# GLENVILLE STATE COLLEGE

Glenville, West Virginia

Combined Financial Statements and
Additional Information for the Years
Ended June 30, 2012 and 2011 and
Independent Auditors' Reports

# GLENVILLE STATE COLLEGE

## TABLE OF CONTENTS

55+ Years of Excellence

**HAYFLICH & STEINBERG**
Certified Public Accountants

#8 Stonecrest Drive
Huntington, WV 25701
Tel (304) 697-5700
Fax (304) 697-5704
www.Hayflich.net

**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, 2012 and 2011, 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 2012 and 2011 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 previously present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit, as of June 30, 2012 and 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012, 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.

Hayflich & Steinberg, CPA's, PLLC

Huntington, West Virginia
December 10, 2012

# GLENVILLE STATE COLLEGE
200 High Street
Glenville, WV 26351

**Management's Discussion and Analysis**
**Fiscal Years 2012, 2011, and 2010**

## About Glenville State College

Glenville 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, Glenville 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 Glenville State Teachers College. Often referred to as the Lighthouse on the Hill, the name of the school was changed to Glenville State College in 1943.

Glenville State College has surpassed its original mission as a teacher's college, and currently prepares students for careers in teaching, business, land resources, music, the liberal arts, the sciences, criminal justice, and human services. With an enrollment of approximately 1,900 students, the College has a student to faculty ratio of 19 to 1. The College's enrollment is made up of many first generation students with approximately 90% of the students coming from West Virginia counties.

Glenville State College is accredited by the Higher Learning Commission and is a member of the North Central Association of Colleges and Schools. The College holds unit accreditation from the National Council for Accreditation of Teacher Education and recognition from the Society of American Foresters. Glenville State College is in the West Virginia Higher Education System and is governed by a local twelve member Board of Governors.

## 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 2012 and 2011. The following management discussion and analysis provides an overview of the financial position and activities of the College for the years ended June 30, 2012, 2011, and 2010.

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

Current and non-current assets decreased while net capital and total assets both reflected substantial increases. Operating, non-operating, and total revenues each increased as did related espenditures. Current liabilities decreased due to the conversion of the construction loan for the renovation of the Morris Criminal Justice Training Center to monthly payments of principal and interest. Non-current liabilities increased due to the loan for the construction of Goodwin Hall. The College continued to receive significant funding through various operational and research grants.

## Net Assets

The Combined Statements of Net Assets present the assets, liabilities, and net assets of the College as of the end of the fiscal years. The purpose of the Combined Statements of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the College. The Combined Statements of Net Assets present 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 Statements 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 Statements 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.

### Condensed Combined Schedules of Net Assets
### For the Years Ended June 30, 2012, 2011 and 2010

| **Assets:** | **2012** | **2011** | **2010** | **% Change** |
|---|---|---|---|---|
| Current assets | $ 3,148,836 | $ 4,760,731 | $ 5,148,587 | (33.86%) |
| Non-current assets | 5,164,237 | 4,724,343 | 4,646,346 | 9.31% |
| Capital assets, net | 61,279,381 | 61,662,637 | 51,794,739 | (0.62%) |
| **Total Assets** | $69,592,454 | $ 71,147,711 | $ 61,589,672 | (2.19%) |
| | | | | |
| **Liabilities** | | | | |
| Current Liabilities | $ 3,235,058 | $ 3,312,825 | $ 4,128,069 | (2.35%) |
| Non-current Liabilities | 44,290,268 | 43,363,061 | 31,340,157 | 2.14% |
| **Total Liabilities** | $ 47,525,326 | $ 46,675,886 | $ 35,468,226 | 1.82% |

| | | | | |
|---|---|---|---|---|
| **Net Assets (Deficit)** | | | | |
| Invested in capital assets, net of related debt | $ 23,086,120 | $ 22,760,677 | $23,441,533 | 1.43% |
| Restricted – expendable | 3,455,753 | 3,495,486 | 3,755,881 | (1.14%) |
| Unrestricted | (4,474,745) | (1,784,338) | (1,075,968) | (150.78%) |
| **Total Net Assets** | $ 22,067,128 | $ 24,471,825 | $ 26,121,446 | (9.83%) |
| **Total Liabilities and Net Assets** | $ 69,592,454 | $71,147,711 | $ 61,589,672 | (2.19%) |

An indicator of short-term financial condition is the ratio of current assets to current liabilities, or current ratio. The current ratio was 0.97, 1.44, and 1.25 as of June 30, 2012, 2011, and 2010, respectively. These indicate that the College has sufficient available resources to meet its current obligations.

**Significant Changes in Net Assets**

At June 30, 2012, the College's total net assets decreased from the previous year by $2,404,697. Current cash and cash equivalents decreased by $1,500,280.

Non-current assets, consisting of non-current cash and cash equivalents, deferred financing costs, and deferred outflows from derivative instruments increased by $439,894. This was primarily a result of an increase in derivative instruments of $725,876 and a one-time payment of $410,661 from non-current cash to the principal balance of Series 2007 bonds.

Net capital assets decreased approximately $383,256 due primarily to depreciation. Principal on the Mollohan Campus Community Center bonds, Science Building bonds, Goodwin Hall bonds, and system-wide debt assigned by the HEPC were reduced $58,842, $498,568, $122,263, and $115,235 respectively. In an effort to take advantage of lower interest rates, the Pioneer Village 2000 Series bonds were refunded in June, 2011, resulting in the addition of $105,000 in bonded debt due to the cost of refunding.

**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 lottery 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. Likewise, Pell grants are reported as nonoperating, because of specific guidance in the AICPA industry audit guide.

**Condensed Combined Schedules of Revenues, Expenses and Changes in Net Assets**
**For the Years Ended June 30, 2012, 2011, and 2010**

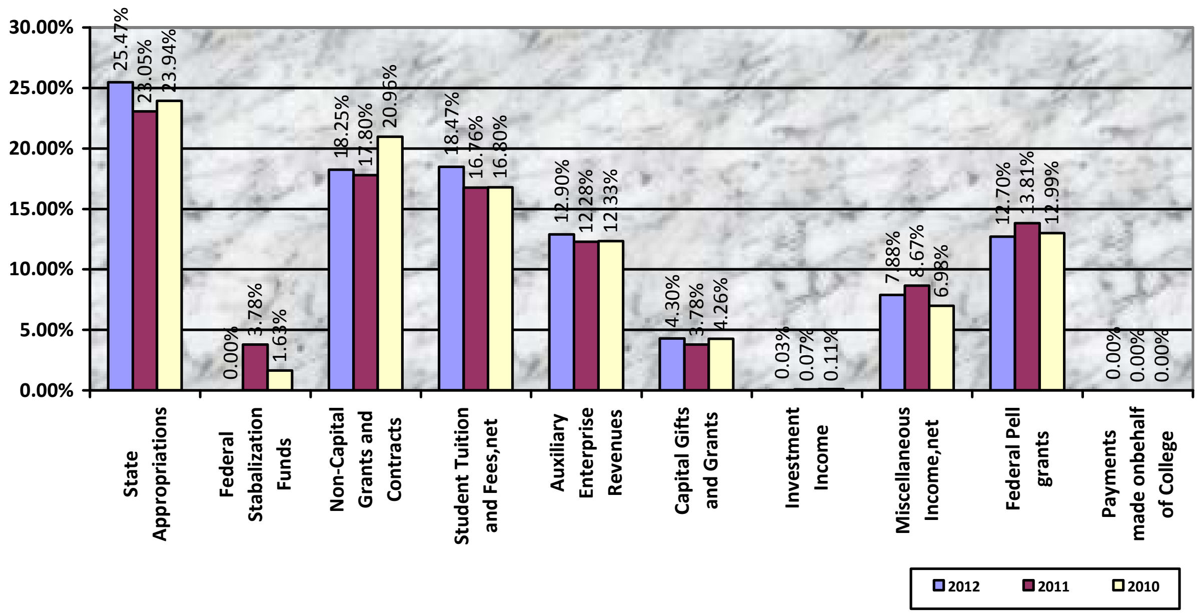
| | **2012** | **2011** | **2010** | **% Change** |
|---|---|---|---|---|
| Operating revenues | $ 16,018,829 | $ 14,867,897 | $14,421,354 | 7.74% |
| Operating expenses | 28,515,119 | 27,187,513 | 25,424,891 | 4.88% |
| Operating loss | (12,496,290) | (12,319,616) | (11,003,537) | (1.43%) |
| Non-operating Revenues | 10,643,916 | 10,905,190 | 9,775,310 | (2.40%) |
| Non-operating Expenses | 1,751,450 | 1,247,495 | 643,934 | 40.40% |
| Net Non-operating revenues | 8,892,466 | 9,657,695 | 9,131,376 | (7.92%) |
| (Loss) income before other revenues, expenses, gains or losses | (3,603,824) | (2,661,921) | (1,872,161) | (35.38%) |
| Capital Projects Proceeds | 595,893 | 1,012,300 | 406,191 | (45.77%) |
| Capital Gifts and Grants | 603,234 | | 670,000 | |
| Increase in net assets | (2,404,697) | (1,649,621) | (795,970) | 30.62% |
| Net assets, beginning of year | 24,471,825 | 26,121,446 | 26,917,416 | (6.32%) |
| Net assets, end of year | $22,067,128 | $24,471,825 | $26,121,446 | (9.83%) |

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

**Revenues:**

| | **2012** | **2011** | **2010** | **% Change** |
|---|---|---|---|---|
| Program revenues (by major source) | | | | |
| Tuition & fees before allowances | $ 8,163,110 | $ 7,190,265 | $ 6,808,393 | 13.53% |
| Less: scholarship discounts & allowances | (3,021,548) | (2,701,070) | (2,563,535) | 11.86% |
| Research grants & contracts | 5,085,212 | 4,769,068 | 5,296,984 | 6.63% |
| Auxiliary enterprise sales & services, net | 3,595,551 | 3,288,609 | 3,115,340 | 9.33% |
| Miscellaneous | 2,196,504 | 2,321,025 | 1,764,172 | 5.36% |
| General revenues (by major source) | | | | |
| State appropriations | 7,097,804 | 6,174,510 | 6,051,935 | 14.95% |
| Federal Stabilization Funds | | 514,639 | 412,682 | (100.00%) |
| Federal ARRA Funds | | 500,000 | | (100.00%) |
| Federal Pell grants | 3,538,833 | 3,698,039 | 3,281,699 | (4.31%) |
| Investment income | 7,279 | 18,002 | 28,994 | (59.57%) |
| Capital grants and gifts | 1,199,127 | 1,012,300 | 1,076,191 | 18.46% |
| Total Revenues | $ 27,861,872 | $ 26,785,387 | $ 25,272,855 | 4.02% |

Total Revenues for the Year Ended June 2012, 2011, 2010




Percentage of Revenues

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 32.10% of the College's operating revenues and 18.47% of total revenues. Tuition and fee revenues increased over the previous year as a result of increased resident and non-resident tuition and fee increases of 9.49% and 6.00%, respectively.

