

GLENVILLE STATE COLLEGE

Glenville, West Virginia

Combined Financial Statements and
Additional Information for the Years
Ended June 30, 2009 and 2008 and
Independent Auditors' Reports

GLENVILLE STATE COLLEGE

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)	3-11
COMBINED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2009 and 2008:	
Combined Statements of Net Assets	12-13
Component Unit—Statements of Net Assets	14
Combined Statements of Revenues, Expenses, and Changes in Net Assets	15-16
Component Unit—Statements of Activities	17-18
Combined Statements of Cash Flows	19-20
Notes to Combined Financial Statements	21-53
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	54-55

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined financial statements of the business-type activities and discretely presented component unit of Glennville State College ("the College"), as of and for the years ended June 30, 2009 and 2008, which collectively comprise the College's basic financial statements as listed in the table of contents. These combined financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these combined financial statements based on our audits. We did not audit the financial statements of Glennville State College Foundation, Inc., which represents the only discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the 2009 and 2008 amounts included for Glennville State College Foundation, Inc. is based on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The Glennville State College Foundation, Inc.'s financial statements, which were audited by other auditors, were not audited in accordance with Governmental Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, based on our audits and the report of other auditors, the combined financial statements referred to above present fairly, in all material resp

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2009, 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

GLENVILLE STATE COLLEGE
200 High Street
Glennville, WV 26351

Management's Discussion and Analysis
Fiscal Years 2009, 2008, and 2007

About Glennville State College

Glennville State College, West Virginia's only centrally located public college, was founded in 1872 to provide instruction and practice for common school teachers in the science of education and the art of teachers. In the early years, Glennville Normal was obliged to devote resources almost exclusively to secondary studies because of the absence of high schools in the area. Later, as high schools became more numerous, secondary offerings were gradually reduced and more college courses were developed. On May 1, 1930, the State Board of Education authorized the school to award the Bachelor of Arts in Education Degree, and on March 4, 1931, the Legislature changed the school's name to Glennville State Teachers College. Often referred to as the Lighthouse on the Hill, the name of the school was changed to

Financial Highlights

Current assets increased while non-current assets have declined, net capital and total assets both increased. Operating, net operating and total revenues each increased. Current liabilities increased primarily due to an increase in accrued payroll and amounts due to other state agencies. Non-current liabilities increased as a result of a \$635,000 loan for the purchase of the Conrad Motel. The College continued to receive funding from four major operational and research grants. The College received \$237,048 from the third year of the TRIO grant, while the third year of the Department of Justice and NASA grants brought in \$219,678 and \$897,286 respectively. In the second year of a second Department of Justice grant \$ 84,251 was received.

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 rest

Net Assets (Deficit)

Invested in capital assets, net of related debt	\$ 22,163,043	\$ 21,327,637	\$
--	---------------	---------------	----

**Combined Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2009, 2008, and 2007**

	2009	2008	2007	% Change
Operating revenues	\$ 12,734,211	\$11,240,963	\$ 9,621,101	13.28%
Operating expenses	<u>21,372,651</u>	<u>19,741,806</u>	<u>16,570,618</u>	<u>8.26 %</u>
Operating loss	(8,638,440)	(8,500,843)	(6,949,517)	1.62%
Non-operating Revenues	9,362,760	8,722,265	7,605,484	7.34%
Non-operating Expenses	<u>660,069</u>	<u>565,350</u>	<u>447,391</u>	<u>16.75%</u>
Net Non-operating revenues	8,702,691	8,156,915	7,158,093	6.69%
Income (loss) before other revenues, expenses, gains or losses	64,251	(343,928)	208,576	118.68 %
Capital Projects Proceeds	344,714		6,867,656	100.00%
Transfer from Commission			(40,376)	
Net Effect of Change In Accounting Principal	<u>408,965</u>	<u>1,060,333</u>	<u>7,035,856</u>	<u>(100.00%)</u>
Increase in net assets	408,965	716,405	7,035,856	(42.91%)
Net assets, beginning of year	<u>26,508,451</u>	<u>25,792,046</u>	<u>18,756,190</u>	<u>2.78%</u>
Net assets, end of year	<u>\$26,917,416</u>	<u>\$26,508,451</u>	<u>\$ 25,792,046</u>	<u>1.54 %</u>

