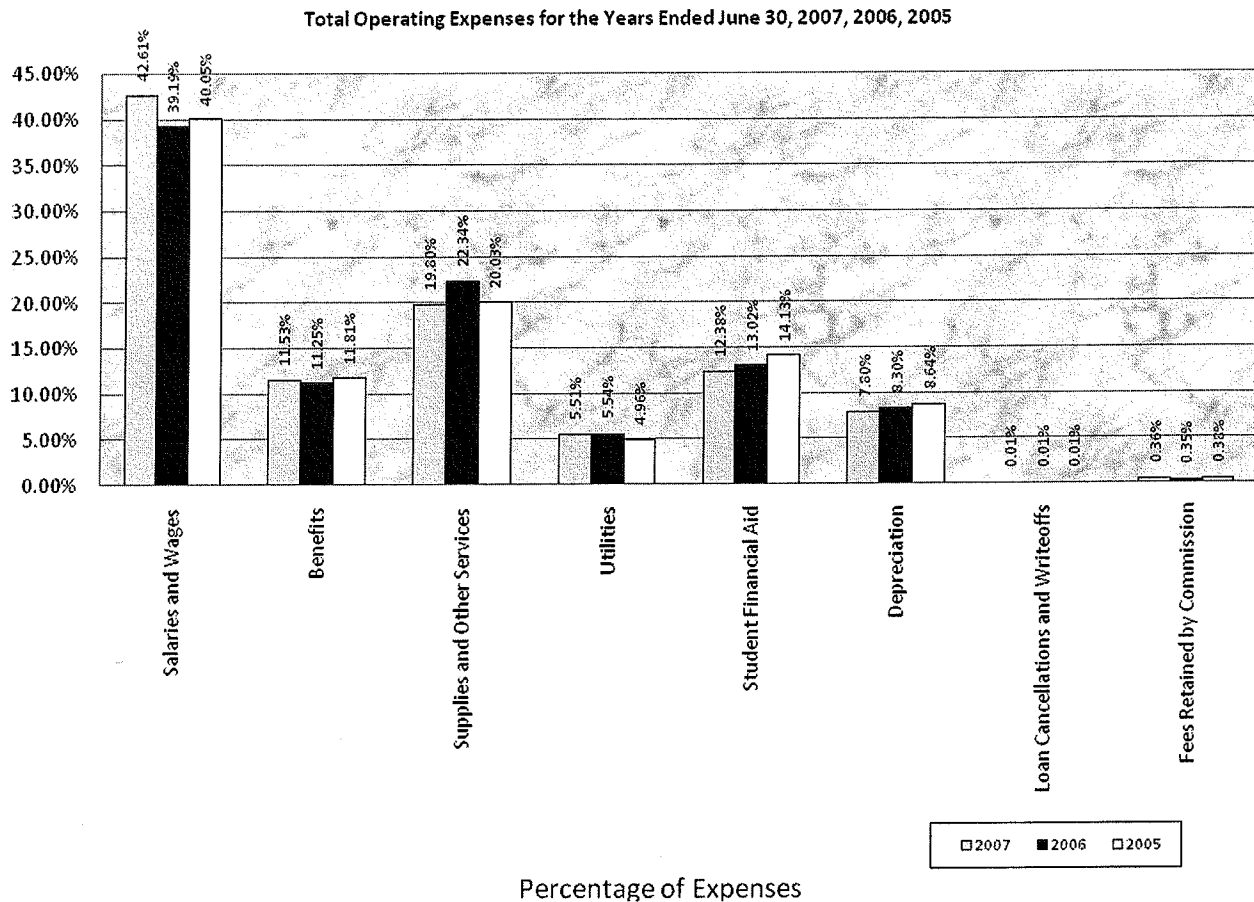
The major sources of revenue for the College include student tuition and fees, interest on loans receivable, state appropriations, capital grants and gifts, government grants, contracts, and student aid, auxiliary enterprise revenues, investment income, and miscellaneous income.

- Student tuition and fees (net of scholarship allowance) made up 24.35% of the College's operating revenues and 11.64% 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 7.00% and 7.57%, respectively.
- Other revenues such as contracts and grants, auxiliary enterprise revenue, interest on loans receivable, and miscellaneous revenues comprised 64.56%, 61.68%, and 50.62% of the College's total revenues in FY 2007, FY 2006 and FY 2005, respectively. FY 2007 grant awards included payments of \$324,595 from the US Department of Education for the second year of the TRIO grant program, \$516,819 from NASA for the first year of a \$3,700,000 program grant to promote the STEM initiatives, \$118,271 from the US Department of Justice as part of a \$716,661 Criminal Justice program grant, \$1,519,150 in West Virginia Higher Education scholarship programs, \$60,000 in private gifts to fund a faculty and a staff position, and capital grants of \$2,178,000 from the US Housing and Urban Development for the Mollohan Campus Community Center renovation project.
- State appropriated general revenue funds in the amount of \$5,475,753 accounted for 22.77% of total revenues in FY 2007 compared to 24.26% in FY2006 and 31.24% in FY 2005. These appropriations are used to pay salaries and benefits in support of the operations of the College.
- Investment income decreased by \$10,003 or 3.87% from FY2006 to FY2007. This revenue source made up 1.03% of total revenues in FY 2007 compared to 1.16% in FY2006 and 0.55% in FY 2005. 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:

	2007	2006	2005	% Change
Salaries and wages	\$ 7,059,474	\$ 6,368,013	\$ 6,273,630	10.86%
Benefits	1,910,702	1,827,273	1,849,182	4.57%
Supplies and other services	3,281,796	3,630,326	3,136,458	(9.60%)
Utilities	913,480	899,998	776,100	1.50%
Student financial aid, scholarships and fellowships	2,051,297	2,115,656	2,212,444	(3.04%)
Depreciation	1,292,509	1,348,842	1,353,949	(4.18%)
Loan cancellations and write-offs	1,176	1,855	939	(36.60%)
Fees retained by Commission for operations	60,184	56,171	59,942	7.14%
Total Operating Expenses	\$ 16,570,618	\$ 16,248,134	\$ 15,662,644	1.98%



- Salaries and wages, and employee benefits made up approximately 54.14% of the operating expenses of the College in FY 2007 compared to 50.44% in FY2006, and 51.86% FY 2005.

- Utility costs in FY 2007 were \$913,480, an increase of 1.50% from FY 2006 and an increase of 17.70% from FY 2005. These costs represented 5.51% of the FY2007 operating expenses compared to 5.54% in FY2006 and 4.96% in FY 2005.
- Scholarship and fellowship expenses decreased \$64,359 or 3.04% from FY 2006, and 7.28% from FY2005. They represented 12.38%, 13.02% and 14.13% of the total operating expenses in FY 2007, FY 2006, and FY 2005, respectively.

Non-operating expenses consisted primarily of interest on indebtedness \$436,905 and fees assessed by the HEPC for system-wide debt service \$10,486.

