GLENVILLE STATE COLLEGE

Glenville, West Virginia

Combined Financial Statements and
Additional Information for the Years
Ended June 30, 2004 and 2003 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 year ended June 30, 2004, which collectively comprise the College's basic financial statements as listed in the foregoing table of contents. These combined financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The financial statements of Glenville State College as of June 30, 2003 were audited by other auditors whose report dated November 7, 2003 expressed an unqualified opinion on those statements. 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 2004 and 2003 amounts included for Glenville State College Foundation, Inc. is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Glenville State College Foundation, Inc.'s financial statements, which were audited by other auditors, were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit 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, 2004, and the respective changes in net assets and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, the College changed its financial statement presentation to adopt the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, as an amendment to GASB Statement No. 14 as of July 1, 2003.

The Management Discussion and Analysis on pages 3 to 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2004, 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 audit.

HAYFLICH & STEINBERG
September 21, 2004

GLENVILLE STATE COLLEGE
200 High Street
Glenville, WV 26351

Management Discussion and Analysis
Fiscal Years 2004, 2003, and 2002

Overview of the Combined Financial Statements and Financial Analysis

Glenville State College (the "College") is pleased to present its combined financial statements for the fiscal years 2004 and 2003. The following management discussion and analysis provides an overview of the financial position and activities of the College for the years ended June 30, 2004, 2003, and 2002.

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

Financial Highlights

The overriding influence affecting our financial position in fiscal year 2004 was the realignment of our Community and Technical College component with Bluefield State College and Fairmont State University mandated by HB 2224. This resulted in a decline of approximately one-third of our enrollment. Full Time Equivalent and headcount for Fall 2003 were 1,205 and 1,377 respectively compared to 1789 FTE and 2,184 headcount in Fall 2002 and 1,807 and 2,144 respectively in Fall 2001. Accordingly the net assets decreased by 0.47 % from the previous year. The loss of revenue from the realignment of CTC was partially offset by an increase in tuition of 9.3% in-state and 12.75% out of state. Accordingly tuition revenues only decreased 19.28 % overall for 2004. In addition state appropriations were reduced by $3,094,859 as a result of the CTC realignment and an across the board statewide reduction.

Grant revenue decreased $628,351 in FY2004 again due in large part to federal student grants that went to students at the Community and Technical College. Grants not directly related to student financial aid remained strong with the receipt of $694,000 of a total $2.6 million HUD grant designated for renovation of the Heflin Student Union. The Perkins Loan Program was terminated resulting in a $5,113 reduction of net loans receivable.

Combined Statement of Net Assets

The Combined Statement of Net Assets presents the assets, liabilities, and net assets of the College as of the end of the fiscal year. The purpose of the Combined Statement of Net Assets is to present to the readers of the financial statements a fiscal sna-l36 Tw[The ove49pmCsset978 0 TD0 Tc02522.t Un)]TJ19.587Tw[reae

Program and transferred $25,983 of outstanding student loans and $72,710 of advanced funds back to the federal government.

Non-current assets decreased by $ 722,081. Non-current cash and cash equivalents decreased by approximately $55,158 largely as a result of Capital Projects expenditures on classroom and office renovations.

Net capital assets decreased approximately $666,923 due primarily to $1,275,834 in depreciation and the transfer of CTC assets in the amount of $243,642. Principal on the Pioneer Village bonds and system-wide debt assigned by the HEPC were reduced $75,000 and $ 255,147 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, a

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

Revenues:

	2004	2003	2002	% Change
Program revenues (by major source)				
Tuition & fees before allowances	$ 4,056,403	$ 5,152,018	$ 5,035,245	(21.27%)
Less: scholarship discounts & allowances	(1,523,206)	(2,013,817)	(1,924,820)	(24.36%)
Research grants & contracts	5,298,200	5,926,551	4,696,470	(10.60%)
Auxiliary enterprise sales & services, net	2,162,950	1,801,923	1,604,524	20.03%
Miscellaneous	1,281,901	1,398,107	1,318,118	(8.31%)
General revenues (by major source)				
State appropriations	5,265,600	8,360,459	8,416,070	(37.02%)
Investment income	39,660	122,340	167,547	(67.58%)
Capital grants and gifts	47,000	380,828	655,000	(87.66%)

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

- Student tuition and fees (net of scholarship allowance) made up 22.46% of the College's operating revenues and 15.23% 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 9.30% and 12.75%, respectively.