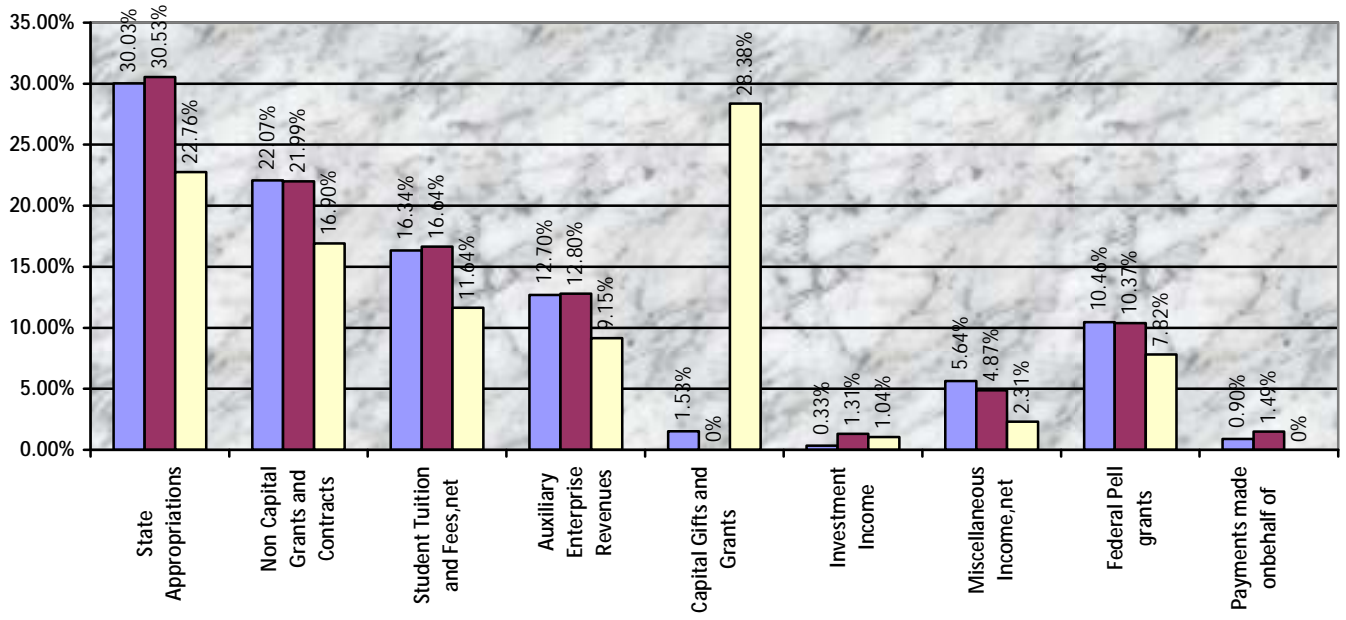
An analysis of the individual revenue and expense categories that contributed to the overall increase in net assets reveals the following:

Revenues:

	2009	2008	2007	% Change
Program revenues (by major source)				
Tuition & fees before allowances	\$ 5,964,828	\$ 5,257,743	\$ 4,541,550	13.45 %
Less: scholarship discounts & allowances	(2,297,790)	(1,935,524)	(1,740,621)	(18.72)%
Research grants & contracts	4,952,272	4,390,535	4,065,667	12.79%
Auxiliary enterprise sales & services, net	2,850,181	2,556,188	2,200,357	11.50 %
Miscellaneous	1,264,720	972,021	554,148	30.11 %

General revenues (by major source)
Capital grants and gifts 344,714

Total Revenues for the Year Ended June 2009,2008,2007



These appropriations are used to pay salaries and benefits in support of the operations of the College.