- Other revenues such as contracts and grants, auxiliary enterprise revenue, interest on loans receivable, and miscellaneous revenues comprised 56.06%, 60.19%, and 59.26% of the College's total revenues in FY 2012, FY 2011 and FY 2010, respectively. FY 2012 grant awards included receipts of $198,876 from the US Department of Education, $525,355 from the Department of Justice, $410,540 from the Health Resources Services Administration, and $1,636,474 in West Virginia Higher Education scholarship programs. Federal Revenues, non-operating, consisted of $3,583,833 in PELL Grants received and distributed for student financial aid and made up 12.70% of the College's total revenues.

- State appropriated general revenue funds in the amount of $7,097,804 accounted for 25.47% of total revenues in FY 2012 compared to 23.05% in FY2011 and 23.94% in FY 2010. These appropriations are used to pay salaries and benefits in support of the operations of the College.

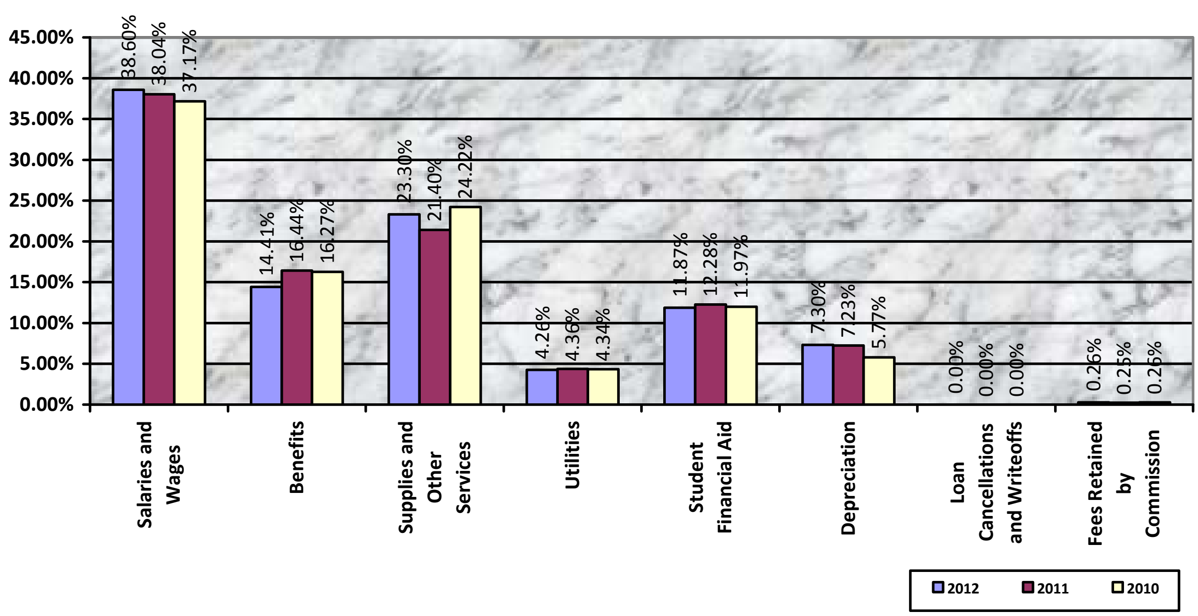
- Investment income decreased by $10,723 or 59.57% from FY2011 to FY2012. This revenue source made up 0.03%of total revenues in FY 2012 compared to 0.07% in FY2011 and 0.11% in FY 2010. The College participates in the investment pool managed by the State.

**Operating and Non-operating Expenses:**

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

| | 2012 | 2011 | 2010 | % Change |
|---|---|---|---|---|
| Salaries and wages | $ 11,006,246 | $ 10,343,177 | $ 9,453,333 | 6.41% |
| Benefits | 4,109,565 | 4,471,059 | 4,136,022 | (8.09%) |
| Supplies and other services | 6,642,725 | 5,819,632 | 6,158,938 | 14.14% |
| Utilities | 1,214,932 | 1,185,748 | 1,102,219 | 2.46% |
| Student financial aid, scholarships and fellowships | 3,385,686 | 3,339,345 | 3,042,575 | 1.39% |
| Depreciation | 2,082,465 | 1,959,465 | 1,465,842 | 6.28% |
| Loan cancellations and write-offs | | 730 | 112 | (100.00%) |
| Fees retained by Commission for operations | 73,500 | 68,357 | 65,850 | 7.52% |
| Total Operating Expenses | $ 28,515,119 | $27,187,513 | $25,424,891 | 4.88% |

Total Operating Expenses for the Year Ended June 2012, 2011, 2010




Percentage of Expenses

- Salaries and wages, and employee benefits made up approximately 53.01% of the operating expenses of the College in FY 2012 compared to 54.48% in FY2011, and 53.45% in FY 2010.

- Utility costs in FY 2012 were $1,214,932, an increase of 2.46% from FY 2011 and an increase of 10.23% from FY 2010. These costs represented 4.26% of the FY2012 operating expenses compared to 4.36% in FY2011 and 4.34% in FY 2010.

- Scholarship and fellowship expenses increased $46,341 or 1.39% from FY 2011 and 11.28% from FY2010. They represented 11.87%, 12.28% and 11.97% of the total operating expenses in FY 2012, FY 2011, and FY 2010, respectively.

Non-operating expenses consisted primarily of interest on indebtedness $1,709,576, an increase of 38.61% from FY 2011. Also included are fees assessed by the HEPC for system-wide debt service $11,203 and $30,671 in bank financing costs.

## 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 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.

**Condensed Combined Schedules of Cash Flows**
**For the Years Ended June 30, 2012, 2011, and 2010**

| | 2012 | 2011 | 2010 | % Change |
|---|---|---|---|---|
| Cash provided by (used in): | | | | |
| Operating activities | $ (9,179,351) | $ (8,720,665) | $ (8,305,041) | (5.26%) |
| Non capital financing activities | 10,636,637 | 10,723,402 | 10,005,183 | (0.81%) |
| Capital financing activities | (2,963,213) | (2,605,894) | (2,120,551) | (13.71%) |
| Investing activities | 5,647 | 18,500 | 29,204 | (69.48%) |
| (Decrease) increase in cash and cash equivalents | (1,500,280) | (584,657) | (391,205) | (156.61%) |
| Cash and cash equivalents, beginning of year | 3,853,272 | 4,437,929 | 4,829,134 | (13.17%) |
| Cash and cash equivalents, end of year | $ 2,352,992 | $ 3,853,272 | $ 4,437,929 | (38.94%) |

## Capital Asset and Debt Administration

The College had capital asset additions of $1,699,209, $11,827,362, and $18,784,206 for the years ended June 30, 2012, 2011, and 2010, respectively.

- In FY2012, the College began construction of the Pioneer Center, a facility that will house an expanded Natural Resource Center, a community and campus health care facility, and a new home for athletic administration, indoor sports, and coaches' offices.

- In FY2011, the College completed the following capital projects: renovation of the Morris Criminal Justice Training Center, construction of Goodwin Hall, a new 484 bed residence hall facility, a $500k upgrade to campus HVAC systems and controls, and a new roof on the Fine Arts building.

- In FY2010, the College replaced the PBX with a VOIP telephone system. The Glenville State College Housing Corporation was gifted a 44,000 square foot manufacturing facility and secured a $1,486,983 bank loan to renovate the building as the Morris Criminal Justice Training Center and secured a $25,500,000 loan for the construction of a new student residence hall facility.

**Economic Outlook**

The Glenville State College administration is optimistic about the institution's fiscal outlook. Student enrollment continues six consecutive years of growth, revenues show a steady increase, and capital asset growth continues.

The College's increasing student enrollment, 1898 in Fall 2012, results from recruitment efforts targeting tradition and non-traditional students:

- In West Virginia, the College has targeted first-generation and moderate-income students who—because this cohort is less likely to attend college—constitute a significant market in West Virginia, which ranks 50th in the nation for residents holding postsecondary degrees. The College's signature program, the Hidden Promise Consortium, is an innovative collaboration between the College and 37 central West Virginia school districts committed to increasing the college-going rates of high school graduates. Mentoring specially-selected first generation students from the eighth grade through high school graduation has resulted in enrollment of more than 150 Hidden Promise Scholars, students not obviously predicted for college enrollment.
- The College has also initiated a College Completion Center with a staff of four who, in cooperation with college faculty, offer mentoring and support services to increase student retention.
- Out-of-state enrollment from counties neighboring West Virginia continues to increase as a result of the Metro Fee implemented in Fall 2009 which reduces out-of-state tuition,. In addition, the Board of Governors recently approved a new scholarship program targeted toward out-of-state first generation students.
- An increased emphasis on off-campus programming offers high school students dual-credit offerings, corrections officers across the state with a criminal justice degree program, and FCI Gilmer inmates with a business associates degree. Glenville State College is now the training site for the Regional Jail Authority, Division of Juvenile Services, and Division of Corrections. In conjunction with these entities, Glenville State students in the corrections track of the criminal justice program will have the opportunity to complete corrections training generally available only to practitioners. Through a special appropriation from the

State, the College will build upon the existing articulation agreement to provide degree completion opportunities.

The WV Legislature passed a bond bill, Senate Concurrent Resolution No. 41, during the 2010 legislative session that authorizes the issuance of revenue bonds for capital improvements to College facilities, buildings and structures. Glenville State plans to use its $11 million share of the funding to help construct the Pioneer Center, a facility that will house an expanded Natural Resource Center, a community and campus health care facility, and a new home for athletic administration, indoor sports, and coaches' offices.

Goodwin Hall, a $25 million 484 bed residence hall located on campus, was completed and fully operational for the Spring 2011 semester. This modern residence hall facility offers private and semi private rooms and amenities demanded by the contemporary college student.