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, 2007, 2006, and 2005

	2007	2006	2005	% Change
Cash provided by (used in):				
Operating activities	\$ (3,152,867)	\$ (4,108,480)	\$ (3,956,176)	(23.26%)
Non capital financing activities	6,053,572	5,413,712	5,721,077	11.82%
Capital financing activities	(2,295,039)	(2,136,300)	(1,741,058)	(7.43%)
Investing activities	246,184	212,351	86,927	15.93%
Increase (decrease) in				
cash and cash equivalents	851,850	(618,717)	110,770	137.68%
Cash and cash equivalents, beginning of year	3,441,351	4,060,068	3,949,298	(15.24%)
Cash and cash equivalents, end of year	<u>\$ 4,293,201</u>	<u>\$ 3,441,351</u>	<u>\$ 4,060,068</u>	<u>24.75%</u>

Capital Asset and Debt Administration

The College had capital asset additions of \$10,466,461, \$7,999,436, and \$2,017,455 for the years ended June 30, 2007, 2006, and 2005, respectively. The FY2007 additions were funded by federal grants, capital project proceeds from the Commission, and capital financing proceeds.

- The renovation of the Mollohan Campus Community Center was completed and released to the College on October 7, 2006. On November 30, 2006, the College sold revenue bonds to BB&T in the amount of \$1,500,000 to complete the project which had a total cost of \$9,948,202.
- In FY2007, expenditures of \$1,639,691 were made for architectural services and hazardous material abatement associated with the renovation of the Science Hall. The College was allocated \$5,000,000 from State Lottery Bond revenues for this project which has a total projected budget of \$9,500,000. The College has negotiated financing with United Bank for the additional funding needed to complete the project which is scheduled for completion on December 7, 2007.
- The College took on new capital debt in the amount of \$110,765 for the purchase of new computers to upgrade the Ernie Smith Computer Lab and equip ten electronic "Smart" classrooms.

Economic Outlook

The economic prospects of Glenville State College remain bright. The College continues to broaden recruitment and retention efforts and has set aggressive enrollment goals for 2008. New strategies have been implemented to help ensure the success of these initiatives including a new tuition structure for states and counties that border West Virginia.

The College is firmly committed to linking higher education and economic growth in central West Virginia. Several new strategies have been initiated to address some of the major deterrents which prevent people and industries from moving into our region. Some of these obstacles include the lack of appreciation for the necessity of a college education for participation in a knowledge based global economy, the lack of affordable housing, and the lack of a 24/7 medical care facility.

The College has developed partnerships with thirteen counties in its service area to increase communications between higher education and K-12 education. The objectives of these partnerships include increase ACT scores, decrease remedial coursework for freshman students and enhance academic rigor at GSC. In addition, this program will implement a mentoring program through service learning which will help to identify and support "at risk" students through graduation from high school. The goal of these objectives is to increase the appreciation of the necessity and value of a college education in today's world and to increase the percentage of local high school students seeking a college degree.

The College has encouraged discussions which have resulted in the Glenville State College Foundation joining efforts with a public-private partnership to facilitate the development of a new residential subdivision targeted at penetration pricing levels to induce new persons to reside in our local community. This initiative is based upon the premise that economic development cannot occur without a sufficient population base and that base cannot exist without adequate affordable housing. The overall objective is to promote economic development while improving the local housing market with the long term goal of increasing enrollment at Glenville State College.

The College has begun discussions to collaborate with a health provider to build and maintain a medical facility that is operational twenty-four hours per day and seven days per week. This initiative will not only address the immediate need for enhanced health care but will support GSC's existing nursing

program and identify and support the development of related programs to prepare students for work in the growing health care industry.

In conjunction with the Glenville State College Foundation, the College is embarking on its first major capital campaign. Funds will be raised to support capital projects and operational needs as well as the strategies outlined above. The College has targeted early 2008 for the kick off of this campaign.

In FY2008 the College will receive continued funding from the three major operational and research grants, TRIO, Criminal Justice, and NASA. In addition, the College is working on additional programs that will provide training and professional development for the Department of Military Affairs and Public Safety.

In conclusion, the Glenville State College Board of Governors, the College's administration, and the extended College community are excited about the financial outlook of the College.

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF NET ASSETS JUNE 30, 2007 AND 2006

ASSETS	2007	2006
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,293,201	\$ 3,441,351
Appropriations due from Primary Government		577,819
Accounts receivable—net	676,622	277,640
Loans to students—current portion	9,702	11,980
Prepaid expenses	7,001	6,926
Inventories	53,465	71,060
Total current assets	<u>5,039,991</u>	<u>4,386,776</u>
NONCURRENT ASSETS:		
Cash and cash equivalents	2,631,825	648,413
Capital assets—net	<u>30,258,476</u>	<u>24,119,905</u>
Total noncurrent assets	<u>32,890,301</u>	<u>24,768,318</u>
TOTAL ASSETS	<u>\$ 37,930,292</u>	<u>\$ 29,155,094</u>

(Continued)

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF NET ASSETS JUNE 30, 2007 AND 2006

LIABILITIES AND NET ASSETS	2007	2006
CURRENT LIABILITIES:		
Accounts payable	\$ 961,485	\$ 473,604
Accrued liabilities	843,092	583,702
Due to the Commission	2,472	3,949
Compensated absences—current portion	290,668	316,486
Deferred revenue	102,673	60,238
Note payable—current portion	77,859	144,750
Capital lease obligations—current portion	223,001	223,737
Bonds payable—current portion	138,115	83,481
Higher Education Policy Commission Debt Payable—current portion	<u>172,692</u>	<u>162,486</u>
Total current liabilities	2,812,057	2,052,433
NONCURRENT LIABILITIES	<u>9,326,189</u>	<u>8,346,471</u>
Total liabilities	<u>12,138,246</u>	<u>10,398,904</u>
NET ASSETS:		
Invested in capital assets—net of related debt	21,437,199	16,378,349
Restricted for:		
Expendable:		
Scholarships	1,652	42,459
Loans	62,400	63,747
Capital projects	1,533,388	
Debt service	732,456	1,035,977
Other	493,561	
Unrestricted	<u>1,531,390</u>	<u>1,235,658</u>
Total net assets	<u>25,792,046</u>	<u>18,756,190</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 37,930,292</u>	<u>\$ 29,155,094</u>

See notes to combined financial statements.

(Concluded)

GLENVILLE STATE COLLEGE

THE GLENVILLE STATE COLLEGE FOUNDATION, INC. A COMPONENT UNIT OF GLENVILLE STATE COLLEGE STATEMENTS OF NET ASSETS JUNE 30, 2007 AND 2006

ASSETS	2007	2006
ASSETS:		
Cash	\$ 66,827	\$ 44,648
Investments	5,071,638	4,832,213
Unconditional promises to give—net of allowance for uncollectible promises of \$0 and \$0	682,181	623,203
Other current assets	67,071	69,750
Investment in capital assets	47,046	4,783
Land and other assets held for investment	<u>203,915</u>	<u>131,914</u>
TOTAL ASSETS	\$ 6,138,678	\$ 5,706,511
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 13,923	
Notes Payable - current portion	<u>6,754</u>	
Total current liabilities	20,677	
NONCURRENT LIABILITIES	<u>31,331</u>	
Total liabilities	<u>52,008</u>	
NET ASSETS:		
Unrestricted	378,487	\$ 231,633
Temporarily restricted	1,110,637	1,065,208
Permanently restricted	<u>4,597,546</u>	<u>4,409,670</u>
Total net assets	<u>6,086,670</u>	<u>5,706,511</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 6,138,678	\$ 5,706,511

See notes to combined financial statements.