- Investment income decreased by \$185,908 or 71.42 % from FY2008 to FY2009. This revenue source made up 0.33% of total revenues in FY 2009 compared to 1.31% in FY2008 and 1.04% in FY 2007. 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:

	2009	2008	2007	% Change
Salaries and wages	\$ 8,879,530	\$ 7,930,727	\$ 7,059,474	11.96%
Benefits	2,879,452	2,633,473	1,910,702	9.34%
Supplies and other services	4,940,212	4,537,140	3,281,796	8.88%
Utilities	1,004,430	953,763	913,480	5.31 %
Student financial aid, scholarships and fellowships	2,141,967	2,163,152	2,051,297	(.98 %)
Depreciation	1,464,231	1,461,702	1,292,509	0.17 %
Loan cancellations and write-offs	1,704	4,764	1,176	(64.23 %)
Fees retained by Commission for operations	<u>61,125</u>	<u>57,085</u>	<u>60,184</u>	<u>7.08%</u>
Total Operating Expenses	<u>\$ 21,372,651</u>	<u>\$19,741,806</u>	<u>\$16,570,618</u>	<u>8.26%</u>



- Utility costs in FY 2009 were \$1,004,430, an increase of 5.31% from FY 2008 and an increase of 9.96% from FY 2007. These costs represented 4.70% of the FY2009 operating expenses compared to 4.83% in FY2008 and 5.51% in FY 2007.
- Scholarship and fellowship expenses decreased \$21,185 or 0.98% from FY 2008, but an increase of 4.42% from FY2007. They represented 10.02%, 10.96% and 12.38% of the total operating expenses in FY 2009, FY 2008, and FY 2007, respectively.

Non-operating expenses consisted primarily of interest on indebtedness \$644,506, fees assessed by the HEPC for system-wide debt service \$10,977, \$1,519 in bond discount expense and \$3,067 in bank financing costs.

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 operating loss to net cash used in operating activities.* 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, 2009, 2008, and 2007

	2009	2008	2007	% Change
Cash provided by (used in):				
Operating activities	\$ (6,368,895)	\$ (6,693,348)	\$ (5,033,779)	4.85%
Non capital financing activities	8,828,367	8,165,147	7,934,484	8.23 %
Capital financing activities	(2,208,100)	(1,538,336)	(2,295,039)	(43.56 %)
Investing activities	<u>84,233</u>	<u>266,865</u>	<u>246,184</u>	<u>(68.44 %)</u>
Increase (decrease) in				

Capital Asset and Debt Administration

The College had capital asset additions of \$2,355,405, \$4,789,145, and \$10,466,461 for the years ended June 30, 2009, 2008, and 2007, respectively. The FY2007 additions were funded by federal grants, capital project proceeds from the Higher Education Policy Commission, and capital financing proceeds.

- In FY2009, the College constructed an elevator in the Physical Education Building and the Glenville State College Housing Corporation secured a \$635,000 bank loan to purchase the Conrad Motel.
- In FY2008, the College completed the renovation of the Science Hall. The College was allocated \$5,000,000 from State Lottery Bond revenues for this project.
- In December 2007, the College issued Student Fee Revenue Bonds in the amount of \$4,125,000

Rivers View, a new residential housing sub-division near Glenville, increases the local housing stock and promotes economic development. The infrastructure has been completed and there have been five homes and properties sold.

The College continues to have discussions with health care providers to maintain a multifunctional facility 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 also will support the College's nursing program and identify and support the development of related programs to prepare students for work in the growing health care industry. The objective of this initiative is to improve the overall health and wellness of the local community, central West Virginia, and the State as a whole.

The Transforming Lives NOW! capital campaign has been jump started in the initial silent phase with pledges exceeding \$8,000,000. The official kick-off date on November 15, 2008 established a goal of \$12,000,000.

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

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF NET ASSETS JUNE 30, 2009 AND 2008

ASSETS	2009	2008
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,829,134	\$ 4,493,529
Accounts receivable—net	669,291	299,281
Deferred financing costs, current portion - net	1,067	1,067
Loans to students—current portion	5,858	1,027
Inventories	79,944	

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF NET ASSETS JUNE 30, 2009 AND 2008

LIABILITIES AND NET ASSETS	2009	2008
CURRENT LIABILITIES:		
Accounts payable	\$ 889,534	\$ 464,217
Accrued liabilities	853,772	848,948
Due to the Commission	2,227	3,386
Compensated absences—current portion	306,645	268,416
Deferred revenue	134,683	89,779
Note payable—current portion	98,999	147,962
Capital lease obligations—current portion	114,741	191,324
Bonds payable—current portion	221,460	211,092
Higher Education Policy Commission debt payable—current portion	<u>183,794</u>	<u>177,481</u>
Total current liabilities	2,805,855	2,402,605
NONCURRENT LIABILITIES (Note 6)	<u>12,017,658</u>	<u>11,815,108</u>
Total liabilities	<u>14,823,513</u>	<u>14,217,713</u>
NET ASSETS:		
Invested in capital assets—net of related debt	22,163,043	21,327,637
Restricted for:		
Loans	57,313	56,756
Capital projects	1,025,128	1,169,580
Debt service	731,897	805,982
Other	434,068	432,701
Unrestricted	<u>2,505,967</u>	<u>2,715,795</u>
Total net assets	<u>26,917,416</u>	<u>26,508,451</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 41,740,929</u>	<u>\$ 40,726,164</u>

See notes to combined financial statements.