# GLENVILLE STATE COLLEGE

## COMBINED STATEMENTS OF NET ASSETS
## JUNE 30, 2012 AND 2011

| ASSETS | 2012 | 2011 |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 2,352,992 | $ 3,853,272 |
| Accounts receivable—net | 693,576 | 803,419 |
| Deferred financing costs, current portion - net | 19,412 | 19,412 |
| Loans to students—current portion | 3,023 | 4,050 |
| Inventories | 70,054 | 41,462 |
| Prepaid Expense | 9,779 | 39,116 |
| Total current assets | 3,148,836 | 4,760,731 |
| NONCURRENT ASSETS: | | |
| Cash and cash equivalents | 2,212,312 | 2,478,882 |
| Deferred outflows from hedging derivative instruments | 2,490,760 | 1,764,884 |
| Deferred financing costs - net | 461,165 | 480,577 |
| Capital assets - net | 61,279,381 | 61,662,637 |
| Total noncurrent assets | 66,443,618 | 66,386,980 |
| TOTAL ASSETS | $ 69,592,454 | $ 71,147,711 |

(Continued)

## GLENVILLE STATE COLLEGE

### COMBINED STATEMENTS OF NET ASSETS
### JUNE 30, 2012 AND 2011

| LIABILITIES AND NET ASSETS | 2012 | 2011 |
|---|---|---|
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 722,093 | $ 1,279,839 |
| Accrued liabilities | 1,031,643 | 934,873 |
| Due to the Commission | 8,695 | 1,401 |
| Compensated absences—current portion | 386,845 | 345,804 |
| Deferred revenue | 96,584 | 132,281 |
| Total bonds, capital leases, and notes payable—current portion | 937,395 | 503,392 |
| Higher Education Policy Commission debt payable—current portion | 51,803 | 115,235 |
| Total current liabilities | 3,235,058 | 3,312,825 |
| NONCURRENT LIABILITIES (Note 6) | 44,290,268 | 43,363,061 |
| Total liabilities | 47,525,326 | 46,675,886 |
| NET ASSETS: | | |
| Invested in capital assets—net of related debt | 23,086,120 | 22,760,677 |
| Restricted for: | | |
| Loans | 50,045 | 57,268 |
| Capital projects | 870,899 | 1,024,222 |
| Debt service | 2,255,388 | 1,806,996 |
| Other | 279,421 | 607,000 |
| Unrestricted | (4,474,745) | (1,784,338) |
| Total net assets | 22,067,128 | 24,471,825 |
| TOTAL LIABILITIES AND NET ASSETS | $ 69,592,454 | $ 71,147,711 |

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, 2012 AND 2011**

| **ASSETS** | **2012** | **2011** |
|---|---|---|
| ASSETS: | | |
| Cash | $ 9,714 | $ 84,855 |
| Investments | 11,681,256 | 11,988,633 |
| Unconditional promises to give—net of allowance for uncollectible promises of $0 and $0 | 668,291 | 651,823 |
| Other current assets | 2,404 | |
| Investment in capital assets | 56,628 | 19,475 |
| Land and other assets held for investment | 703,914 | 703,914 |
| TOTAL ASSETS | $ 13,122,207 | $ 13,448,700 |
| **LIABILITIES AND NET ASSETS** | | |
| LIABILITIES: | | |
| Accounts payable | $ - | $ 26,135 |
| Notes payable—current portion | | 9,331 |
| Total liabilities | | 35,466 |
| NET ASSETS: | | |
| Unrestricted | 1,040,439 | 798,780 |
| Temporarily restricted | (195,767) | 919,864 |
| Permanently restricted | 12,277,535 | 11,694,590 |
| Total net assets | 13,122,207 | 13,413,234 |
| TOTAL LIABILITIES AND NET ASSETS | $ 13,122,207 | $ 13,448,700 |

See notes to combined financial statements.

## GLENVILLE STATE COLLEGE

**COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**
**YEARS ENDED JUNE 30, 2012 AND 2011**

| | 2012 | 2011 |
|---|---|---|
| OPERATING REVENUES: | | |
| Student tuition and fees (net of scholarship allowance of $3,021,548 and $2,701,070) | $ 5,141,562 | $ 4,489,195 |
| Contracts and grants: | | |
| Federal | 1,624,059 | 1,658,431 |
| State | 2,204,900 | 2,166,658 |
| Private | 1,256,253 | 943,979 |
| Interest on student loans receivable | | 11 |
| Sales and services of educational activities | 1,161,411 | 1,359,444 |
| Auxiliary enterprise revenue (net of scholarship allowance of $1,774,387 and $1,676,893) | 3,595,551 | 3,288,609 |
| Miscellaneous—net | 1,035,093 | 961,570 |
| Total operating revenues | 16,018,829 | 14,867,897 |
| OPERATING EXPENSES: | | |
| Salaries and wages | 11,006,246 | 10,343,177 |
| Benefits | 4,109,565 | 4,471,059 |
| Supplies and other services | 6,642,725 | 5,819,632 |
| Utilities | 1,214,932 | 1,185,748 |
| Student financial aid—scholarships and fellowships | 3,385,686 | 3,339,345 |
| Depreciation | 2,082,465 | 1,959,465 |
| Loan cancellations and write-offs | | 730 |
| Fees assessed by the Commission for operations | 73,500 | 68,357 |
| Total operating expenses | 28,515,119 | 27,187,513 |
| OPERATING LOSS | (12,496,290) | (12,319,616) |

(Continued)

# GLENVILLE STATE COLLEGE

## COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
## YEARS ENDED JUNE 30, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| NONOPERATING REVENUES (EXPENSES): | | |
| State appropriations | $ 7,097,804 | $ 6,174,510 |
| State fiscal stabilization funds (federal) | | 1,014,639 |
| Federal Pell grants | 3,538,833 | 3,698,039 |
| Payment on behalf of Glenville State College | | |
| Investment income | 7,279 | 18,002 |
| Interest on indebtedness | (1,709,576) | (1,233,412) |
| Fees assessed by the Commission for debt service | (11,203) | (11,016) |
| Other non-operating expenses | (30,671) | (3,067) |
| Net nonoperating revenues | 8,892,466 | 9,657,695 |
| (LOSS) INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES | (3,603,824) | (2,661,921) |
| CAPITAL AND BOND PROCEEDS FROM THE COMMISSION | 595,893 | 1,012,300 |
| CAPITAL GIFTS (PRIVATE) | 603,234 | |
| (DECREASE) INCREASE IN NET ASSETS | (2,404,697) | (1,649,621) |
| NET ASSETS—Beginning of year | 24,471,825 | 26,121,446 |
| NET ASSETS—End of year | $ 22,067,128 | $ 24,471,825 |

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, 2012**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| REVENUES, GAINS AND OTHER SUPPORT: | | | | |
| Grants and donations | $ 121,791 | $ 478,420 | $ 607,945 | $ 1,208,156 |
| Administration fee | 261,874 | | | 261,874 |
| Investment income | 193,057 | (57,166) | | 135,891 |
| Total revenues, gain and other support | 576,722 | 421,254 | 607,945 | 1,605,921 |
| EXPENSES: | | | | |
| Program services | 84,370 | 1,277,098 | | 1,361,468 |
| Management and general | 202,447 | 286,287 | | 488,734 |
| Fundraising | 15,000 | | | 15,000 |
| Professional fees | 18,856 | | | 18,856 |
| Depreciation | 12,890 | | | 12,890 |
| Total expenses | 333,563 | 1,563,385 | | 1,896,948 |
| CHANGE IN NET ASSETS | 243,159 | (1,142,131) | 607,945 | (291,027) |
| TRANSFERS | (1,500) | 26,500 | (25,000) | |
| NET ASSETS—Beginning of year | 798,780 | 919,864 | 11,694,590 | 13,413,234 |
| NET ASSETS—End of year | $1,040,439 | $ (195,767) | $ 12,277,535 | $ 13,122,207 |

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, 2011**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| REVENUES, GAINS AND OTHER SUPPORT: | | | | |
| Grants and donations | $ 83,714 | $ 505,955 | $ 184,858 | $ 774,527 |
| Administration fee | 227,928 | | | 227,928 |
| Investment income | 374,584 | 1,129,671 | 2,026 | 1,506,281 |
| Total revenues, gain and other support | 686,226 | 1,635,626 | 186,884 | 2,508,736 |
| EXPENSES: | | | | |
| Program services | 107,722 | 494,013 | 68,079 | 669,814 |
| Management and general | 232,780 | 250,947 | 436 | 484,163 |
| Fundraising | 13,188 | | | 13,188 |
| Professional fees | 17,547 | | | 17,547 |
| Depreciation | 13,103 | | | 13,103 |
| Total expenses | 384,340 | 744,960 | 68,515 | 1,197,815 |
| CHANGE IN NET ASSETS | 301,886 | 890,666 | 118,369 | 1,310,921 |
| TRANSFERS | (50,000) | 3,500 | 46,500 | |
| NET ASSETS—Beginning of year | 546,894 | 25,698 | 11,529,721 | 12,102,313 |
| NET ASSETS—End of year | $ 798,780 | $ 919,864 | $ 11,694,590 | $ 13,413,234 |

See notes to combined financial statements.

# GLENVILLE STATE COLLEGE

**COMBINED STATEMENTS OF CASH FLOWS**
**YEARS ENDED JUNE 30, 2012 AND 2011**

| | 2012 | 2011 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Student tuition and fees | $ 4,308,999 | $ 4,031,970 |
| Contracts and grants | 4,048,703 | 5,013,617 |
| Payments to and on behalf of employees | (13,660,565) | (13,065,082) |
| Payments to suppliers | (5,928,420) | (5,897,527) |
| Payments to utilities | (1,155,110) | (1,182,793) |
| Payments for scholarships and fellowships | (2,899,395) | (2,709,624) |
| Loans issued to students | (35,941) | (21,997) |
| Collection of loans to students | 38,694 | 22,461 |
| Sales and service of educational activities | 1,243,512 | 1,019,640 |
| Auxiliary enterprise charges | 3,707,019 | 3,130,774 |
| Fees assessed by the Commission for operations | (73,500) | (68,357) |
| Other receipts and payments—net | 1,226,653 | 1,006,253 |
| Net cash used in operating activities | (9,179,351) | (8,720,665) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| State appropriations | 7,097,804 | 6,010,724 |
| State fiscal stabilization and ARRA funds (federal) | | 1,014,639 |
| Federal Pell grants | 3,538,833 | 3,698,039 |
| William D. Ford direct lending receipts | 7,493,427 | 7,185,992 |
| William D. Ford direct lending payments | (7,493,427) | (7,185,992) |
| Net cash provided by noncapital financing activities | 10,636,637 | 10,723,402 |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES: | | |
| Purchases of capital assets | (2,754,590) | (13,431,404) |
| Debt service paid to Commission | | (248,782) |
| Non-operating fees retained by the Commission | (11,203) | (11,016) |
| Principal paid on notes, bonds and leases | (2,440,049) | (4,617,923) |
| Interest paid on notes, bonds and leases | (1,365,638) | (1,134,567) |
| Withdrawals from (deposits to) noncurrent cash and cash equivalents | | 411,552 |
| Bond and loan proceeds | 2,420,400 | 15,643,604 |
| Bond Adminstration Fees | (11,260) | (229,658) |
| Capital and bond proceeds from the Commission | 595,893 | 1,012,300 |
| Capital gifts and grants | 603,234 | |
| Net cash used in capital financing activities | (2,963,213) | (2,605,894) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest on investments | 5,647 | 18,500 |
| Net cash provided by investing activities | 5,647 | 18,500 |
| (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (1,500,280) | (584,657) |
| CASH AND CASH EQUIVALENTS—Beginning of year | 3,853,272 | 4,437,929 |
| CASH AND CASH EQUIVALENTS—End of year | $ 2,352,992 | $ 3,853,272 |

(Continued)

## GLENVILLE STATE COLLEGE

### COMBINED STATEMENTS OF CASH FLOWS
### YEARS ENDED JUNE 30, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES: | | |
| Operating loss | $ (12,496,290) | $ (12,319,616) |
| Adjustments to reconcile net operating loss to net cash used in operating activities: | | |
| Depreciation expense | 2,082,465 | 1,959,465 |
| Payments made on behalf of College | | |
| Changes in assets and liabilities: | | |
| Accounts receivable—net | (53,691) | (233,172) |
| Loans to students—net | 1,027 | 463 |
| Prepaid expenses | 29,337 | 39,116 |
| Inventories | (28,592) | 12,374 |
| Accounts payable | 205,326 | 60,294 |
| Accrued liabilities and due to the Commission | (85,653) | 83,633 |
| Compensated absences | 1,202,417 | 1,653,416 |
| Deferred revenue | (35,697) | 23,362 |
| NET CASH USED IN OPERATING ACTIVITIES | $ (9,179,351) | $ (8,720,665) |
| NONCASH TRANSACTIONS: | | |
| Accretion of bond discount into bonds payable | $ - | $ 1,519 |
| Deferred Financing Costs | $ 19,412 | $ 12,773 |

See notes to combined financial statements.