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
OPERATING REVENUES:		
Student tuition and fees (net of scholarship allowance of \$1,740,621 and \$1,627,145)	\$ 2,800,929	\$ 2,878,486
Contracts and grants:		
Federal	3,121,276	1,936,212
State	1,802,512	1,498,295
Private	1,022,791	1,188,789
Interest on student loans receivable	17	22
Sales and services of educational activities	426,504	558,093
Auxiliary enterprise revenue (net of scholarship allowance of \$1,152,573 and \$1,178,482)	2,200,357	2,423,494
Miscellaneous—net	127,627	141,488
	<u>11,502,013</u>	<u>10,624,879</u>
OPERATING EXPENSES:		
Salaries and wages	7,059,474	6,368,013
Benefits	1,910,702	1,827,273
Supplies and other services	3,281,796	3,630,326
Utilities	913,480	899,998
Student financial aid—scholarships and fellowships	2,051,297	2,115,656
Depreciation	1,292,509	1,348,842
Loan cancellations and write-offs	1,176	1,855
Fees assessed by the Commission for operations	60,184	56,171
	<u>16,570,618</u>	<u>16,248,134</u>
OPERATING LOSS	<u>(5,068,605)</u>	<u>(5,623,255)</u>

(Continued)

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
NONOPERATING REVENUES (EXPENSES):		
State appropriations	\$ 5,475,753	\$ 5,413,712
Investment income	248,819	258,822
Interest on indebtedness	(436,905)	(414,822)
Fees assessed by the Commission for debt service	<u>(10,486)</u>	<u>(11,990)</u>
Net nonoperating revenues	<u>5,277,181</u>	<u>5,245,722</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	208,576	(377,533)
CAPITAL PROJECTS PROCEEDS FROM THE COMMISSION	4,689,656	292,715
CAPITAL GRANTS AND GIFTS	2,178,000	5,724,867
TRANSFER OF LIABILITY FROM THE COMMISSION	<u>(40,376)</u>	<u> </u>
INCREASE (DECREASE) IN NET ASSETS	7,035,856	5,640,049
NET ASSETS—Beginning of year	<u>18,756,190</u>	<u>13,116,141</u>
NET ASSETS—End of year	<u>\$ 25,792,046</u>	<u>\$ 18,756,190</u>

See notes to combined financial statements.

(Concluded)

GLENVILLE STATE COLLEGE

**THE GLENVILLE STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF GLENVILLE STATE COLLEGE
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Grants and donations	\$ 142,272	\$ 580,993	\$ 187,294	\$ 910,559
Administration fee	136,098			136,098
Investment income	<u>137,411</u>	<u>485,509</u>	<u>855</u>	<u>623,775</u>
Total revenues, gain and other support	<u>415,781</u>	<u>1,066,502</u>	<u>188,149</u>	<u>1,670,432</u>
EXPENSES:				
Program services	68,457	885,248		953,705
Management and general	165,574	135,825	273	301,672
Fundraising	15,960			15,960
Professional fees	17,010			17,010
Depreciation	<u>1,926</u>			<u>1,926</u>
Total expenses	268,927	1,021,073	273	1,290,273
CHANGE IN NET ASSETS	146,854	45,429	187,876	380,159
NET ASSETS—Beginning of year	<u>231,633</u>	<u>1,065,208</u>	<u>4,409,670</u>	<u>5,706,511</u>
NET ASSETS—End of year	<u>\$ 378,487</u>	<u>\$ 1,110,637</u>	<u>\$ 4,597,546</u>	<u>\$ 6,086,670</u>

See notes to combined financial statements.

GLENVILLE STATE COLLEGE

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

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

See notes to combined financial statements.

GLENNVILLE STATE COLLEGE

COMBINED STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 4,412,905	\$ 4,035,271
Contracts and grants	5,733,805	3,225,821
Payments to and on behalf of employees	(9,047,369)	(8,229,496)
Payments to suppliers	(2,628,217)	(3,585,540)
Payments to utilities	(921,733)	(876,706)
Payments for scholarships and fellowships	(4,358,939)	(2,881,732)
Loans issued to students	(137,971)	(118,742)
Collection of loans to students	138,118	125,740
Sales and service of educational activities	310,751	617,652
Auxiliary enterprise charges	3,404,592	3,494,159
Fees assessed by the Commission for operations	(60,184)	(56,171)
Other receipts and payments—net	1,375	141,264
	<u>(3,152,867)</u>	<u>(4,108,480)</u>
Net cash used in operating activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	6,053,572	5,413,712
William D. Ford direct lending receipts	4,043,757	4,356,117
William D. Ford direct lending payments	<u>(4,043,757)</u>	<u>(4,356,117)</u>
Net cash provided by noncapital financing activities	<u>6,053,572</u>	<u>5,413,712</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of capital assets	(7,315,035)	(7,947,342)
Debt service paid to Commission	(258,274)	(260,505)
Non-operating fees retained by the Commission	(10,486)	(11,990)
Principal paid on notes, bonds and leases	(410,453)	(354,598)
Interest paid on notes, bonds and leases	(342,243)	(314,800)
Decrease (Increase) in noncurrent cash and cash equivalents	(1,983,412)	1,184,648
Bond Loan proceeds	1,500,000	
Capital Grants - Federal	4,346,864	5,275,572
Capital projects proceeds from the Commission	<u>2,178,000</u>	<u>292,715</u>
Net cash used in capital financing activities	<u>(2,295,039)</u>	<u>(2,136,300)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	<u>246,184</u>	<u>212,351</u>
Net cash provided by investing activities	<u>246,184</u>	<u>212,351</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	851,850	(618,717)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>3,441,351</u>	<u>4,060,068</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 4,293,201</u>	<u>\$ 3,441,351</u>

(Continued)

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (5,068,605)	\$ (5,623,255)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	1,292,509	1,348,842
Changes in assets and liabilities:		
Accounts receivable—net	(56,189)	404,385
Loans to students—net	2,278	(5,404)
Prepaid expenses	(75)	4,118
Inventories	17,595	37,251
Accounts payable	487,881	(192,610)
Accrued liabilities and due to the Commission	257,913	9,359
Compensated absences	(128,609)	(92,725)
Deferred revenue	42,435	1,559
	<u>\$ (3,152,867)</u>	<u>\$ (4,108,480)</u>
NET CASH USED IN OPERATING ACTIVITIES		
	<u>\$ (3,152,867)</u>	<u>\$ (4,108,480)</u>
NONCASH TRANSACTIONS:		
Accretion of bond discount into bonds payable	<u>\$ 1,519</u>	<u>\$ 1,519</u>
Capital lease obligation incurred for equipment	<u>\$ 110,765</u>	<u>\$ 167,127</u>

See notes to combined financial statements.