- Other operating revenues such as noncapital contracts and grants, auxiliary enterprise revenue, interest on loans receivable, and miscellaneous revenues comprised 52.58%, 43.00%, and 38.16% of the College's operating revenues in FY 2004, FY 2003 and FY 2002, respectively. FY2004 grant awards included a $174,000 FIPSE award, a $20,000 Professional Development Schools grant, and a $694,000 installment of a $2.6 million Housing and Urban Development Grant.

- State appropriated general revenue funds in the amount of $5,265,600 accounted for 31.67% of total revenues in FY 2004 compared to 39.39% in FY2003 and 42.15% in FY 2002. These appropriations are used to pay salaries and benefits in support of the operations of the College.

- Investment income declined by $82,680 (67.6%) from FY2003 to FY2004. This revenue source made up 0.24% of total revenues in FY 2004 compared to 0.58% in FY2003 and 0.84% in FY 2002. 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:

	2004	2003	2002	% Change

Non-operating expenses consisted primarily of interest on indebtedness $334,826 and fees assessed by the HEPC for system-wide debt service $102,001.

Combined Statements of Cash Flows

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

The Statement of Cash Flows is divided into five parts:

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

- Also on the third floor of LBH, a major renovation was undertaken to house the National Corrections and Law Enforcement Training Center. This is state of the art law enforcement training center which will also be available to the College's Criminal Justice program. The cost of the renovation was paid by NCLETC with all assets then donated to the College.
- A new softball field was built to accommodate the intercollegiate softball team. Approximately half of the total cost was paid for through private donation.
- In compliance with the realignment of the

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF NET ASSETS
JUNE 30, 2004 AND 2003

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COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
OPERATING REVENUES:		
Student tuition and fees (net of scholarship allowance of $1,523,206 and $2,013,817)	$ 2,533,197	$ 3,138,201
Contracts and grants:		
Federal	3,386,545	3,851,275
State	1,201,786	1,460,439
Private	709,869	614,837
Interest on student loans receivable	32	6,177
Sales and services of educational activities	1,281,869	1,391,123
Auxiliary enterprise revenue (net of scholarship allowance of $992,337 and $943,053)	2,162,950	1,801,923
Miscellaneous—net		807

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
NONOPERATING REVENUES (EXPENSES):		
State appropriations	$ 5,265,600	$ 8,360,459
Investment income	39,660	122,340
Interest on indebtedness	(334,826)	(334,625)
Fees assessed by the Commission for debt service	(102,001)	(180,163)
Net nonoperating revenues	4,868,433	7,968,011
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	140,198	341,475

GLENVILLE STATE COLLEGE

THE GLENVILLE STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF GLENVILLE STATE COLLEGE
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Grants and donations	$ 74,672	$ 548,652	$ 90,550	$ 713,874
Contributed services				
Special events				
Administration fee	131,246			131,246
Interest income—promises to give				
Investment income	69,819	333,148	21,906	424,873
Net assets reclassified to conform With donor requests		151,873	(151,873)	
Net assets released from restrictions—Satisfaction of program restrictions				
Total revenues, gain and other support	275,737	1,033,673	(39,417)	

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 2,265,056	$ 2,801,315
Contracts and grants	4,950,918	5,732,173
Payments to and on behalf of employees	(8,097,289)	(10,550,615)
Payments to suppliers	(3,874,199)	(4,362,532)
Payments to utilities	(636,655)	(834,462)
Payments for scholarships and fellowships	(1,303,530)	(2,489,913)
Loans issued to students	(94,742)	(133,712)
Collection of loans to students	118,131	237,482
Advances from federal government returned	(91,162)	
Sales and service of educational activities	1,192,687	1,418,959
Auxiliary enterprise charges	2,095,360	1,804,722
Fees assesse		

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$(4,728,235)	$(7,626,536)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	1,275,834	1,448,604
Changes in assets and liabilities:		
Accounts receivable—net	39,744	108,966
Loans to students—net	5,113	680,099
Prepaid expenses	(12,036)	(3)
Inventories	3,315	(15,788)
Accounts payable	161,098	14,589
Accrued liabilities and due to the Commission	(44,641)	(316,421)
Compensated absences	(104,532)	43,543
Deferred revenue	(57,632)	(28,569)

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.