(Concluded)

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts Payable	\$ 25,295	\$ 14,187
Notes Payable - current port		
		<u>,859</u>
Total liabilities	<u>50,192</u>	<u>46,176</u>
NET ASSETS:		
Unrestricted	848,054	861,523
Temporarily restricted	(805,673)	174,739
Permanently restricted	<u>10,718,512</u>	<u>7,237,669</u>
Total net assets	<u>10,760,893</u>	<u>8,273,931</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,811,085</u>	<u>\$ 8,320,107</u>

See notes to combined financial statements.

GLENVILLE STATE COLLEGE

**COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2009 AND 2008**

	2009	2008
OPERATING REVENUES:		
Student tuition and fees (net of scholarship)		

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
NONOPERATING REVENUES (EXPENSES):		
State appropriations	\$ 6,739,617	\$ 6,095,707
Federal Pell grants	2,347,617	2,069,440
Payment on behalf of Glenville State College	201,132	296,816
Investment income	74,394	260,302
Interest on indebtedness	(644,506)	(550,089)
Fees assessed by the Commission for debt service	(10,977)	(10,676)
Other non-operating expenses	<u>(4,586)</u>	(4,585)

GLENVILLE STATE COLLEGE

**THE GLENVILLE STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF GLENVILLE STATE COLLEGE
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Grants and donations	\$ 253,388	\$ 621,965	\$ 3,541,621	\$ 4,416,974
Administration fee	278,076			278,076
Investment income	<u>82,804</u>	<u>(520,157)</u>	<u>(60,671)</u>	<u>(498,024)</u>
Total revenues, gain and other support	<u>614,268</u>	<u>101,808</u>	<u>3,480,950</u>	<u>4,197,026</u>
EXPENSES:				
Program services	384,198	804,251		1,188,449
Management and general	193,029	277,969	107	471,105
Fundraising	9,470			9,470
Professional fees	29,050			29,050
Depreciation	<u>11,990</u>			<u>11,990</u>
Total expenses	627,737	1,082,220	107	1,710,064
CHANGE IN NET ASSETS	(13,469)	(980,412)	3,480,843	2,486,962
NET ASSETS—Beginning of year	<u>861,523</u>	<u>174,739</u>	<u>7,237,669</u>	<u>8,273,931</u>
NET ASSETS—End of year	<u>\$ 848,054</u>	<u>\$ (805,673)</u>	<u>\$ 10,718,512</u>	<u>\$ 10,760,893</u>

See notes to combined financial statements.

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 3,394,664	\$ 3,299,607
Contracts and grants	4,885,528	4,264,852
Payments to and on behalf of employees	(11,215,530)	(9,966,572)
Payments to suppliers	(4,707,553)	(4,556,968)
Payments to utilities	(999,041)	(953,639)
Payments for scholarships and fellowships	(1,721,896)	(2,153,819)
Loans issued to students	(27,846)	(54,457)
Collection of loans to students	23,545	58,307
Sales and service of ed		

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (8,638,440)	\$ (8,500,843)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	1,464,231	1,461,702
Payments made on behalf of College	201,132	296,816
Changes in assets and liabilities:		
Accounts receivable—net	(109,658)	9,114
Loans to students—net	(4,831)	8,675
Prepaid expenses		7,001
Inventories	5,407	(31,886)
Accounts payable	101,875	(60,958)
Accrued liabilities and due to the Commission	327,106	97,750
Due to federal		(143,078)
Compensated absences	239,379	175,253
Deferred revenue	44,904	(12,894)
	<u>\$ (6,368,895)</u>	<u>\$ (6,693,348)</u>
NET CASH USED IN OPERATING ACTIVITIES		
	<u>\$ (6,368,895)</u>	<u>\$ (6,693,348)</u>
NONCASH TRANSACTIONS:		
Cumulative effect of adoption of accounting principle	\$	\$ 1,060,333
Accretion of bond discount into bonds payable	<u>\$ 1,519</u>	<u>\$ 1,519</u>
Deferred Financing Costs	<u>\$ 1,067</u>	<u>\$ 1,067</u>

See notes to combined financial statements.