(Concluded)

## 1. ORGANIZATION

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

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

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

As a requirement of Governmental Accounting Standards Board standards (GASB), the College has included information from the Glenville State College Foundation, Inc.

Although the College benefits from the activities of the Foundation, the Foundation is independent of the College in all respects. The Foundation is not a subsidiary of the College and is not directly or indirectly controlled by the College. The Foundation has its own separate, independent Board of Directors. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the College. The College is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. The College does not have the power or authority to mortgage, pledge, or encumber the assets of the Foundation. The Board of Directors of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the College. Under State law, neither the principal nor income generated by the assets of the Foundation can be taken into consideration in determining the amount of State-appropriated funds allocated to the College. Third parties dealing with the College, the Board, and the State of West Virginia (the "State") (or any agency thereof) should not rely upon the financial statements of the Foundation for any purpose without consideration of all the foregoing conditions and limitations.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. The combined financial statement presentation required by GASB provide a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

***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.

The audited financial statements of the Foundation are presented here as a discrete component unit with the College's combined financial statements in accordance with GASB. The Foundation is a separate, private, nonprofit organization that reports under FASB standards. 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 audited financial information as they are presented herein (see Note 18).

***Financial Statement Presentation***—GASB establishes standards for external financial reporting for public colleges and universities and requires 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, 2012 and 2011, 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, 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. 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 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 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.wvbti.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, Cash Equivalents, and Investments***—Cash and investments that are (1) externally restricted to make debt service payments and long-term loans to students, or to maintain sinking or reserve funds, (2) to purchase capital or other noncurrent assets or settle long-term liabilities, or (3) permanently restricted net assets, are classified as noncurrent assets in the accompanying combined 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. The College capitalized interest of $0 and $537,760 as part of the cost of assets for the years ended June 30, 2012 and 2011, respectively. 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 $5,000. The accompanying combined financial statements reflect all adjustments required by GASB.

***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.

***Derivative instruments***—Derivative instruments consist primarily of interest rate swap agreements and are stated at fair value based on discounted cash flows.

***Compensated Absences and Other Post Employment Benefits (OPEB)*** — GASB provides for the measurement, recognition, and display of OPEB expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. The College is required to participate in this multiple-employer, cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State of West Virginia. Details regarding this plan and its stand-alone financial statements can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, WV 25305-0710 or http://www.wvpeia.com.

GASB 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, or who were hired before 1988 but did not choose such coverage until after 1988 but before July 1, 2001, 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. Additionally, all retirees have the option to purchase continued coverage regardless of their eligibility for premium credits. This liability is now provided for under the multiple-employer, cost-sharing plan sponsored by the State.

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. Faculty hired after July 1, 2009, will no longer receive years of service credit toward insurance premiums when they retire. Employees hired after July 1, 2010, receive no health insurance premium subsidy from the College. Two groups of employees hired after July 1, 2010, will not be required to pay the unsubsidized rate: 1) active employees who were originally hired before July 1, 2010, who have a break in service of fewer than two years after July 1, 2010; and 2) retired employees who retired before July 1, 2010, return to active service after July 1, 2010, and then go back into retirement. In those cases, the original hire date will apply.

The estimated expense and expense incurred for the vacation leave or OPEB benefits are recorded as a component of benefits expense in the combined 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 such as state appropriations, Federal Pell Grants, and investment income and sale of capital assets (including natural resources).

- *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 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 2012 and 2011, the College received and disbursed $7,493,427 and $7,185,992, 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 2012 and 2011, the College received and disbursed approximately $3,763,777 and $3,879,336, 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 students' behalf.

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

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

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

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

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

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

***Reclassifications*** — Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 classifications.

***Newly Adopted Statements Issued by the Governmental Accounting Standards Board —*** During 2012, the College adopted Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses how to account for and report service concession arrangements (SCAs) by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators. The adoption of this statement did not have a material impact on the financial statements.

The College also adopted issued Statement No. 61, *The Financial Reporting Entity: Omnibus — an amendment of GASB Statements No. 14 and No. 34*. This statement improves financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of the entity. The adoption of this statement did not have a material impact on the financial statements.

The College also adopted Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance included in the FASB and AICPA pronouncements issued on or before November 30, 1989. This statement will improve financial reporting by contribution to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The adoption of this statement did not have a material impact on the financial statements.

The College also adopted Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. The objective of this statement is to improve financial reporting by clarifying whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The adoption of this statement did not have a material impact on the financial statements.

***Recent Statements Issued by the Governmental Accounting Standards Board*** — The Governmental Accounting Standards Board has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for fiscal years beginning after December 15, 2011. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related disclosures. The College has not yet determined the effect that the adoption of GASB Statement No. 63 may have on its financial statements.

The GASB has also issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for fiscal years beginning after December 15, 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The College has not yet determined the effect that the adoption of GASB Statement No. 65 may have on its financial statements.

The GASB has also issued Statement No. 66, *Technical Corrections — 2012: An Amendment of GASB Statements No. 10 and No. 64*, effective for fiscal years beginning after December 15, 2012 This statement improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November, 1989 FASB and AICPA Pronouncements*. The College has not yet determined the effect that the adoption of GASB Statement No. 66 may have on its financial statements.

The GASB has also issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for fiscal years beginning after June 15, 2014. This statement enhances the information provided in the financial statements regarding the effects of pension-related transactions, the pension obligations of the entity, and the resources available to satisfy those obligations. The College has not yet determined the effect that the adoption of GASB Statement No. 68 may have on its financial statements.

## 3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2012 and 2011, was held as follows:

| | 2012 | | |
|---|---|---|---|
| | **Current** | **Noncurrent** | **Total** |
| State Treasurer | $ 1,712,858 | $ 1,064,490 | $ 2,777,348 |
| Municipal Bond Commission | 296,875 | | 296,875 |
| Trustee | | 1,147,822 | 1,147,822 |
| Banks | 343,259 | | 343,259 |
| | $ 2,352,992 | $ 2,212,312 | $ 4,565,304 |

| | 2011 | | |
|---|---|---|---|
| | **Current** | **Noncurrent** | **Total** |
| State Treasurer | $ 3,172,818 | $ 1,438,667 | $ 4,611,485 |
| Municipal Bond Commission | 296,718 | | 296,718 |
| Trustee | | 1,040,215 | 1,040,215 |
| Banks | 383,736 | | 383,736 |
| | $ 3,853,272 | $ 2,478,882 | $ 6,332,154 |

Amounts held by the State Treasurer includes $1,327,665 and $2,228,323 of restricted cash for grant programs, capital improvements, debt service, and student financial aid among others as of June 30, 2012 and 2011, respectively.

Amounts held by the Municipal Bond Commission or Trustee represent funds reserved for various project revenue, debt service, other repair and replacement reserve funds required to be escrowed by various bond trust indentures, and proceeds from the 2009 Housing Revenue Bonds (see Note 6) that is restricted for construction of capital assets.

The combined carrying amount of cash in the bank was $343,259 and $383,736, as compared with the combined bank balance of $629,984 and $483,476 at June 30, 2012 and 2011, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, interest bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Non-interest bearing accounts are 100% insured through December 31, 2012.

Amounts with the State Treasurer and the Municipal Bond Commission as of June 30, 2012 and 2011, 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. Of the BTI's Consolidated Fund pools and accounts in which the College invests, all are subject to credit risk.

**WV Money Market Pool — 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, 2012 and 2011, 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 P-1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2012 and 2011, the WV Money Market Pool investments had a total carrying value of $2,786,968,000 and $3,018,560,000, respectively, of which the College's ownership represents 0.10% and 0.14%, respectively.

**WV Government Money Market Pool — Credit Risk** — For the years ended June 30, 2012 and 2011, the WV Government 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 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, 2012 and 2011, the WV Government Money Market Pool investments had a total carrying value of $299,629,000 and $262,692,000, respectively, of which the College's ownership represents 0.01% and 0.01%, 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's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standards & Poor's and P-1 by Moody's. As this pool has not been rated, the following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

| | Credit Rating* | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|
| Security Type | Moody's | S&P | Carrying Value | Percent of Pool Assets | Carrying Value | Percent of Pool Assets |
| Corporate asset backed securities | Aaa | AAA | $ 95,628 | 18.99 % | $ 87,197 | 18.40 % |
| | Aaa | NR * | 38,524 | 7.64 | 19,891 | 4.20 |
| | Aa3 | AA+ ** | | | 454 | 0.10 |
| | B1 | CCC ** | 896 | 0.18 | 885 | 0.19 |
| | B3 | B ** | | | 366 | 0.08 |
| | B3 | BB ** | 311 | 0.06 | | |
| | B3 | BBB ** | | | 631 | 0.13 |
| | B3 | BBB- ** | 53 | 0.01 | | |
| | B3 | CCC ** | 280 | 0.06 | | |
| | Ca | CCC ** | 586 | 0.12 | 664 | 0.14 |
| | Caa2 | CCC ** | 186 | 0.04 | 473 | 0.10 |
| | Caa3 | CCC ** | 243 | 0.05 | 393 | 0.08 |
| | Caa3 | D ** | 26 | 0.01 | 27 | 0.01 |
| | NR | AA+ | 3,900 | 0.77 | | |
| | NR * | NR * | 3,786 | 0.75 | 4,000 | 0.84 |
| | | | 144,419 | 28.68 | 114,981 | 24.27 |
| Corporate bonds and notes | Aaa | AA | | | 2,043 | 0.43 |
| | Aa1 | A | | | 4,143 | 0.87 |
| | Aa2 | AA+ | 9,025 | 1.79 | | |
| | Aa2 | AA | | | 11,866 | 2.50 |
| | Aa3 | AA | | | 7,064 | 1.49 |
| | Aa3 | AA- | 15,666 | 3.11 | | |
| | Aa3 | A | 23,032 | 4.57 | 13,040 | 2.75 |
| | A1 | AA | 12,145 | 2.41 | 8,107 | 1.71 |
| | A1 | A+ | 30,684 | 6.09 | | |
| | A1 | A | | | 22,731 | 4.80 |
| | A2 | AA | | | 2,555 | 0.54 |
| | A2 | A | 39,064 | 7.76 | 23,976 | 5.06 |
| | A3 | A | | | 8,770 | 1.85 |
| | A3 | A- | 7,755 | 1.54 | | |
| | A3 | BBB+ | 3,006 | 0.60 | | |
| | Baa1 | A- | 4,162 | 0.83 | | |
| | Baa2 | A- | 6,709 | 1.33 | | |
| | | | 151,248 | 30.03 | 104,295 | 22.00 |
| Commercial paper | P-1 | A-1 | | | 15,995 | 3.38 |
| U.S. agency bonds | Aaa | AAA | | | 20,017 | 4.22 |
| U.S. agency bonds | Aaa | AA+ | 45,024 | 8.94 | | |
| U.S. Treasury notes*** | Aaa | AAA | | | 25,034 | 5.28 |
| U.S. Treasury notes*** | Aaa | AA+ | 44,251 | 8.79 | | |
| U.S. agency mortgage backed securities**** | Aaa | AAA | | | 97,296 | 20.53 |
| U.S. agency mortgage backed securities**** | Aaa | AA+ | 77,065 | 15.30 | | |
| Money market funds | Aaa | AAAm | 41,610 | 8.26 | 96,287 | 20.32 |
| | | | $503,617 | 100 % | $473,905 | 100 % |