(Concluded)

GLENVILLE STATE COLLEGE

NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2007 AND 2006

1. ORGANIZATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The accompanying combined financial statements present all funds under the authority of the College, including its blended component units, Glenville State College Research Corporation (the "Corporation"), which was formed on December 10, 1990 as a nonprofit, nonstock corporation and Glenville State College Housing Corporation (the "Housing Corporation"), which received tax-exempt status on June 11, 1973 as a nonprofit corporation. The basic criterion for inclusion in the accompanying

combined financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities. A related Foundation and Alumni Association of the College are not part of the College reporting entity and are not included in the accompanying combined financial statements as the College has no ability to designate management, cannot significantly influence operations of these entities and is not accountable for the fiscal matters of the Foundation and Alumni Association under GASB Statement No. 14, *The Financial Reporting Entity*.

As of July 1, 2003, the College adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, as an amendment to GASB Statement No. 14. As a result, the audited financial statements of The Glenville State College Foundation, Inc. (the "Foundation") are presented here with the College's financial statements for the fiscal years ended June 30, 2007 and 2006. The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein (see also Note 17).

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

- *Invested in capital assets, net of related debt*—This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
- *Restricted net assets, expendable*—This includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

- *Restricted net assets, nonexpendable*—This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College did not have any restricted nonexpendable net assets at June 30, 2007 and 2006, 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 Board of Treasury Investments (“BTI”). These funds are transferred to the BTI and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia code, policies set by the BTI, and by provisions of bond indentures and trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments for External Investment Pools*. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying combined financial statements.

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

Appropriations Due from Primary Government—For financial reporting purposes, appropriations due from the State are presented separate from cash and cash equivalents, as amounts are not specific deposits with the State Treasurer but are obligations of the State. These revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Appropriations which remain undrawn at the end of the year may be drawn through the thirty-first day of July after the end of the year for which the appropriation is made.

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

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

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

Capital Assets—Capital assets include property, plant and equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. No interest was capitalized as part of the cost of assets for the year ended June 30, 2007. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 20 years for land improvements, 10 years for equipment, 7 years for library books, and 3 years for furniture. The College's capitalization threshold is \$1,000.

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

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

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

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

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

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

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

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

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

Classification of Revenues—The College has classified its revenues according to the following criteria:

- **Operating Revenues**—Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, local, and nongovernmental grants and contracts, and (4) sales and services of educational activities.
- **Nonoperating Revenues**—Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting* and GASB Statement No. 34, such as state appropriations and investment income.
- **Other Revenues**—Other revenues consist primarily of capital grants and gifts.

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

Federal Financial Assistance Programs—The College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through universities like the College. Direct student loan receivables are not included in the College’s balance sheets as the loans are repayable directly to the U.S. Department of Education. In 2007 and 2006, the College received and disbursed \$4,043,757 and \$4,356,117, 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 2007 and 2006, the College received and disbursed approximately \$2,098,078 and \$2,310,105, respectively, under these federal student aid programs.

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

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

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

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

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

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

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

Recent Statements Issued by the Government Accounting Standards Board—The GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after December 15, 2006. This statement provides standards for the measurement, recognition and display of other postemployment benefit expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. Effective July 1, 2007, the College will adopt GASB Statement No. 45. During fiscal year

2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State of West Virginia. Effective July 1, 2007, the College is required to participate in this multiple employer cost sharing plan sponsored by the State of West Virginia. Details regarding this plan can be obtained by contacting Public Employees Insurance Agency, State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, WV 25305-0710 or <http://www.wvpeia.com>.

The GASB has issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, effective for fiscal years beginning after December 15, 2006. This statement addresses whether an exchange of an interest in expected cash flows for collecting specific receivables of specific future revenues for an immediate lump sum should be regarded as a sale or as a collateralized borrowing resulting in a liability. It establishes criteria to determine whether proceeds should be reported as revenue or a liability. The College has not yet determined the effect that the adoption of GASB Statement No. 48 may have on the financial statements.

The GASB has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for fiscal years beginning after December 15, 2007. This statement addresses the obligations of existing pollution events. It provides guidance on whether any components of a remediation should be recognized as a liability. The College has not yet determined the effect that the adoption of GASB Statement No. 49 may have on the financial statements.

The GASB has issued Statement No. 50, *Pensions Disclosures (an amendment of GASB Statements No. 25 and No. 27)*, effective for fiscal years beginning after June 15, 2007. This statement more closely aligns the financial reporting requirements for pension with those for other postemployment benefits, thus enhancing the information disclosed on the notes to the financial statements or presented as required supplementary information. The College has not yet determined the effect that the adoption of GASB Statement No. 50 may have on the financial statements.

The GASB has issued Statement No. 51, *Accounting and Financial Reporting*, effective for fiscal years beginning after June 15, 2009. This statement provides guidance regarding whether and when intangible assets should be considered capital assets for financial reporting purposes. The College has not yet determined the effect that the adoption of GASB Statement No. 51 may have on the financial statements.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2007 and 2006, was held as follows:

	2007		
	Current	Noncurrent	Total
State Treasurer	\$ 3,559,667	\$ 2,441,312	\$ 6,000,979
Municipal Bond Commission	280,562		280,562
Trustee		190,513	190,513
Banks	<u>452,972</u>	<u> </u>	<u>452,972</u>
	<u>\$ 4,293,201</u>	<u>\$ 2,631,825</u>	<u>\$ 6,925,026</u>
	2006		
	Current	Noncurrent	Total
State Treasurer	\$ 2,549,878	\$ 467,168	\$ 3,017,046
Municipal Bond Commission	266,818		266,818
Trustee		181,245	181,245
Banks	<u>624,655</u>	<u> </u>	<u>624,655</u>
	<u>\$ 3,441,351</u>	<u>\$ 648,413</u>	<u>\$ 4,089,764</u>

Amounts held by the State Treasurer includes \$3,014,994 and \$708,342 of restricted cash for grant programs, capital improvements, debt service, and student financial aid among others as of June 30, 2007 and 2006, respectively.

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

The combined carrying amounts of cash in the bank at June 30, 2007 and 2006 were \$452,972 and \$624,655, respectively, as compared with the combined bank balance of \$482,166 and \$656,483. The difference is primarily caused by items in transit.

Amounts with the State Treasurer and the Municipal Bond Commission as of June 30, 2007 and 2006 are comprised of the following investment pools:

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

and has adopted a formal review schedule. Investment policies have been established for each investment pool and account of the BTI's Consolidated Fund.