(Concluded)

GLENVILLE STATE COLLEGE

NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2009 AND 2008

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, 2009 and 2008. 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 and No. 38, 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, 2009 and 2008, 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 Commission 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, provisions of bond indentures, and the 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 or on the first day of each month for the WV Short Term Bond Pool (formerly Enhanced Yield Pool) and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts (seven in 2008), three of which the Commission may invest in. 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: 1900 Kanawha Blvd. East, Room E-122, Charleston, WV 25305 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 collectability 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

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 institutions such as 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 2009 and 2008, the College received and disbursed \$5,992,877 and \$4,585,230, 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, Academic Competitiveness Grant, National Science and Mathematics Access to Retain Talent “SMART” Grant, and Teacher Education Assistance for College and Higher Education “TEACH” Grant, Supplemental Educational Opportunity Grant and College, and Work Study programs. The activity of these programs is recorded in the accompanying combined financial statements. In 2009 and 2008, the College received and disbursed approximately \$2,644,811 and \$2,181,642, 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

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2009 and 2008, was held as follows:

	2009		
	Current	Noncurrent	Total
State Treasurer	\$ 4,411,760	\$ 1,036,904	\$ 5,448,664
Municipal Bond Commission	295,942		295,942
Trustee		612,837	612,837
Banks	<u>121,432</u>	<u></u>	<u>121,432</u>
	<u>\$ 4,829,134</u>	<u>\$ 1,649,741</u>	<u>\$ 6,478,875</u>

	2008		
	Current	Noncurrent	Total
State Treasurer	\$ 3,779,673	\$ 1,622,582	\$ 5,402,255
Municipal Bond Commission	292,419		292,419
Trustee		607,541	607,541
Banks	<u>421,437</u>	<u></u>	<u>421,437</u>
	<u>\$ 4,493,529</u>	<u>\$ 2,230,123</u>	<u>\$ 6,723,652</u>

Amounts held by the State Treasurer includes \$1,399,330 and \$1,974,936 of restricted cash for grant programs, capital improvements, debt service, and student financial aid among others as of June 30, 2009 and 2008, respectively.

Amounts held by the Municipal Bond Commission or Trustee represent funds reserved for various

and has adopted a formal review schedule. Investment policies have been established for each investment pool and account of the BTI's Consolidated Fund. Of the BTI's Consolidated Fund pools and accounts which the Commission may invest in, three are subject to credit risk: WV Money Market Pool, WV Government Money Market Pool, and WV Short Term Bond Pool.

WV Money Market

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the years ended June 30, 2009 and 2008, the WV Money Market Pool has been rated AAAM by Standard & Poor's. A Fund rated "AAAM" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAM" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

The BTI limits the exposure to credit risk in the WV Money Market 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.

At June 30, 2009 and 2008, the WV Money Market Pool investments had a total carrying value of \$2,570,261,000 and \$2,358,470,000 respectively, of which the College's ownership represents 0.20% and 0.24%, respectively.

WV Government Money Market Pool

Credit Risk — For the years ended June 30, 2009 and 2008, the WV Government Market Pool has been rated AAAM by Standard & Poor's. A Fund rated "AAAM" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAM" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

The BTI limits the exposure to credit risk in the WV 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.

At June 30, 2009 and 2008, the WV Government Money Market Pool investments had a total carrying value of \$283,826,000 and \$187,064,000, of which the College's ownership represents 0.02% and 0.03% respectively.