* NR = Not Rated

** The securities were not in compliance with BTI Investment Policy at June 30, 2012 and/or 2011. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

*** U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

**** U.S. agency mortgage backed securities are explicitly guaranteed by the United States government and are not subject to credit risk.

At June 30, 2012 and 2011, the College's ownership represents 0.09% and 0.12%, 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, except for government floating rate notes, which can be up to 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| **Security Type** | **Carrying Value (In thousands)** | **WAM (Days)** | **Carrying Value (In thousands)** | **WAM (Days)** |
| Repurchase agreements | $ 90,204 | 3 | $ 84,357 | 1 |
| U.S. Treasury notes | 330,865 | 122 | 298,345 | 137 |
| U.S. Treasury bills | 237,978 | 37 | 231,051 | 34 |
| Commercial paper | 853,470 | 35 | 1,069,576 | 35 |
| Certificates of deposit | 110,000 | 10 | 140,000 | 58 |
| U.S. agency discount notes | 738,706 | 44 | 697,164 | 45 |
| Corporate bonds and notes | 36,000 | 48 | 127,000 | 20 |
| U.S. agency bonds/notes | 189,691 | 68 | 170,788 | 66 |
| Money market funds | 200,054 | 1 | 200,279 | 1 |
| | $ 2,786,968 | 46 | $ 3,018,560 | 46 |

The overall weighted average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| **Security Type** | **Carrying Value (In thousands)** | **WAM (Days)** | **Carrying Value (In thousands)** | **WAM (Days)** |
| Repurchase agreements | $ 91,900 | 3 | $ 98,400 | 1 |
| U.S. Treasury notes | 103,324 | 111 | 45,811 | 131 |
| U.S. Treasury bills | 4,999 | 62 | | |
| U.S. agency discount notes | 76,397 | 52 | 60,852 | 74 |
| U.S. agency bonds/notes | 23,004 | 9 | 57,498 | 22 |
| Money market funds | 5 | 1 | 131 | 1 |
| | $ 299,629 | 54 | $ 262,692 | 45 |

The overall effective duration of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum effective duration of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the WV Short Term Bond Pool:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| **Security Type** | **Carrying Value (in Thousands)** | **Effective Duration (Days)** | **Carrying Value (in Thousands)** | **Effective Duration (Days)** |
| U. S. Treasury bonds/notes | $ 44,251 | 366 | $ 25,034 | 227 |
| Commercial paper | | | 15,995 | 55 |
| Corporate notes | 151,248 | 242 | 104,295 | 234 |
| Corporate asset backed securities | 144,419 | 250 | 114,981 | 268 |
| U.S. agency bonds/notes | 45,024 | 23 | 20,017 | 85 |
| U.S. agency mortgage backed securities | 77,065 | 13 | 97,296 | 18 |
| Money market funds | 41,610 | 1 | 96,287 | 1 |
| | $ 503,617 | 180 | $ 473,905 | 138 |

*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's 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 or 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 a pool managed by the securities lending agent. 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. None of the above pools contain nonnegotiable certificates of deposit. The BTI does not have a deposit policy for custodial credit risk.

## 4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30, 2012 and 2011:

| | 2012 | 2011 |
|---|---|---|
| Student tuition and fees, net of allowance for doubtful accounts of $1,405,351 and $1,168239, respectively | $ 241,477 | $ 230,169 |
| Due from Primary Government | | 163,786 |
| Due from other State agencies | 22,195 | 25,444 |
| Due from Federal Government | 128,428 | 54,291 |
| Other accounts receivable, net of allowance for doubtful accounts of $794,602 and $303,639, respectively | 301,476 | 329,729 |
| | $ 693,576 | $ 803,419 |

## 5. CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2012 and 2011:

| | 2012 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Transfer | Ending Balance |
| Capital assets not being depreciated: | | | | | |
| Land | $ 976,432 | $ - | $ - | $ - | $ 976,432 |
| Construction In Progress | 1,171,604 | 980,776 | | | 2,152,380 |
| Total capital assets not being depreciated | $ 2,148,036 | $ 980,776 | $ - | $ - | $ 3,128,812 |
| Other capital assets: | | | | | |
| Land improvements | $ 2,389,609 | $ - | $ - | $ - | $ 2,389,609 |
| Infrastructure | 1,497,173 | 23,950 | | | 1,521,123 |
| Buildings | 74,810,555 | 44,421 | | | 74,854,976 |
| Equipment | 8,147,120 | 626,955 | (72,730) | | 8,701,345 |
| Library books | 1,669,945 | 23,107 | (8,174) | | 1,684,878 |
| Leasehold improvements | 69,755 | | | | 69,755 |
| Total other capital assets | 88,584,157 | 718,433 | (80,904) | - | 89,221,686 |
| Less accumulated depreciation for: | | | | | |
| Land improvements | 1,244,855 | 94,621 | | | 1,339,476 |
| Infrastructure | 1,375,962 | 12,891 | | | 1,388,853 |
| Buildings | 19,561,787 | 1,318,067 | | | 20,879,854 |
| Equipment | 5,305,738 | 624,453 | (72,730) | | 5,857,461 |
| Library books | 1,574,238 | 27,783 | (8,174) | | 1,593,847 |
| Leasehold improvements | 6,976 | 4,650 | | | 11,626 |
| Total accumulated depreciation | 29,069,556 | 2,082,465 | (80,904) | - | 31,071,117 |
| Other capital assets—net | $ 59,514,601 | $ (1,364,032) | $ - | $ - | $ 58,150,569 |
| Capital asset summary: | | | | | |
| Capital assets not being depreciated | $ 2,148,036 | $ 980,776 | $ - | $ - | $ 3,128,812 |
| Other capital assets | 88,584,157 | 718,433 | (80,904) | | 89,221,686 |
| Total cost of capital assets | 90,732,193 | 1,699,209 | (80,904) | | 92,350,498 |
| Less accumulated depreciation | 29,069,556 | 2,082,465 | (80,904) | | 31,071,117 |
| Capital assets—net | $ 61,662,637 | $ (383,256) | $ - | $ - | $ 61,279,381 |

| | 2011 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Transfer | Ending Balance |
| Capital assets not being depreciated: | | | | | |
| Land | $ 968,501 | $ 7,931 | $ - | $ - | $ 976,432 |
| Construction In Progress | 15,618,580 | 9,965,454 | | (24,412,430) | 1,171,604 |
| Total capital assets not being depreciated | $ 16,587,081 | $ 9,973,385 | $ - | $ (24,412,430) | $ 2,148,036 |
| Other capital assets: | | | | | |
| Land improvements | $ 2,389,609 | $ - | $ - | $ - | $ 2,389,609 |
| Infrastructure | 1,433,778 | 63,395 | | | 1,497,173 |
| Buildings | 49,647,441 | 750,684 | | 24,412,430 | 74,810,555 |
| Equipment | 7,923,062 | 1,012,935 | (788,877) | | 8,147,120 |
| Library books | 1,658,733 | 26,963 | (15,751) | | 1,669,945 |
| Leasehold Improvements | 69,755 | | | | 69,755 |
| Total other capital assets | 63,122,378 | 1,853,977 | (804,628) | 24,412,430 | 88,584,157 |
| Less accumulated depreciation for: | | | | | |
| Land improvements | 1,150,234 | 94,621 | | | 1,244,855 |
| Infrastructure | 1,362,780 | 13,182 | | | 1,375,962 |
| Buildings | 18,245,906 | 1,315,881 | | | 19,561,787 |
| Equipment | 5,597,021 | 497,594 | (788,877) | | 5,305,738 |
| Library books | 1,556,454 | 33,535 | (15,751) | | 1,574,238 |
| Leasehold Improvements | 2,325 | 4,651 | | | 6,976 |
| Total accumulated depreciation | 27,914,720 | 1,959,464 | (804,628) | - | 29,069,556 |
| Other capital assets—net | $ 35,207,658 | $ (105,487) | $ - | $ 24,412,430 | $ 59,514,601 |
| Capital asset summary: | | | | | |
| Capital assets not being depreciated | $ 16,587,081 | $ 9,973,385 | $ - | $ (24,412,430) | $ 2,148,036 |
| Other capital assets | 63,122,378 | 1,853,977 | (804,628) | 24,412,430 | 88,584,157 |
| Total cost of capital assets | 79,709,459 | 11,827,362 | (804,628) | | 90,732,193 |
| Less accumulated depreciation | 27,914,720 | 1,959,464 | (804,628) | | 29,069,556 |
| Capital assets—net | $ 51,794,739 | $ 9,867,898 | $ - | $ - | $ 61,662,637 |