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, 2004 and 2003. 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 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, 2004 and 2003, respectively.

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

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

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

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the "State Treasurer") are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Investment Management Board (the "IMB"). These funds are transferred to the IMB and the IMB is directed by the State Treasurer to invest the funds in specific external investment pools. Balances in the investment pools are recorded at fair value, which is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in

charged by BRIM to the College and the College's ultimate actual loss experience, the difference will be recorded, as the change in estimate becomes known.

Classification of Revenues—The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

- *Operating Revenues*—Operating revenues include activities th 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

The GASB has also issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after December 15, 2006. This statement provides standards for the measurement, recognition and display of other postemployment benefit expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. The College has not yet determined the effect that the adoption of GASB Statement No. 45 may have on the financial statements.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents was as follows at June 30, 2004 and 2003:

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

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

Cash held by the State Treasurer includes $2,479,277 and $2,337,416 of restricted cash for student housing, student activities, faculty improvement and federal grants among others as of June 30, 2004 and 2003, respectively.

The combined carrying amounts of cash in the bank at June 30, 2004 and 2003 were $929,486 and $894,776, respectively, as compared with the combined bank balance of $977,482 and $919,509. The difference is primarily caused by items in transit. The bank balances were covered by federal depository insurance or were collateralized by securities held by the State's agent.

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

4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30, 2004 and 2003:

	2004	2003
Student tuition and fees, net of allowance for doubtful accounts of $511,821 and $438,347, respectively	$ 92,414	$152,110
Due from the Commission	1,932	3,159
Due from other State agencies	38,340	268en8 of $

5. CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2004 and 2003:

	Beginning Balance	Additions	Reductions	Transfer	Ending Balance
Capital assets not being depreciated:					
Land	$ 462,913				$ 462,913
Construction In Progress		$ 281,299			281,299
Total capital assets not being depreciated	$ 462,913	$ 281,299			$ 744,212

Other capital assets:

6. LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the College for the years ended June 30, 2004 and 2003:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, capital leases, and notes payable:					
Student Housing bonds payable net of discount, including unexpended funds of $176,614 at June 30, 2004	$ 4,878,603	$ 1,519	$ 75,000	$ 4,805,122	$ 80,000
Capital lease obligations	1,016,489		167,538	848,951	167,131
Note payable	86,891		7,239	79,652	7,377
Commission Debt Payable	2,657,205	16,177	255,147	255,147J6.16(bl)31(8473.	

7. BONDS PAYABLE

Bonds payable consisted of the following at June 30, 2004 and 2003:

	Interest Rate	Annual Principal Installment Due	2004 Principal Amount Outstanding	2003 Principal Amount Outstanding
Student Housing Bonds:				
Series 2000 A, mature various dates				
through October 1, 2030	5.0% to 6.2%	Various	$4,845,000	$4,920,000
Less: Discount			39,878	41,397
Total bonds payable			$4,805,122	$4,878,603

The following is a schedule by year of future annual minimum payments required under the Series 2000 A bonds existing at June 30, 2004:

Year Ending June 30	Principal	Interest	Total
2005	$ 80,000	$ 289,875	$ 369,875
2006	85,000	285,564	370,564
2007	85,000	281,080	366,080
2008	90,000	276,420	366,420
2009	95,000	271,448	366,448
2010 - 2014	570,000	1,266,912	1,836,912
2015 - 2019	760,000	1,069,927	1,829,927
2020 - 2024	1,020,000	801,663	1,821,663
2025 - 2029	1,380,000	434,364	1,814,364
2030 and Thereafter	680,000	42,780	722,780
Total	$4,845,000	$5,020,033	$ 9,865,033

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, 2004:

Year Ending June 30	Principal	Interest	Total
2005	$167,131	$30,102	$ 197,233
2006	173,794	23,439	197,233
2007	180,727	16,506	197,233
2008	160,630	9,661	170,291
2009	124,510	3,757	128,267
Thereafter	42,160	381	42,541
			932,798
Less interest			83,846
			$ 848,952

The net book value of leased assets was $975,015 as of June 30, 2004.