Cash Liquidity Pool

Credit Risk

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

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

Security Type	Credit Rating *		2007		2006	
	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Investments:						
Commercial paper	P1	A-1	\$ 1,015,926	48.89 %	\$ 943,057	54.14 %
Corporate bonds and notes	Aaa	AAA	98,999	4.76	61,992	3.56
	Aa3	AA	20,001	0.96		
	Aa3	A	23,002	1.11		
	Aa2	AA	15,000	0.72		
	Aa2	A	27,000	1.30		
	Aa1	AA	77,023	3.71		
	Aa	AA			55,063	3.16
	Aa	A			12,000	0.69
			261,025	12.56	129,055	7.41
U.S. agency bonds	Aaa	AAA	46,994	2.26	43,663	2.51
U.S. Treasury bills	Aaa	AAA	358,725	17.27	306,279	17.58
Negotiable certificates of deposit	P1	A-1	76,500	3.68	99,000	5.68
U.S. agency discount notes	P1	A-1	21,655	1.04	93,851	5.39
Money market funds	Aaa	AAA	185	0.01	758	0.04
Repurchase agreements (underlying securities):						
U.S. Treasury notes	Aaa	AAA			73,000	4.19
U.S. agency notes	Aaa	AAA	246,821	11.88	29,339	1.69
			246,821	11.88	102,339	5.88
Deposits:						
Nonnegotiable certificates of deposit	NR	NR	50,000	2.41	23,800	1.37
			<u>\$ 2,077,831</u>	<u>100.00 %</u>	<u>\$ 1,741,802</u>	<u>100.00 %</u>

* NR = Not Rated. See "Deposits" note at the conclusion of this footnote.

At June 30, 2007 and 2006, Glenville State College ownership represents .28% and .12%, respectively, of these amounts held by the BTI.

Government Money Market Pool

Credit Risk

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

Security Type	Credit Rating		2007		2006	
	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
U.S. agency bonds	Aaa	AAA	\$ 67,620	29.46 %	\$ 21,420	11.76 %
U.S. Treasury bills	Aaa	AAA	36,379	15.85	28,346	15.56
U.S. agency discount notes	P1	A-1	74,143	32.30	112,399	61.70
Money market funds	Aaa	AAA	9	-	109	0.06
Repurchase agreements (underlying securities):						
U.S. Treasury notes	Aaa	AAA	51,400	22.39		
U.S. Treasury strips	Aaa	AAA			15,602	8.56
U.S. agency bonds	Aaa	AAA			4,298	2.36
			<u>51,400</u>	<u>22.39</u>	<u>19,900</u>	<u>10.92</u>
			<u>\$ 229,551</u>	<u>100.00 %</u>	<u>\$ 182,174</u>	<u>100.00 %</u>

At June 30, 2007 and 2006, the Glenville State College's ownership represents .10% and .03%, respectively, of these amounts held by the BTI.

Enhanced Yield Pool

Credit Risk

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

Security Type	Credit Rating		2007		2006	
	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Corporate asset backed securities	P1	A-1	\$ 42,122	18.40 %	\$ 46,963	17.70 %
Corporate bonds and notes	Aaa	AAA	1,667	0.73	2,448	0.92
	Aa3	AA	7,857	3.43		
	Aa3	A	3,905	1.70		
	Aa2	AA	950	0.41		
	Aa2	A	2,177	0.95		
	Aa1	AA	6,431	2.81		
	A3	A	6,958	3.04		
	A2	AA	747	0.33		
	A2	A	8,188	3.58		
	A1	AA	3,034	1.32		
	A1	A	10,706	4.68		
	Aa	AA			3,790	1.43
	Aa	A			15,660	5.90
	A	AA			3,048	1.15
	A	A			46,847	17.65
			52,620	22.98	71,793	27.05
U.S. agency bonds	Aaa	AAA	46,075	20.13	87,215	32.86
U.S. Treasury bills	Aaa	AAA			58,067	21.88
U.S. Treasury notes	Aaa	AAA	55,877	24.41		
U.S. agency mortgage backed securities	Aaa	AAA	11,741	5.13		
Repurchase agreements (underlying securities):						
U.S. agency mortgage backed securities	Aaa	AAA			1,346	0.51
U.S. agency notes	Aaa	AAA	20,485	8.95		
			20,485	8.95	1,346	0.51
			<u>\$ 228,920</u>	<u>100.00 %</u>	<u>\$ 265,384</u>	<u>100.00 %</u>

At June 30, 2007 and 2006, the Glenville State College's ownership represents .14% and .42%, respectively, of these amounts held by the BTI.

Interest Rate Risk

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

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

Security Type	2007		2006	
	Carrying Value (In Thousands)	WAM (Days)	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 246,821	2	\$ 102,339	3
U.S. Treasury bills	358,725	30	306,279	32
Commercial paper	1,015,926	52	943,057	25
Certificates of deposit	126,500	76	122,800	105
U.S. agency discount notes	21,655	113	93,851	89
Corporate notes	261,025	58	129,055	77
U.S. agency bonds/notes	46,994	156	43,663	208
Money market funds	<u>185</u>	<u>1</u>	<u>758</u>	<u>1</u>
	<u>\$2,077,831</u>	<u>48</u>	<u>\$1,741,802</u>	<u>42</u>

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

Security Type	2007		2006	
	Carrying Value (In Thousands)	WAM (Days)	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 51,400	2	\$ 19,900	3
U.S. Treasury bills	36,379	29	28,346	42
U.S. agency discount notes	74,143	106	112,399	39
U.S. agency bonds/notes	67,620	60	21,420	152
Money market funds	<u>9</u>	<u>1</u>	<u>109</u>	<u>1</u>
	<u>\$ 229,551</u>	<u>49</u>	<u>\$ 182,174</u>	<u>49</u>

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

Security Type	2007		2006	
	Carrying Value (In Thousands)	WAM (Days)	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 20,485	2	\$ 1,346	3
U.S. Treasury bonds/notes	55,877	1,092	58,067	894
Corporate notes	52,620	557	71,793	588
Corporate asset backed securities	42,122	421	46,963	688
U.S. agency bonds/notes	46,075	927	87,215	594
U.S. agency mortgage backed securities	<u>11,741</u>	<u>814</u>	<u> </u>	<u> </u>
	<u>\$ 228,920</u>	<u>700</u>	<u>\$ 265,384</u>	<u>672</u>

Other Investment Risks

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

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

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

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

Deposits

Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. The Cash Liquidity Pool contains nonnegotiable certificates of deposit valued at \$50,000,000, which represents 2.41% of the pool's assets. The BTI does not have a deposit policy for custodial credit risk. The College does not have a deposit policy for custodial credit risk.