WV Short Term Bond Pool

Credit Risk — The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated A by Standards & Poor

At June 30, 2009 and 2008, the College's ownership represents 0.17% and 0.14%, 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 WV 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 WV Money Market Pool:

Security Type	Carrying Value (In thousands)	WAM (Days)	Carrying Value (In thousands)	WAM (
----------------------	--	-----------------------	--	------------------

The following table provides information on the weighted average maturities for the various asset types in the WV Short Term Bond Pool at June 30, 2008:

Security Type	Carrying Value (In thousands)	WAM (Days)
Repurchase agreements	\$ 16,782	1
U.S. Treasury bonds/notes	81,875	744
Corporate notes	117,997	675
Corporate asset backed securities	52,169	341
U.S. agency bonds/notes	71,840	1,231
U.S. agency mortgage backed securities	5,345	570
Commercial paper	<u>7,971</u>	

5. CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2009 and 2008:

	Beginning Balance	Additions	Reductions	Transfer	Ending Balance
Ca					

	Beginning Balance	Additions	Reductions	Transfer	Ending Balance
Capital assets not being depreciated:					
Land	\$ 462,913	\$ 70,031	\$ -	\$ 51,029	\$ 583,973
Construction In Progress	<u>4,884,446</u>	<u> </u>	<u> </u>	<u>(4,884,446)</u>	<u> </u>
Total capital assets not being depreciated	<u>\$ 5,347,359</u>	<u>\$ 70,031</u>	<u>\$ -</u>	<u>\$ (4,833,417)</u>	<u>\$ 583,973</u>
Other capital assets:					
Land improvements	\$ 2,389,609	\$ -	\$ -	\$ -	\$ 2,389,609
Infrastructure	1,433,778				1,433,778
Buildings	36,903,930	4,417,127		4,776,497	46,097,554
Equipment	6,301,918	275,179	(85,447)	56,920	6,548,570
Library books	<u>1,612,335</u>	<u>26,808</u>	<u>(1,341)</u>	<u> </u>	<u>1,637,802</u>
Total other capital assets	<u>48,641,570</u>	<u>4,719,114</u>	<u>(86,788)</u>	<u>4,833,417</u>	<u>58,107,313</u>
Less accumulated depreciation for:					
Land improvements	866,374	94,620			960,994
Infrastructure	1				

6. LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the College for the years ended June 30, 2009 and 2008:

	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 \$202,338 at June 30, 2009	\$ 4,471,198	\$ -	\$ 93,481	\$ 4,377,717	\$ 98,481
Campus Community Center bonds	1,426,330		51,791	1,374,539	54,042
Science Building Bonds	4,051,611		66,807	3,984,804	68,937
Capital lease obligations	389,809			389,809	

7. BONDS PAYABLE

Bonds payable consisted of the following at June 30, 2009 and 2008:

	Annual Principal Installment Due	2009 Principal Amount Outstandin	2008 Principal Amount
--	---	---	-----------------------------

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, 2009:

Year Ending June 30	Principal	Interest	Total
2010	\$ 114,741	\$ 5,797	\$ 120,538
2011	59,579	2,523	62,102
2012	24,165	586	<u>24,751</u>
			207,391
Less interest			<u>8,906</u>
			<u>\$ 198,485</u>

The net book value of leased assets was \$542,022 as of June 30, 2009.

9. NOTE PAYABLE

Notes payable consisted of the following at June 30, 2009 and 2008:

	Interest Rate	Annual Principal Installment Due	2009 Principal Amount Outstanding	2008 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	\$ -	\$ 64,212
\$375,000 unsecured promissory note to the Commission	0.0%	\$37,500 semi-annually through 6/2010	75,000	150,000
\$26,250 promissory note collateralized by 1st lien on purchased house and lot, Gilmer County, West Virginia	6.0%	\$8,750 annually through 1/2011	17,500	26,250
\$635,000 promissory note collateralized by 1st lien on various parcels of real estate and motel building Gilmer County, West Virginia	6.56%	\$15,249 annually through 5/2030	620,652	
			<u> </u>	<u> </u>

The following is a schedule by year of future annual minimum payments required under the notes existing at June 30, 2009:

Year Ending June 30	Principal	Interest	Total
2010	\$ 98,999	\$ 38,524	\$ 137,523
2011	24,956	37,042	61,998
2012	17,224	35,500	52,724
2013	18,305	34,419	52,724
2014	19,454	33,270	52,724
2015 - 2019	117,190	146,426	263,616
2020 - 2024	158,884	104,732	263,616
2025 - 2029	215,412	48,204	263,616
2030	42,728	1,222	43,950
Total			1,192,491
Less portion representing interest			<u>479,339</u>
			<u>\$ 713,152</u>

10. OTHER POST EMPLOYMENT BENEFITS

With the adoption of GASB Statement No. 45 for the year ended June 30, 2008, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2009 and 2008, the noncurrent liability related to OPEB costs was \$312,741 and \$129,941, respectively. For the year ended June 30, 2008, the University recorded a cumulative effect of the adoption of this accounting principle of \$1,060,333 an amount equal to the June 30, 2007, liability for the extended health or life insurance benefit previously recorded in accordance with GASB Statement No. 16. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$750,022 and \$366,090, respectively, during 2009 and \$831,291 and \$404,534, respectively, during 2008. As of the year ended June 30, 2009, there were 24 retirees receiving these benefits.

11. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

from the State of Michigan. The College is a State institution of higher education, and the college receives its funding from the State of Michigan. The College is a State institution of higher education, and the college receives its funding from the State of Michigan.

The Commission has the authority to assess each public institution of higher education for payment of

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.

c. *Board of Governors of Glenville State College, Student Fee Revenue Bonds, (Glenville State College Science Building Project), Series 2007.*

In December 2007, the College sold \$4,125,000 of Revenue Bonds, 2007 Student Fee Revenue Bonds, Series 2007 (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 United Bank, Inc., Charleston, WV (the "Trustee"). The bonds are secured by and payable from the revenues of the College's education and general capital fees 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 science building, (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	June 30
	June 30	June 30	June 30	June 30		

Condensed Statement of Revenues, Expenses and Changes in Net Assets (Unaudited)	Housing Facilities Revenue Bonds Series 2000A		Facilities Improvement Revenue Bonds Series 2006		As of June 30 2009	As of June 30 2008
	As of June 30 2009	As of June 30 2008	As of June 30 2009	As of June 30 2008		
	Operating:					
Operating revenues	\$ 706,204	\$ 545,017	\$ 385,739	\$ 351,542	\$ 415,900	\$ 344,432
Operating expenses	<u>(337,325)</u>	<u>(174,874)</u>	<u>(528,296)</u>	<u>(118,361)</u>	<u>(199,830)</u>	<u> </u>
Net operating income	<u>368,879</u>	<u>370,143</u>	<u>(142,557)</u>	<u>233,181</u>	<u>216,070</u>	<u>344,432</u>
Nonoperating:						
Nonoperating revenues	2,020	8,879	789	119,225	347,589	350,343
Nonoperating expenses	<u>(314,928)</u>					

16. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the year ended June 30, 2009 and 2008, the following table represents operating expenses within both natural and functional classifications:

	Salaries and Wages	Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Cancellations and Write-offs	Fees Assessed by the Commission for Operations	Total
Instruction	\$ 4,387,349	\$ 1,161,278	\$ 838,315	\$ 3,670	\$ -	\$ -	\$ -	\$ -	\$ 6,390,612
Academic support	576,▲								

17. FOUNDATION

The Foundation is a separate nonprofit organization incorporated in t Teb4443 0 sirginia and Tw2404 T-8 Tw[c-

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

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

Fixed Assets

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

NOTE 3. BEQUESTS AND CONTRIBUTIONS RECEIVABLE

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

	2009	2008
Cline, present value of life insurance policy	\$ 120,576	\$ 109,147
Kern, present value of life insurance policy	10,367	9,609
Rice, present value of life insurance policy	532,288	591,618
Contribution receivable	<u>50,000</u>	<u>--</u>

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

NOTE 6. 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 \$32,000 at June 30, 2008. The outstanding balances at June 30, 2009 and 2008 were \$24,897 and \$31,989, respectively.

Future maturities of notes payable at June 30, 2009 are as follows:

2010	\$ 7,567
2011	8,034
2012	<u>9,296</u>
	<u>\$ 24,897</u>

NOTE 7. PHALA WOODS LOAN TRUST FUND

The Foundation has approximately \$80,000 held in trust by Fidelity Investments. 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, 2009 or 2008.

NOTE 8. 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 9. 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 2009 and 2008, the Foundation charged an administrative fee in an amount sufficient to cover operating expenses, of \$287,071 and \$151,414, respectively.

55+ Years
H. & S.
700
697-5704
yflch.net

HAYFLICH & STEINBERG

Certified Public Accountants

#8 Stonecrest Drive
Huntington, WV 25701
Tel (304) 697-5704
Fax (304) 697-5705
www.hayflich.net

Compliance and Other Matters

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