9. NOTE PAYABLE

Note payable consisted of the following at June 30, 2004 and 2003:

	Interest Rate	Annual Principal Installment Due	2004 Principal Amount Outstanding	2003 Principal Amount Outstanding
Real Estate Purchase:				
$35,000 promissory note collateralized by 1st lien on purchased Lot 35, Gilmer County, West Virginia	8.0%	$5,000 every January 1 through 2005	$5,000	$10,000
$79,000 promissory note collateralized by 1st lien on purchased house and Lot, Gilmer County, West Virginia	6.0%	$565.98 monthly through 6/07 plus balloon	74,652	76,891
Total Note Payable			$79,652	$86,891

The following is a schedule by year of future annual minimum payments required under the note existing at June 30, 2004:

Year Ending June 30	Principal	Interest	Total
2005	$ 7,377	$ 4,815	$ 12,192
2006	2,524	4,268	6,792
2007	69,751	4,112	73,863
Total			92,847
Less portion representing interest			(13,195)
			$ 79,652

10. COMPENSATED ABSENCES LIABILITY

The composition of the compensated absences liability was as follows at June 30, 2004 and 2003:

	2004	2003
Health or life insurance benefits	$1,045,479	$1,101,262
Accrued vacation leave	393,738	442,486
	$1,439,217	$1,543,748

For the years ended June 30, 2004 and 2003, the amount paid by the College for extended health or life insurance coverage retirement benefits totaled $73,774 and $61,140, respectively. As of June 30, 2004 and 2003, there were 33 and 26 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 2004 and 2003, the College paid

$255,147 and $211,388, respectively, to the Commission against the debt obligation. The amount due to Commission at June 30, 2004 and 2003 was $2,418,235 and $2,657,205 respectively.

12. RETIREMENT PLANS

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

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, 200

The College’s total payroll for the years ended J

16. SEGMENT INFORMATION (UNAUDITED)

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

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

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

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

Glenville State College Housing Corporation

Condensed Statement of Net Assets (Unaudited)	2004	2003
Assets:		
Current assets	$ 338,029	$ 318,861
Capital assets	5,986,349	6,087,141
Total assets	$6,324,378	$6,406,002
Liabilities:		
Bond indebtedness	$4,805,122	$4,878,603
Other note	79,652	86,891
Total liabilities	4,884,774	4,965,494
Net Assets:		
Invested in capital assets—net of related debt	1,101,575	1,121,647
Restricted:		
Debt service	130,04495.7(7.2(sse) Tw[(*TD0 Tc2.)5	

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

	2004	2003
Operating:		
Operating revenues	$ 488,723	$ 482,755
Operating expenses	(188,207)	(211,948)
Net operating income	300,516	270,807
Nonoperating:		
Nonoperating revenues	1,338	2,217
Nonoperating expenses	(302,758)	(306,969)
Changes in net assets	(904)	(33,945)
Net assets—beginning of year	1,440,508	1,474,453
Net assets—end of year	$1,439,604	$1,440,508

18. 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

19. SUBSEQUENT EVENT

On August 31, 2004, the West Virginia Higher Education Policy Commission issued $167,260,000 of 2004 Series B Revenue Bonds (Higher Education Facilities). Glenville State College will receive $5,000,000 of the bond proceeds for the renovation of the Science and Math building.

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

Glenville State College Governing Board

We have audited the combined financial statements of Glenville State College (the "College") as of and for the year ended June 30, 2004 and have issued our report thereon dated September 24, 2004, which contains a consistency paragraph for the adoption of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and states reliance on other auditors for the discretely presented component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's combined financial statements are