As of June 30, 2007, \$177,580 of the College's bank balance of \$452,972 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 177,580
Uninsured and collateral held by pledging bank's trust department not in the College's name	<u>0</u>
Total	<u>\$ 177,580</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30, 2007 and 2006:

	2007	2006
Student tuition and fees, net of allowance for doubtful accounts of \$682,566 and \$621,029, respectively	\$ 129,459	\$ 151,927
Due from the Commission	368,227	11,049
Due from other State agencies	39,702	42,308
Due from Federal Government	64,508	43,905
Other accounts receivable	<u>74,726</u>	<u>28,451</u>
	<u>\$ 676,622</u>	<u>\$ 277,640</u>

5. CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2007 and 2006:

	2007				Ending Balance
	Beginning Balance	Additions	Reductions	Transfer	
Capital assets not being depreciated:					
Land	\$ 462,913				\$ 462,913
Construction In Progress	1,213,808	\$ 6,713,812	\$ 271,078	\$ (2,772,096)	4,884,446
Total capital assets not being depreciated	<u>\$ 1,676,721</u>	<u>\$ 6,713,812</u>	<u>\$ 271,078</u>	<u>\$ (2,772,096)</u>	<u>\$ 5,347,359</u>
Other capital assets:					
Land improvements	\$ 2,389,609				\$ 2,389,609
Infrastructure	1,433,778				1,433,778
Buildings	33,970,406	\$ 161,428		\$ 2,772,096	36,903,930
Equipment	5,561,325	787,034	\$ (46,441)		6,301,918
Library books	1,573,902	40,788	(2,355)		1,612,335
Total other capital assets	<u>44,929,020</u>	<u>989,250</u>	<u>(48,796)</u>	<u>2,772,096</u>	<u>48,641,570</u>
Less accumulated depreciation for:					
Land improvements	771,753	94,621			866,374
Infrastructure	1,076,799	95,583			1,172,382
Buildings	15,539,548	534,415			16,073,963
Equipment	3,677,951	517,529	(44,288)		4,151,192
Library books	1,419,785	49,112	(2,355)		1,466,542
Total accumulated depreciation	<u>22,485,836</u>	<u>1,291,260</u>	<u>(46,643)</u>		<u>23,730,453</u>
Other capital assets—net	<u>\$ 22,443,184</u>	<u>\$ (302,010)</u>	<u>\$ (2,153)</u>	<u>\$ 2,772,096</u>	<u>\$ 24,911,117</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 1,676,721	\$ 6,713,812	\$ 271,078	\$ (2,772,096)	\$ 5,347,359
Other capital assets	<u>44,929,020</u>	<u>989,250</u>	<u>(48,796)</u>	<u>2,772,096</u>	<u>48,641,570</u>
Total cost of capital assets	46,605,741	7,703,062	222,282		53,988,929
Less accumulated depreciation	<u>22,485,836</u>	<u>1,291,260</u>	<u>(46,643)</u>		<u>23,730,453</u>
Capital assets—net	<u>\$ 24,119,905</u>	<u>\$ 6,411,802</u>	<u>\$ 268,925</u>	<u>\$</u>	<u>\$ 30,258,476</u>

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

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

6. LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the College for the years ended June 30, 2007 and 2006:

	2007				
	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 \$190,513 at June 30, 2007	\$ 4,643,160	\$ 1,519	\$ 85,000	\$ 4,559,679	\$ 88,481
Campus Community Center bonds		1,500,000	24,036	1,475,964	49,634
Capital lease obligations	724,037	110,765	223,737	611,065	223,001
Notes payable	369,750		77,679	292,071	77,859
Commission Debt Payable	<u>2,004,608</u>	<u>40,376</u>	<u>162,486</u>	<u>1,882,498</u>	<u>172,692</u>
Total bonds, capital leases, and note payable	7,741,555	1,652,660	572,938	8,821,277	611,667
Other liabilities:					
Accrued compensated absences	<u>1,535,856</u>	<u>327,151</u>	<u>455,760</u>	<u>1,407,247</u>	<u>290,668</u>
Total noncurrent liabilities	<u>\$ 9,277,411</u>	<u>\$ 1,979,811</u>	<u>\$ 1,028,698</u>	<u>\$ 10,228,524</u>	<u>\$ 902,335</u>
	2006				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, capital leases, and notes payable:					
Student Housing bonds payable net of discount, including unexpended funds of \$181,245 at June 30, 2006	\$ 4,726,641	\$ 1,519	\$ 85,000	\$ 4,643,160	\$ 83,481
Capital lease obligations	784,768	167,127	227,858	724,037	223,737
Notes payable	447,275		77,525	369,750	144,750
Commission Debt Payable	<u>2,163,974</u>		<u>159,366</u>	<u>2,004,608</u>	<u>162,486</u>
Total bonds, capital leases, and note payable	8,122,658	168,646	549,749	7,741,555	614,454
Other liabilities:					
Accrued compensated absences	<u>1,628,579</u>	<u>380,505</u>	<u>473,228</u>	<u>1,535,856</u>	<u>316,486</u>
Total noncurrent liabilities	<u>\$ 9,751,237</u>	<u>\$ 549,151</u>	<u>\$ 1,022,977</u>	<u>\$ 9,277,411</u>	<u>\$ 930,940</u>

7. BONDS PAYABLE

Bonds payable consisted of the following at June 30, 2007 and 2006:

	Interest Rate	Annual Principal Installment Due	2007 Principal Amount Outstanding	2006 Principal Amount Outstanding
Student Housing Bonds:				
Series 2000 A, mature various dates through October 1, 2030	5.3% to 6.2%	Various	\$ 4,595,000	\$ 4,680,000
Less: Discount			<u>35,321</u>	<u>36,840</u>
Total Series 2000 A bonds			4,559,679	4,643,160
Campus Community Center Bonds:				
Series 2006, interest rate reset at November 1, 2016	4.30%	Various	<u>1,475,964</u>	
Total bonds payable			<u>\$ 6,035,643</u>	<u>\$ 4,643,160</u>

Future debt service requirements to maturity for the revenue bonds at June 30, 2007, are as follows:

Year Ending June 30	Principal	Interest	Total
2008	\$ 139,634	\$ 339,359	\$ 478,993
2009	146,791	332,229	479,020
2010	154,042	324,688	478,730
2011	166,391	316,589	482,980
2012	173,842	307,663	481,505
2013 - 2017	1,009,868	1,383,958	2,393,826
2018 - 2022	1,319,245	1,067,897	2,387,142
2023 - 2027	1,681,151	645,413	2,326,564
2028 - 2031	<u>1,280,000</u>	<u>164,920</u>	<u>1,444,920</u>
Total	<u>\$ 6,070,964</u>	<u>\$ 4,882,716</u>	<u>\$ 10,953,680</u>

8. CAPITAL LEASE OBLIGATIONS

The College leases various equipment. These obligations are accounted for as capital leases. The following is a schedule by year of future annual minimum payments required under the lease obligations existing at June 30, 2007:

Year Ending June 30	Principal	Interest	Total
2008	223,001	20,651	\$ 243,652
2009	189,581	12,048	201,629
2010	114,741	5,797	120,538
2011	59,579	2,523	62,102
2012	24,163	586	<u>24,749</u>
			652,670
Less interest			<u>41,605</u>
			<u>\$ 611,065</u>

The net book value of leased assets was \$924,528 as of June 30, 2007.