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, 2012 and 2011:

| | 2012 | | | | |
|---|---|---|---|---|---|
| | 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 $0 at June 30, 2012 | $ 4,189,755 | $ - | $ - | $ 4,189,755 | , 193,221 |
| Campus Community Center bonds | 1,264,105 | | 58,842 | 1,205,263 | 61,399 |
| Science Building Bonds | 3,844,517 | | 498,568 | 3,345,949 | 97,690 |
| Goodwin Hall Bonds | 25,500,000 | | 122,263 | 25,377,737 | 340,099 |
| Capital lease obligations | 583,798 | | 164,244 | 419,554 | 170,475 |
| Notes payable | 2,072,814 | 2,525,000 | 2,155,321 | 2,442,493 | 74,511 |
| Commission Debt Payable | 1,156,635 | | 115,235 | 1,041,400 | 51,803 |
| Total bonds, capital leases, and note payable | 38,611,624 | 2,525,000 | 3,114,473 | 38,022,151 | 989,198 |
| Other liabilities: | | | | | |
| Accrued compensated absences | 526,406 | 462,560 | 401,714 | 587,252 | 386,845 |
| Hedging derrivative instruments | 1,764,884 | 725,876 | | 2,490,760 | |
| Other post employment benefits liability | 3,424,578 | 1,141,570 | | 4,566,148 | |
| Total noncurrent liabilities | $ 44,327,492 | $ 4,855,006 | $ 3,516,187 | $ 45,666,311 | $ 1,376,043 |

| | 2011 | | | | |
|---|---|---|---|---|---|
| | 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 $30,766 at June 30, 2011 | $ 4,279,236 | $ 4,305,000 | $ 4,394,481 | $ 4,189,755 | $ |
| Campus Community Center bonds | 1,320,497 | | 56,392 | 1,264,105 | 58,842 |
| Science Building Bonds | 3,916,597 | | 72,080 | 3,844,517 | 74,653 |
| Goodwin Hall bonds | 16,603,802 | 8,896,198 | | 25,500,000 | 122,263 |
| Capital lease obligations | 83,744 | 654,345 | 154,291 | 583,798 | 177,166 |
| Notes payable | 2,099,648 | | 26,834 | 2,072,814 | 70,468 |
| Commission debt payable | 1,348,531 | | 191,896 | 1,156,635 | 115,235 |
| Total bonds, capital leases, and note payable | 29,652,055 | 13,855,543 | 4,895,974 | 38,611,624 | 618,627 |
| Other liabilities: | | | | | |
| Accrued compensated absences | 498,786 | 444,958 | 417,338 | 526,406 | 345,804 |
| Hedging derivative intruments | 1,728,179 | 36,705 | | 1,764,884 | |
| Other post employment benefits liability | 1,798,782 | 1,625,796 | | 3,424,578 | |
| Total noncurrent liabilities | $ 33,677,802 | $ 15,963,002 | $ 5,313,312 | $ 44,327,492 | $ 964,431 |

## 7. BONDS PAYABLE

Bonds payable consisted of the following at June 30, 2012 and 2011:

| | Interest Rate | Annual Principal Installment Due | 2012 Principal Amount Outstanding | 2011 Principal Amount Outstanding |
|---|---|---|---|---|
| Student Housing Bonds: | | | | |
| Series 2011 A, mature various dates through October 1, 2030 | 1.50% to 5.25% | $20,000 to $325,000 | 4,245,000 | 4,245,000 |
| Series 2011 B, due October 1, 2012 | 4.50% | 60,000 | 60,000 | 60,000 |
| Less: reacquisition costs of Series 2000 A bonds | | | 115,245 | 115,245 |
| Total Sudent Housing Bonds: | | | 4,189,755 | 4,189,755 |
| Campus Community Center Bonds: | | | | |
| Series 2006, interest rate reset at November 1, 2016 | 4.30% | 53,691 | 1,205,263 | 1,264,105 |
| Science Building Bonds | | | | |
| Series 2007, interest rate reset at October 1, 2017 | 4.68% | 72,200 | 3,345,949 | 3,844,517 |
| Goodwin Hall Bonds<br>Series 2009, due through 2040 | 68 % of 1 Month LIBOR plus 1.63% | 8,479 to 131,400 | 25,377,737 | 25,500,000 |
| Total bonds payable | | | $ 34,118,704 | $ 34,798,377 |

Future debt service requirements to maturity for the revenue bonds at June 30, 2012, are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2013 | $ 692,409 | $ 1,492,872 | $ 2,185,281 |
| 2014 | 761,947 | 1,464,589 | 2,226,536 |
| 2015 | 834,763 | 1,432,724 | 2,267,487 |
| 2016 | 878,462 | 1,400,560 | 2,279,022 |
| 2017 | 913,404 | 1,360,625 | 2,274,029 |
| 2018 - 2022 | 5,194,991 | 6,175,499 | 11,370,490 |
| 2023 - 2027 | 6,407,092 | 4,901,912 | 11,309,004 |
| 2028 - 2032 | 7,145,038 | 3,328,125 | 10,473,163 |
| 2033 - 2037 | 6,281,229 | 1,815,218 | 8,096,447 |
| 2038 - 2041 | 5,009,369 | 395,548 | 5,404,917 |
| Total | $ 34,118,704 | $ 23,767,672 | $ 57,886,376 |

During the year ended June 30, 2010 the County Commission of Gilmer County authorized the issuance of $25.5 million of revenue bonds to finance the acquisition, construction, improvement and equipping of student housing facilities for use by Glenville State College. These bonds will be repaid from revenues of the student housing facilities. Approximately $16.6 million of bonds were issued during fiscal 2010 and approximately $9 million were issued during fiscal 2011.

Costs relating to obtaining the revenue bonds are capitalized and amortized over the term of the related debt using the straight-line method, which approximates the effective interest rate method. Accumulated amortization at June 30, 2011 was $16,527. Amortization of deferred financing costs charged to nonoperating expense was $12,773. When a bond is paid in full, any unamortized financing costs are removed from the related accounts and charged to nonoperating expense.

***Refunded Debt***

On May 1, 2011, the Board issued $4,305,000 in revenue bonds as follows:

**2011Series A** Commercial Development Refunding Revenue Bonds in the aggregate principal amount of $4,245,000 with interest rates ranging from 1.5% to 5.25%. These bonds were used as a current refunding of the 2000 Series A Student Housing Revenue Bonds.

**2011 Series B** Federally Taxable Commercial Development Refunding Revenue Bonds in the aggregate amount of $60,000 with an interest rate of 4.5% were issued to finance a portion of the costs to issue the 2011 Series A Bonds.

It is estimated that the refunding of the 2000 Series A Bonds will result in a reduction in the College's total debt service payments over the next 20 years of approximately $725,000. The refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $565,000. The reacquisition price exceeded the carrying amount of the old debt by $119,829. This amount is being netted against the new debt and deferred and amortized as interest expense over the remaining life of the refunded debt, which is the same as the life of the new debt.

## 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, 2012:

| Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2013 | $ 170,475 | $ 11,115 | $ 181,590 |
| 2014 | 144,800 | 5,422 | 150,222 |
| 2015 | 96,132 | 1,890 | 98,022 |
| 2016 | 8,147 | 21 | 8,168 |
| | | | 438,002 |
| Less interest | | | 18,448 |
| | | | $ 419,554 |

The net book value of leased assets was $733,894 and $842,486 as of June 30, 2012 and 2011.

## 9. NOTE PAYABLE

Notes payable consisted of the following at June 30, 2012 and 2011:

| | Interest Rate | Paymnet | 2012 Principal Amount Outstanding | 2011 Principal Amount Outstanding |
|---|---|---|---|---|
| Real Estate Purchase: | | | | |
| $1,500,000 single payment note collateralized by GSC Foundation securities, for construction purposes. | 4.0% | $17,542 monthly through 6/2031 | $ - | $ 1,486,784 |
| $635,000 promissory note collateralized by 1st lien on various parcels of real estate and motel building Gilmer County, West Virginia | 6.56% | $4,793 monthly through 5/2030 | | 586,030 |
| $2,525,000 promissory note collateralized by 1st lien on various parcels of real estate and motel building Gilmer County, West Virginia | 5.54% | $17,542 monthly through 6/2031 | 2,442,493 | |
| Total Note Payable | | | $ 2,442,493 | $ 2,072,814 |

The following is a schedule by year of future annual minimum payments required under the notes existing at June 30, 2012:

| Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2013 | $ 74,511 | $ 135,993 | $ 210,504 |
| 2014 | 78,805 | 131,699 | 210,504 |
| 2015 | 83,347 | 127,157 | 210,504 |
| 2016 | 87,812 | 122,692 | 210,504 |
| 2017 | 97,912 | 105,766 | 203,678 |
| 2018 - 2022 | 567,556 | 447,731 | 1,015,287 |
| 2023 - 2027 | 730,970 | 284,317 | 1,015,287 |
| 2028 - 2031 | 721,580 | 281,668 | 1,003,248 |
| Total | | | 4,079,516 |
| Less portion representing interest | | | 1,637,023 |
| | | | $ 2,442,493 |

## 10. OTHER POST EMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2012, 2011, and 2010, the noncurrent liability related to OPEB costs was $4,566,148, $3,424,578, and $1,798,782, respectively. The total of OPEB expenses incurred and the amount of OPEB expense that relates to retirees was $1,516,614 and $375,044, respectively, during 2012. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was $1,741,403 and $348,462, respectively, during 2011. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was $1,852,799 and $305,459, respectively, during 2010. As of and for the years ended June 30, 2012, 2011, and 2010, there were 15, 17, and 22, respectively, retirees receiving 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 December 2010, the West Virginia Higher Education Policy Commission (HEPC) issued $76,865,000 of the State of West Virginia Higher Education Policy Commission Revenue 2010 Series Bonds to fund HEPC Bond projects approved by the Commission. The College has been authorized to receive $11,000,000 of these proceeds to be specifically used for the construction of the new Pioneer Center, a facility that will house an expanded Natural Resource Center, a community and campus health care facility, and a new home for athletic administration, indoor sports, and coaches offices. The College drew $595,893 and $880,991 during fiscal years 2012 and 2011, respectively; eighty-five percent of these bond proceeds must be spent by December 2013. The West Virginia Higher Education Policy Commission is responsible for repayment of this debt.

For the years ended June 30, 2012 and 2011, debt service assessed was as follows:

| | 2012 | 2011 |
|---|---|---|
| Principal | $ 115,235 | $ 191,896 |
| Interest | 49,568 | 56,886 |
| | $ 164,803 | $ 248,782 |

## 12. UNRESTRICTED NET ASSETS

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

| | 2012 | 2011 |
|---|---|---|
| Designated for auxiliaries | $ 324,480 | $ 242,580 |
| Designated for affiliated organizations | 288,693 | 346,852 |
| Undesignated | (521,770) | 1,050,808 |
| Total unrestricted net assets before OPEB liability | 91,403 | 1,640,240 |
| Less: OPEB liability | 4,566,148 | 3,424,578 |
| Total unrestricted net assets | $ (4,474,745) | $ (1,784,338) |

## 13. RETIREMENT PLANS

Substantially all eligible full-time employees of the College participate in either the West Virginia State 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.

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 contractual maximum contribution rate is 15%. 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, 2012 and 2011, respectively.

Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2012 and 2011, 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, 2012, 2011 and 2010, were $350,427, $368,197 and $374,928, respectively, which consisted of $250,305, $262,998, and $267,806 from the College in 2012, 2011, and 2010 respectively, and $100,122, $105,199, and $107,122 from the covered employees in 2012, 2011, and 2010 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, 2012, 2011, and 2010, were $909,226, $813,230, and $770,672, respectively, which consisted of equal contributions from the College and covered employees in 2012, 2011, and 2010 of $454,613, $406,615 and $385,336, respectively.

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, 2012, no employees were enrolled in the Educators Money 401(a) basic retirement plan.

The College's total payroll for the years ended June 30, 2012 and 2011 was $11,006,246 and $10,343,177; total covered employees' salaries in the STRS and TIAA-CREF were $1,668,700 and $7,557,678 in 2012, respectively, $1,753,320 and $6,758,477 in 2011, respectively.

## 14. DERIVATIVE INSTRUMENT

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2012 and 2011, classified by type, and the change in fair value of such derivative instrument is as follows:

| | June 30, 2012 | | | | |
|---|---|---|---|---|---|
| | Change in Fair Value | | Fair Value | | |
| | Classification | Amount | Classification | Amount | Notional |
| Hedging derivative: | | | | | |
| Cash flow hedge | | | | | |
| Pay-fixed interest rate swap | Deferred charges | $ 725,876 | Debt | $ 2,490,760 | $ 25,377,737 |

| | June 30, 2011 | | | | |
|---|---|---|---|---|---|
| | Change in Fair Value | | Fair Value | | |
| | Classification | Amount | Classification | Amount | Notional |
| Hedging derivative: | | | | | |
| Cash flow hedge | | | | | |
| Pay-fixed interest rate swap | Deferred charges | $ 36,705 | Debt | $ 1,764,884 | $ 25,500,000 |

**Fair Value**: The fair value of the interest rate swap was estimated using a discounted cash flows computation.

**Objective**: The College is party to a derivative instrument which is a pay-fixed, receive-variable interest rate swap that hedges the changes in cash flows on the variable-rate debt series. In order to protect against the potential rising interest rates, the College entered into this derivative instruments at a cost less than what the College would have paid to issue fixed-rate debt.

**Terms, Fair Value, and Credit Risk**: The following table displays the terms and fair value of the College's hedging derivative instrument at June 30, 2012, along with the notional amount, credit rating of the associated counter party, and other terms as of June 30, 2012.

| Type | Cash Flow Hedge for Debt Series | 2012 Notional Amount | Effective Date | Termination Date | Rate Paid | Rate Received | Counterparty/ Counterparty Credit Rating | 2012 Fair Value | 2011 Fair Value |
|---|---|---|---|---|---|---|---|---|---|
| Pay-fixed interest rate swap | 2009A | $ 25,377,737 | 12/22/2010 | 1/5/2017 | 4.34% | 68 % USD-LIBOR-BBA one month plus 1.625% | BB&T / A | $ 2,490,760 | $ 1,764,884 |

**Credit Risk**: The College is exposed to credit risk on the hedging derivative instrument when it is in an asset position. The fair value of the hedging derivative was not in an asset position at June 30, 2012, so the College was not exposed to credit risk on this swap.

**Interest Rate Risk**: The College is not exposed to interest rate risk on its derivative instrument.

**Basis Risk**: The College is not exposed to basis risk on its derivative instrument.

**Termination Risk**: The College or the involved counterparty may terminate the derivative instrument if the other party fails to perform under the terms of the contract. If at the time of termination, the hedging derivative instrument is in a liability position, the College would be liable to the counterparty for a payment equal to the liability, subject to the netting arrangement.

**Rollover Risk**: The College is not exposed to rollover risk on its derivative instrument.

## 15. 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. As of June 30, 2012 the College is aware of questioned costs in the range of approximately $300,000 to $470,000.

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities that have been recorded in the financial statements as of June 30, 2012 or 2011.

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.

## 16. 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.

In June, 2011, the Corporation took advantage of an opportunity to refinance the 2000 Housing Facilities Series A Bonds at a more favorable interest rate. The 2011 Housing Facilities Series A Bonds were issued without extending the original maturity date of the 2000 Series Bonds. The 2011 Series B Bonds were issued to pay for a portion of the issuance costs.

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.

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.

d. *The County Commission of Gilmer County, West Virginia, Commercial Development Revenue Bonds (Glenville State College Housing Corporation Project (the “Corporation”)), Series 2009A.*

In December 2009, the Corporation sold $25,500,000 of Commercial Development Revenue Bonds, Housing Facilities Series 2009 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 December 21, 2009, by and between the Interim Governing Board and Branch Banking & Trust Co., Winston-Salem NC (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 a 484 bed student residence hall and (2) paying a portion of the cost of issuing the bonds.

During the fiscal year 2012, management determined that certain segment assets were overstated and that reclassification of certain segment information was required.

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

| Condensed Schedule of Net Assets (Unaudited) | Housing Facilities Revenue Bonds | | Facilities Improvement Revenue Bonds Series 2006 | | Student Fees Revenue Bonds Series 2007 | | Housing Facilities Revenue Bonds Series 2009 | |
|---|---|---|---|---|---|---|---|---|
| | June 30 2012 | June 30 2011 | June 30 2012 | June 30 2011 | June 30 2012 | June 30 2011 | June 30 2012 | June 30 2011 |
| Assets: | | | | | | | | |
| Current assets | $ 58,424 | $ 210,280 | $ 139,336 | $ 237,507 | $ 361,904 | $ 497,637 | $ 271,946 | $ 608,689 |
| Noncurrent and capital assets | 4,009,199 | 3,937,418 | 8,771,360 | 8,980,761 | 8,822,853 | 9,433,270 | 26,883,840 | 26,393,347 |
| Total assets | $ 4,067,623 | $ 4,147,698 | $ 8,910,696 | $ 9,218,268 | $ 9,184,757 | $ 9,930,907 | $ 27,155,786 | $ 27,002,036 |
| Liabilities: | | | | | | | | |
| Current liabilities | $ 201,285 | $ 4,816 | $ 65,608 | $ 63,203 | $ 97,690 | $ 75,619 | $ 347,677 | $ 129,202 |
| Long-term liabilities | 3,996,534 | 4,189,755 | 1,143,864 | 1,205,263 | 3,248,259 | 3,768,899 | 27,528,398 | 27,142,621 |
| Total liabilities | 4,197,819 | 4,194,571 | 1,209,472 | 1,268,466 | 3,345,949 | 3,844,518 | 27,876,075 | 27,271,823 |
| Net Assets: | | | | | | | | |
| Invested in capital assets—net of related debt | (494,422) | (409,241) | 7,566,097 | 7,716,657 | 5,476,904 | 5,178,175 | (2,149,425) | (1,458,703) |
| Restricted: | | | | | | | | |
| Debt service | 320,505 | 163,543 | | | | 410,577 | 1,176,474 | 598,873 |
| Unrestricted | 43,721 | 198,825 | 135,127 | 233,145 | 361,904 | 497,637 | 252,662 | 590,043 |
| Total net assets and liabilities | $ 4,067,623 | $ 4,147,698 | $ 8,910,696 | $ 9,218,268 | $ 9,184,757 | $ 9,930,907 | $ 27,155,786 | $ 27,002,036 |

| Condensed Statement of Revenues, Expenses and Changes in Net Assets (Unaudited) | As of June 30 2012 | As of June 30 2011 | As of June 30 2012 | As of June 30 2011 | As of June 30 2012 | As of June 30 2011 | As of June 30 2012 | As of June 30 2011 |
|---|---|---|---|---|---|---|---|---|
| Operating: | | | | | | | | |
| Operating revenues | $ 731,087 | $ 630,778 | $ 269,174 | $ 524,518 | $ 337,274 | $ 446,970 | $ 1,788,093 | $ 1,222,055 |
| Operating expenses | (657,282) | (502,054) | (538,929) | (505,121) | (199,840) | (199,840) | (1,214,938) | (894,214) |
| Net operating income | 73,805 | 128,724 | (269,755) | 19,397 | 137,434 | 247,130 | 573,155 | 327,841 |
| Nonoperating: | | | | | | | | |
| Nonoperating revenues | 111 | 7,028 | 36 | 105 | 83 | 7 | 1,750 | 7,009 |
| Nonoperating expenses | (157,239) | (323,893) | (53,728) | (56,181) | (166,766) | (182,574) | (1,134,437) | (469,140) |
| Transfers In/(Out) | | 113,279 | 74,869 | (88,261) | (218,332) | (19,206) | 109,030 | (212,020) |
| Changes in net assets | (83,323) | (74,862) | (248,578) | (124,940) | (247,581) | 45,357 | (450,502) | (346,310) |
| Net assets—beginning of year | (46,873) | 27,989 | 7,949,802 | 8,074,742 | 6,086,389 | 6,041,032 | (269,787) | 76,523 |
| Net assets—end of year | $ (130,196) | $ (46,873) | $ 7,701,224 | $ 7,949,802 | $ 5,838,808 | $ 6,086,389 | $ (720,289) | $ (269,787) |

| | Housing Facilities Revenue Bonds | | Facilities Improvement Revenue Bonds Series 2006 | | Student Fee Revenue Bonds Series 2007 | | Housing Facilities Revenue Bonds Series 2009 | |
|---|---|---|---|---|---|---|---|---|
| Condensed Schedule of Cash Flows (Unaudited) | As of June 30 2012 | As of June 30 2011 | As of June 30 2012 | As of June 30 2011 | As of June 30 2012 | As of June 30 2011 | As of June 30 2012 | As of June 30 2011 |
| Net cash provided by operating activities | $ 334,191 | $ 222,184 | $ 121,042 | $ 111,822 | $ 337,590 | $ 442,580 | $ 1,172,062 | $ 784,732 |
| Net cash used in capital and related activities | (160,838) | (652,565) | (112,535) | (200,730) | (872,893) | (287,571) | (1,134,214) | (1,161,277) |
| Net increase in cash | 173,353 | (430,381) | 8,507 | (88,908) | (535,303) | 155,009 | 37,848 | (376,545) |
| Cash and cash equivalents - beginning of year | 38,875 | 469,256 | 111,864 | 200,772 | 890,133 | 735,124 | 922,305 | 1,298,850 |
| Cash and cash equivalents - end of year | $ 212,228 | $ 38,875 | $ 120,371 | $ 111,864 | $ 354,830 | $ 890,133 | $ 960,153 | $ 922,305 |

## 17. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the year ended June 30, 2012 and 2011, the following table represents operating expenses within both natural and functional classifications:

**2012**

| | 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 | $ 4,811,869 | $ 1,579,039 | $ 551,520 | $ - | $ - | $ - | $ - | $ - | $ 6,942,428 |
| Academic support | 620,500 | 373,485 | 205,812 | | | | | | 1,199,797 |
| Student services | 1,166,290 | 596,782 | 436,862 | | | | | | 2,199,934 |
| General institutional support | 2,128,898 | 707,561 | 1,554,236 | | | | | | 4,390,695 |
| Operations and maintenance of plant | 1,018,208 | 383,269 | 1,196,594 | 636,479 | | | | | 3,234,550 |
| Student financial aid | | | | | 3,385,686 | | | | 3,385,686 |
| Auxiliary enterprises | 1,260,481 | 469,429 | 2,697,701 | 578,453 | | | | | 5,006,064 |
| Depreciation | | | | | | 2,082,465 | | | 2,082,465 |
| Fees assessed by the Commission for operations | | | | | | | | 73,500 | 73,500 |
| Total | $ 11,006,246 | $ 4,109,565 | $ 6,642,725 | $ 1,214,932 | $ 3,385,686 | $ 2,082,465 | $ | $ 73,500 | $ 28,515,119 |

**2011**

| | 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 | $ 4,444,615 | $ 1,793,083 | $ 298,475 | $ - | $ - | $ - | $ - | $ - | $ 6,536,173 |
| Academic support | 609,248 | 296,685 | 208,343 | | | | | | 1,114,276 |
| Student services | 1,130,450 | 586,127 | 470,636 | | | | | | 2,187,213 |
| General institutional support | 2,277,951 | 796,168 | 2,013,797 | | | | | | 5,087,916 |
| Operations and maintenance of plant | 974,651 | 509,919 | 405,711 | 744,760 | | | | | 2,635,041 |
| Student financial aid | | | | | 3,339,345 | | 730 | | 3,340,075 |
| Auxiliary enterprises | 906,262 | 489,077 | 2,422,670 | 440,988 | | | | | 4,258,997 |
| Depreciation | | | | | | 1,959,465 | | | 1,959,465 |
| Fees assessed by the Commission for operations | | | | | | | | 68,357 | 68,357 |
| Total | $ 10,343,177 | $ 4,471,059 | $ 5,819,632 | $ 1,185,748 | $ 3,339,345 | $ 1,959,465 | $ 730 | $ 68,357 | $ 27,187,513 |

## 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 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. Based on the Foundation's audited financial statements as of June 30, 2012, 2011 and 2010, the Foundation's net assets (including unrealized gains) totaled $13,122,207, $13,413,234 and $12,102,313, 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, 2012 and 2011, the Foundation contributed $411,834 and $369,374, respectively, to the College for scholarships.

The following notes on pages 51 – 56 are taken directly from the Foundation's audited financial statements.

## NOTES TO FINANCIAL STATEMENTS
## GLENVILLE STATE COLLEGE FOUNDATION, INC.
## June 30, 2012

### 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, 2012 and 2011, the Foundation cash balances periodically exceeded the FDIC insured deposit limit.**

#### 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, 2012 and 2011 are, in the opinion of Foundation management, fully collectible.**

#### 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.**

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

### Fixed Assets

Fixed assets are recorded at cost, if purchased, or estimated fair market value, if donated, and depreciated over their estimated useful lives. 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 income taxes were paid during the years ended June 30, 2012 and 2011. Interest expense of $303 and $841 was paid during the years ended June 30, 2012 and 2011, respectively.

## NOTE 2. INVESTMENTS

Investments of the Foundation at June 30, 2012 consist of:

| | Cost | Fair Value |
|---|---|---|
| American Century Mutual Funds | $ 40,918 | $ 47,464 |
| Lord Abbett Mutual Funds | 80,565 | 71,510 |
| Fidelity Investment Portfolio | 6,108,488 | 6,056,069 |
| Fidelity TLN Portfolio | 5,230,481 | 5,235,924 |
| Huntington Bancshares, Inc. Common Stock | 37,500 | 6,400 |
| United Bancshares, Inc. Common Stock | 68,124 | 129,400 |
| Exxon Mobil Corporation Common Stock | 9,391 | 133,489 |
| Other Investments | 1,000 | 1,000 |
| | $11,576,467 | $ 11,681,256 |

NOTE 2. INVESTMENTS (CONTINUED)

**The American Century Mutual Funds consist of stock funds (81%) and bond funds (19%).**

**The Lord Abbett Mutual Funds consist of Domestic Equity (100%).**

**The Fidelity Investment Portfolio consists of governmental agency notes and bonds (23%); corporate notes and bonds (2%); bond and stock mutual funds (73%); and short-term cash investments (2%).**

**The Fidelity TLN Portfolio consists of governmental agency notes and bonds (17%); bond and stock mutual funds (67%); and short-term cash investments (16%).**

**Investments of the Foundation at June 30, 2011 consist of:**

| | Cost | Fair Value |
|---|---|---|
| American Century Mutual Funds | $ 40,353 | $ 47,384 |
| Lord Abbett Mutual Funds | 79,547 | 74,335 |
| Fidelity Investment Portfolio | 5,681,300 | 5,988,248 |
| Fidelity TLN Portfolio | 3,877,718 | 3,897,841 |
| Fidelity Collateral Portfolio | 1,701,693 | 1,723,912 |
| Huntington Bancshares, Inc. Common Stock | 37,500 | 6,560 |
| United Bancshares, Inc. Common Stock | 68,124 | 122,400 |
| Exxon Mobil Corporation Common Stock | 9,391 | 126,953 |
| Other Investments | 1,000 | 1,000 |
| | $11,496,626 | $ 11,988,633 |

**The American Century Mutual Funds consist of stock funds (81%) and bond funds (19%).**

**The Lord Abbett Mutual Funds consist of Domestic Equity (100%).**

**The Fidelity Investment Portfolio consists of governmental agency notes and bonds (22%); corporate notes and bonds (2%); bond and stock mutual funds (75%); and short-term cash investments (1%).**

**The Fidelity TLN Portfolio consists of governmental agency notes and bonds (24%); bond and stock mutual funds (75%); and short-term cash investments (1%).**

**The Fidelity Collateral Portfolio consist of CDs (93%) and short-term cash investments (7%).**

## NOTE 2. INVESTMENTS (CONTINUED)

### Determination of Fair Value

The Foundation uses fair value measurements to record adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with applicable guidance, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

### Fair Value Hierarchy

In accordance with this guidance, the Foundation groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1-Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2-Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

## NOTE 2. INVESTMENTS (CONTINUED)

**Level 3-Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.**

**A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.**

**All of the Foundation's investments at June 30, 2012 and 2011, are considered Level 1 valuations except the $1,000 in other investments, which is considered a Level 3 valuation.**

| | Level 3 Assets | |
|---|---|---|
| | 2012 | 2011 |
| Balance, beginning | $ 1,000 | $ 1,000 |
| Realized gains (losses) | -- | -- |
| Unrealized gains (losses) | -- | -- |
| Purchases, sales, issuances and settlements | -- | -- |
| Balance, ending | $ 1,000 | $ 1,000 |

## NOTE 3. BEQUESTS AND CONTRIBUTIONS RECEIVABLE

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

| | 2012 | 2011 |
|---|---|---|
| Cline, present value of life insurance policy | $ 173,182 | $ 157,437 |
| Kern, present value of life insurance policy | 15,109 | 14,386 |
| Rice, present value of life insurance policy | 480,000 | 480,000 |
| TOTAL | $ 668,291 | $ 651,823 |

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

### NOTE 4. FIXED ASSETS

| Fixed assets at June 30, 2012 and 2011 consist of: | 2012 | 2011 |
|---|---|---|
| Office equipment | $ 49,638 | $ 49,638 |
| Vehicles | 61,743 | 49,700 |
| | 111,381 | 99,338 |
| Less accumulated depreciation | (54,753) | (79,863) |
| TOTAL | $ 56,628 | $ 19,475 |

### 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 outstanding balances at June 30, 2012 and 2011 were $-0- and $9,331, respectively. The note was paid in full during fiscal year ending June 30, 2012.

### NOTE 6. 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 these monies as loan funds as required by the trust agreement. The Foundation has no control over trust principal. Therefore, the trust fund is not included on the Foundation's Statement of Financial Position as of June 30, 2012 or 2011.

### 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 2012 and 2011, the Foundation charged an administrative fee sufficient to cover operating expenses, of $261,874 and $227,928, respectively.

### NOTE 9. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through November 5, 2012, the date these financial statements were available to be issued. No material subsequent events have occurred since June 30, 2012, requiring recognition or disclosure.

HAYFLICH & STEINBERG
Certified Public Accountants
55+ Years of Excellence
#8 Stonecrest Drive
Huntington, WV 25701
Tel (304) 697-5700
Fax (304) 697-5704
www.Hayflich.net

**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
Glenville State College
Glenville, West Virginia

We have audited the 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, 2012, which collectively comprise the College 's basic financial statements and have issued our report thereon dated December 10, 2012. Our report includes a reference to 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. Other auditors audited the financial statements of the Glenville 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**

Management of Glenville State College, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, 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 purpose 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2012-1.

The College's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the College's response and, accordingly, we express no opinion on it.

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

Hayflich & Steinberg, CPA's, PLLC

Huntington, West Virginia
December 10, 2012

## GLENVILLE STATE COLLEGE
## SCHEDULE OF FINDINGS AND RESPONSES
## FOR THE YEAR ENDED JUNE 30, 2012

**Findings related to the 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***

**Finding 2012-01: Glenville State College Research Corporation (the "Corporation") noncompliance with grant agreements**

**Criteria:**
The Corporation obtained a grant through the Health Resources and Services Administration for a healthcare related project. The grant states that the Corporation must use the grant funds for specific projects and for specific costs of the project.

**Condition:**
During our testing of grant expenditures we noted the following:

1. Out of 33 items tested 23 were for activities outside of the specified projects.

2. Out of 33 items tested 31 expenditures occurred after the expiration date of the grant agreement.

The Corporation has an internal structure designed to ensure that grant funds are properly managed and that projects are completed timely. However, during the period in which these expenditures occurred the internal control system was not operating as designed.

**Effect:**
The Corporation may be requested to repay some or all of these funds to the Health Resources and Services Administration. The total amount of the grant award was $471,240.

**Recommendation:**
We recommend that an individual with suitable knowledge and skill be put in a position to review, approve, and track grant expenditures to ensure compliance with the grant agreements.

**Views of Responsible Officials and Planned Corrective Actions:**

The management of Glenville State College concurs with the finding, but with explanations. We feel the procedures and controls are in place to ensure expenditures are in compliance with the grant agreements. The expenditures in question were not within the original scope but according to the principal investigator a modification to the grant was submitted and approved. The expenditures in question are within the scope of the grant modifications. In addition, all expenditures were encumbered or obligated by the termination date of the grant.

An employee of the College was designated as the principal investigator of the grant and was charged with the responsibility to review, approve, and track grant expenditures. However, that individual left the College for a position at another institution. The College has since hired an individual who is more than competent and suitable to fulfill these same duties. The modification was obtained during the transition time at the end of the tenure of the first individual and before the current individual was hired. However, the College is working with the granting agency and an extension has been approved to resolve any outstanding issues and finalize the grant. The College has contracted with the original principal investigator to assist with finalizing the grant.