9. NOTE PAYABLE

Notes payable consisted of the following at June 30, 2007 and 2006:

	Interest Rate	Annual Principal Installment Due	2007 Principal Amount Outstanding	2006 Principal Amount Outstanding
Real Estate Purchase:				
\$79,000 promissory note collateralized by 1st lien on purchased house and Lot, Gilmer County, West Virginia	6.0%	\$569 monthly through 7/2012 plus balloon	67,071	69,750
\$375,000 unsecured promissory note to the Commission	0.0%	\$37,500 semi-annually through 6/2010	225,000	300,000
Total Note Payable			<u>\$ 292,071</u>	<u>\$ 369,750</u>

The following is a schedule by year of future annual minimum payments required under the notes existing at June 30, 2007:

Year Ending June 30	Principal	Interest	Total
2008	\$ 77,859	\$ 3,946	\$ 81,805
2009	78,058	3,768	81,826
2010	78,246	3,580	81,826
2011	3,447	3,380	6,827
2012	54,461	3,167	<u>57,628</u>
Total			309,912
Less portion representing interest			<u>17,841</u>
			<u>\$ 292,071</u>

10. COMPENSATED ABSENCES LIABILITY

The composition of the compensated absences liability was as follows at June 30, 2007 and 2006:

	2007	2006
Health and life insurance benefits	\$ 1,060,333	\$ 1,179,286
Accrued vacation leave	<u>346,914</u>	<u>356,570</u>
	<u>\$ 1,407,247</u>	<u>\$ 1,535,856</u>

For the years ended June 30, 2007 and 2006, the amount paid by the College for extended health and life insurance coverage retirement benefits totaled \$56,981 and \$66,979, respectively. As of June 30, 2007 and 2006, there were 28 and 32 retirees currently eligible for these benefits.

11. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

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

The Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for

internal funding of capital projects and maintenance. Although the bonds remain as a capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission. During 2007 and 2006, the College paid \$258,274 and \$260,505, respectively, to the Commission against the debt obligation. The amount due to Commission at June 30, 2007 and 2006 was \$1,882,498 and \$2,004,608 respectively.

Subsequent Event

In December 2007, the West Virginia Higher Education Policy Commission anticipates passing a resolution authorizing the issuance of commercial development revenue bonds for \$4,500,000. The funds will provide for the reimbursement of construction, improvement, and renovation costs incurred in the renovation of the Science Building by the College.

12. UNRESTRICTED NET ASSETS

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

	2007	2006
Designated for auxiliaries	\$ 256,376	\$ 370,268
Designated for affiliated organizations	374,983	507,035
Undesignated	<u>900,031</u>	<u>358,355</u>
 Total unrestricted net assets	 <u>\$ 1,531,390</u>	 <u>\$ 1,235,658</u>

13. RETIREMENT PLANS

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

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the Educators Money 401(a) basic retirement plan. New hires have the choice of either plan. As of June 30, 2007, 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, 2007 and 2006, respectively. Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2007 and 2006, 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, 2007, 2006 and 2005, were \$380,161, \$388,342 and \$373,953, respectively, which consisted of \$271,544, \$277,387 and \$267,108 from the College in 2007, 2006 and 2005, respectively, and \$108,617, \$110,955 and \$106,845 from the covered employees in 2007, 2006 and 2005, 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, 2007, 2006 and 2005, were \$544,008, \$487,248 and \$452,220, respectively, which consisted of equal contributions from the College and covered employees in 2007, 2006 and 2005 of \$272,004, \$243,624 and \$226,110, respectively.

The College's total payroll for the years ended June 30, 2007 and 2006 was \$6,631,682 and \$6,198,617; total covered employees' salaries in the STRS and TIAA-CREF were \$1,810,289 and \$4,514,411 in 2007, respectively, \$1,849,245 and \$4,042,453 in 2006, respectively.

14. CONTINGENCIES

The nature of the educational industry is such that, from time-to-time, claims will be presented against the College on account of alleged negligence, acts of discrimination, breach of contract or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system. In the opinion of management, all known claims are covered by insurance or are such that an award against the College would not seriously impact the financial status of the institution.

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

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

15. SEGMENT INFORMATION (UNAUDITED)

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

Descriptive information for each of Glenville State College's segments is shown below:

- a. *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.

- b. *Board of Governors of Glenville State College, Facilities Improvements Revenue Bonds, Series 2006.*

In November 2006, the College sold \$1,500,000 of Revenue Bonds, 2006 Facilities Improvement Revenue Bonds, Series 2006 (the "Bonds"). The Bonds were issued under the authority contained in Chapter 18B, Article 10 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 November 30, 2006, by and between the Glenville State College Board of Governors and Branch Banking & Trust, Charleston, WV (the "Trustee"). The bonds are secured by and payable from the revenues of the College's auxiliary and auxiliary capital fee and certain funds held under the Indenture. The proceeds of the Bonds are being used (1) to finance all or part of the cost of renovating the student center (Mollohan Campus Community Center), (2) to reimburse the Board for cash amounts previously expended to pay renovation costs, and (3) to pay the cost of issuing the bonds.

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

Condensed Statement of Net Assets (Unaudited)	Housing Facilities Revenue Bonds Series 2000A		Facilities Improvement Revenue Bonds Series 2006
	June 30 2007	June 30 2006	June 30 2007
Assets:			
Current assets	\$ 357,682	\$ 407,199	\$ 288,510
Capital assets	<u>5,700,710</u>	<u>5,668,238</u>	<u>9,798,730</u>
Total assets	<u>\$6,058,392</u>	<u>\$6,075,437</u>	<u>\$ 10,087,240</u>
Liabilities:			
Current liabilities	\$ 199,807	\$ 162,277	\$ 53,292
Long-term liabilities	<u>4,535,410</u>	<u>4,559,679</u>	<u>1,426,330</u>
Total liabilities	4,735,217	4,721,956	1,479,622
Net Assets:			
Invested in capital assets—net of related debt	973,960	955,328	8,322,766
Restricted:			
Debt service	190,513	181,245	
Unrestricted	<u>158,702</u>	<u>216,908</u>	<u>284,852</u>
Total net assets and liabilities	<u>\$6,058,392</u>	<u>\$6,075,437</u>	<u>\$ 10,087,240</u>
Condensed Statement of Revenues, Expenses and Changes in Net Assets (Unaudited)	As of June 30 2007	As of June 30 2006	As of June 30 2007
Operating:			
Operating revenues	\$ 434,362	\$ 509,955	\$ 353,895
Operating expenses	<u>(186,046)</u>	<u>(262,270)</u>	<u>(482,706)</u>
Net operating income	<u>248,316</u>	<u>247,685</u>	<u>(128,811)</u>
Nonoperating:			
Nonoperating revenues	10,089	7,414	1,280,096
Nonoperating expenses	<u>(288,711)</u>	<u>(293,351)</u>	<u>(35,250)</u>
Changes in net assets	<u>(30,306)</u>	<u>(38,252)</u>	<u>1,116,035</u>
Net assets—beginning of year	<u>1,353,481</u>	<u>1,391,733</u>	<u>7,491,583</u>
Net assets—end of year	<u>\$1,323,175</u>	<u>\$1,353,481</u>	<u>\$ 8,607,618</u>

Condensed Statement of Cash Flows (Unaudited)	Housing Facilities Revenue Bonds Series 2000A		Facilities Improvement Revenue Bonds Series 2006
	As of June 30 2007	As of June 30 2006	As of June 30 2007
	Net cash provided by operating activities	\$ 380,136	\$ 433,487
Net cash used in capital and related activities	<u>(434,252)</u>	<u>(371,841)</u>	<u>(56,286)</u>
Net increase in cash	(54,116)	61,646	29,490
Cash and cash equivalents - beginning of year	<u>407,199</u>	<u>345,553</u>	<u>244,832</u>
Cash and cash equivalents - end of year	<u>\$ 353,083</u>	<u>\$ 407,199</u>	<u>\$ 274,322</u>

16. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the year ended June 30, 2007 and 2006, the following table represents operating expenses within both natural and functional classifications:

	2007							Total
	Salaries and Wages	Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Cancellations and Write-offs	
Instruction	\$ 3,408,708	\$ 803,884	\$ 518,560	\$	\$	\$	\$	\$ 4,731,152
Academic support	528,847	153,442	107,540					789,829
Student services	911,460	244,030	369,025					1,524,515
General institutional support	859,684	308,537	218,882					1,387,103
Operations and maintenance of plant	575,425	192,566	331,407	444,326			1,176	1,543,724
Student financial aid					2,051,297			2,052,473
Auxiliary enterprises	775,350	208,243	1,736,382	469,154		1,292,509		3,189,129
Depreciation								1,292,509
Fees assessed by the Commission for operations								60,184
Total	\$ 7,059,474	\$ 1,910,702	\$ 3,281,796	\$ 913,480	\$ 2,051,297	\$ 1,292,509	\$ 1,176	\$ 16,570,618

	2006							Total
	Salaries and Wages	Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Cancellations and Write-offs	
Instruction	\$ 2,900,615	\$ 697,677	\$ 232,550	\$	\$	\$	\$	\$ 3,830,842
Academic support	547,028	150,550	86,432					784,010
Student services	847,037	294,369	365,934					1,507,340
General institutional support	800,751	210,783	386,847					1,398,381
Operations and maintenance of plant	566,021	255,194	493,772	544,265				1,859,252
Student financial aid					2,115,656			2,117,511
Auxiliary enterprises	706,561	218,700	2,064,791	355,733		1,348,842		3,345,785
Depreciation								1,348,842
Fees assessed by the Commission for operations								56,171
Total	\$ 6,368,013	\$ 1,827,273	\$ 3,650,326	\$ 899,998	\$ 2,115,656	\$ 1,348,842	\$ 1,855	\$ 16,248,134

17. FOUNDATION

The Foundation is a separate nonprofit organization incorporated in the state of West Virginia and has as its purpose, “. . . to aid, strengthen and further in every proper and useful way, the work and services of the College and its affiliated nonprofit organizations” Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Directors of the Foundation employ management, form policy and maintain fiscal accountability over funds administered by the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is therefore discretely presented with the College’s financial statements in accordance with GASB Statement No. 39. Based on the Foundation’s audited financial statements as of June 30, 2007 and 2006, the Foundation’s net assets (including unrealized gains) totaled \$6,086,670 and \$5,706,511, 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, 2007 and 2006, the Foundation contributed \$485,837 and \$254,273, respectively, to the College for scholarships.

The following notes on pages 48 – 51 are taken directly from the Foundation’s audited financial statements.

NOTES TO FINANCIAL STATEMENTS
GLENVILLE STATE COLLEGE FOUNDATION, INC.
June 30, 2007

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.

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

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

Cash

The Foundation maintains its cash at local financial institutions under normal financial arrangements. During the years ended June 30, 2007 and 2006, 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, 2007 and 2006 are, in the opinion of Foundation management, fully collectible.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

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

Equipment

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

Management Estimates

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

Tax Exempt Status

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

Cash Flows

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

No interest or income taxes were paid during the years ended June 30, 2007 and 2006.

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

NOTE 2. INVESTMENTS

Investments of the Foundation at June 30, 2007 consist of:

	<u>Cost</u>	<u>Fair Value</u>
American Century Mutual Funds	\$ 33,312	\$ 45,037
Lord Abbott Mutual Funds	67,527	85,825
United Bank Investment Portfolio	653	653
Fidelity Investment Portfolio	4,682,241	4,626,530
Huntington Bancshares, Inc. Common Stock	37,500	22,740
United Bancshares, Inc. Common Stock	68,124	159,000
Exxon Mobil Corporation Common Stock	9,391	130,853
Other Investments	1,000	1,000
	<u>\$ 4,899,748</u>	<u>\$ 5,071,638</u>

During the year ended June 30, 2007, the Foundation changed its investment trustee from United Bank to Fidelity Investments. The Fidelity Investment Portfolio consists of governmental agency notes and bonds 20%; corporate notes and bonds 19%; bond and stock mutual funds 52%; and short-term cash investments 9%.

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

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

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

NOTE 3. BEQUESTS AND CONTRIBUTIONS RECEIVABLE

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

	2007	2006
Cline, present value of life insurance policy	\$ 113,340	\$ 103,730
Kern, present value of life insurance policy	8,848	7,840
Rice, present value of life insurance policy	559,993	511,633
TOTAL	<u>\$ 682,181</u>	<u>\$ 623,203</u>

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

NOTE 4. LOAN RECEIVABLE

During the year ended June 30, 2003, the Foundation loaned Glenville State College \$79,000, secured by a deed of trust on the property known as the Turner House. The note bears interest at 6%, with monthly payments of \$566 through June 2012, at which time a final payment of \$67,637 is due. The balance of the note at June 30, 2007 and 2006 was \$67,071 and \$69,750, respectively.

NOTE 5. NOTES PAYABLE

During the year ended June 30, 2007, the Foundation acquired a note payable to Calhoun County Bank, to purchase a vehicle. The note has an original principal of \$38,085, with 60 monthly payments of \$738 through June 2012. The note bears interest at 6% and is secured by a vehicle with a net book value of \$40,000 at June 30, 2007. The outstanding balance at June 30, 2007 was \$38,085.

Future maturities of notes payable at June 30, 2007 are as follows:

2008	\$	6,754
2009		7,170
2010		7,612
2011		8,082
2012		8,467
	\$	<u>38,085</u>

NOTE 6. 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, 2007 or 2006.

NOTE 7. 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 8. 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 2007 and 2006, the Foundation charged an administrative fee in an amount sufficient to cover operating expenses, of \$154,184 and \$148,252, respectively.

**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**

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

We have audited the accompanying combined financial statements of the business-type activities and discretely presented component unit of Glennville State College (the "College"), as of and for the years ended June 30, 2007 and 2006, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 6, 2007. 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. Other auditors audited the financial statements of the Glennville State College Foundation, Inc. (the "Foundation"), as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

 David L. Stinebaugh, CPA's, PLLC

December 6, 2007