GLENVILLE STATE COLLEGE

Glenville, West Virginia

Combined Financial Statements and
Additional Information for the Years
Ended June 30, 2010 and 2009 and
Independent Auditors' Reports

GLENVILLE STATE COLLEGE

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 and 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.

As discussed in Note 14 to the financial statements, the College adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* in 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2010, 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.

[illegible], CPA's, PLLC

November 23, 2010

Financial Highlights

Current assets decreased while non-current assets increased, net capital and total assets both reflected substantial increases. Operating, non-operating, and total revenues each increased. Current liabilities increased primarily due to a construction loan for the renovation of the Morris Criminal Justice Training Center. Non-current liabilities increased as a result of a loan for the construction of Goodwin Hall, a new 484 bed residence hall facility. The College continued to receive significant funding through various operational and research grants.

Combined Statement of Net Assets

The Combined Statement of Net Assets presents the assets, liabilities, and net assets of the College as of the end of the fiscal year. The purpose of the Combined Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the College. The Combined Statement of Net Assets presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Assets (Assets minus Liabilities). The difference between current and noncurrent assets and liabilities is discussed in the footnotes to the combined financial statements.

The Combined Statement of Net Assets provides a way to measure the financial position of the College. It provides a picture of the net assets and their availability for expenditure by the College. From the data presented, readers of the Combined Statement of Net Assets are able to determine the assets available to continue the operations of the College. They are also able to determine how much is owed to employees, vendors and lending institutions.

Net assets are divided into three major categories. The first category, invested in capital assets, accounts for equity in the property, plant and equipment owned by the College. Title to all property was transferred to the Glenville State College Board of Governors by the Higher Education Policy Commission (HEPC). The next asset category is restricted net assets, net of related debt, which is divided into two categories: nonexpendable (permanently restricted) and expendable. Expendable restricted net assets are available for expenditure but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. Included in restricted expendable net assets are balances that have been designated for specific purposes in West Virginia State Code. This category includes auxiliary enterprise balances as well as certain student fee funds that are designated within state code for specific general purposes such as housing operations or library operations. The final category is unrestricted net assets, which are available for expenditure for any lawful purpose of the College.

Combined Statements of Net Assets
For the Years Ended June 30, 2010, 2009 and 2008

Assets:	**2010**	**2009**	**2008**	**% Change**
Current assets	$ 5,148,587	$ 5,585,294	$ 4,880,255	(7.82%)
Non-current assets	4,646,346	1,678,541	2,259,990	176.81%
Capital assets, net	51,794,739	34,477,094	33,585,919	50.23%
Total Assets	$ 61,589,672	$41,740,929	$40,726,164	43.41%
Liabilities				
Current Liabilities	$ 4,128,069	$ 2,805,855	$ 2,402,605	47.12%
Non-current Liabilities	31,340,157	12,017,658	11,815,108	160.78%
Total Liabilities	$ 35,468,226	$ 14,823,513	$ 14,217,713	139.27%

Combined Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2010, 2009, and 2008

	2010	2009	2008	% Change
Operating revenues	$ 14,421,354	$12,734,211	$ 11,240,963	13.25%
Operating expenses	25,424,891	21,372,651	19,741,806	18.96 %
Operating loss	(11,003,537)	(8,638,440)	(8,500,843)	27.38%
Non-operating Revenues	9,775,310	9,362,760	8,722,265	4.41%
Non-operating Expenses	643,934	660,069	565,350	(2.44%)
Net Non-operating revenues	9,131,376	8,702,691	8,156,915	4.93%
(Loss) income before other revenues, expenses, gains or losses	(1,872,161)	64,251	(343,928)	(3,013.82%)
Capital Projects Proceeds	406,191	344,714		17.83%
Capital Gifts and Grants	670,000			100.00%
Net Effect of Change In Accounting Principal			1,060,333	0.00%
Increase in net assets	(795,970)	408,965	716,405	(294.63%)
Net assets, beginning of year	26,917,416	26,508,451	25,792,046	1.54%
Net assets, end of year	$26,121,446	$26,917,416	$ 26,508,451	(2.96 %)

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

Revenues:

	2010	2009	2008	% Change
Program revenues (by major source)				
Tuition & fees before allowances	$ 6,808,393	$ 5,964,828	$ 5,257,743	14.14 %
Less: scholarship discounts & allowances	(2,563,535)	(2,297,790)	(1,935,524)	11.57%
Research grants & contracts	5,296,984	4,952,272	4,390,535	6.96%
Auxiliary enterprise sales & services, net	3,115,340	2,850,181	2,556,188	9.30 %
Miscellaneous	1,764,172	1,264,720	972,021	39.49 %
General revenues (by major source)				
State appropriations	6,051,935	6,739,617	6,095,707	(10.20%)
Federal Stabilization Funds	412,682			100.00%
Federal Pell grants	3,281,699	2,347,617	2,069,440	39.79%
Payments on behalf of College		201,132	296,816	(100.00%)
Investment income	28,994	74,394	260,302	(61.03%)
Capital grants and gifts	1,076,191	344,714		212.20%
Total Revenues	$ 25,272,855	$ 22,441,685	$ 19,963,228	12.629%

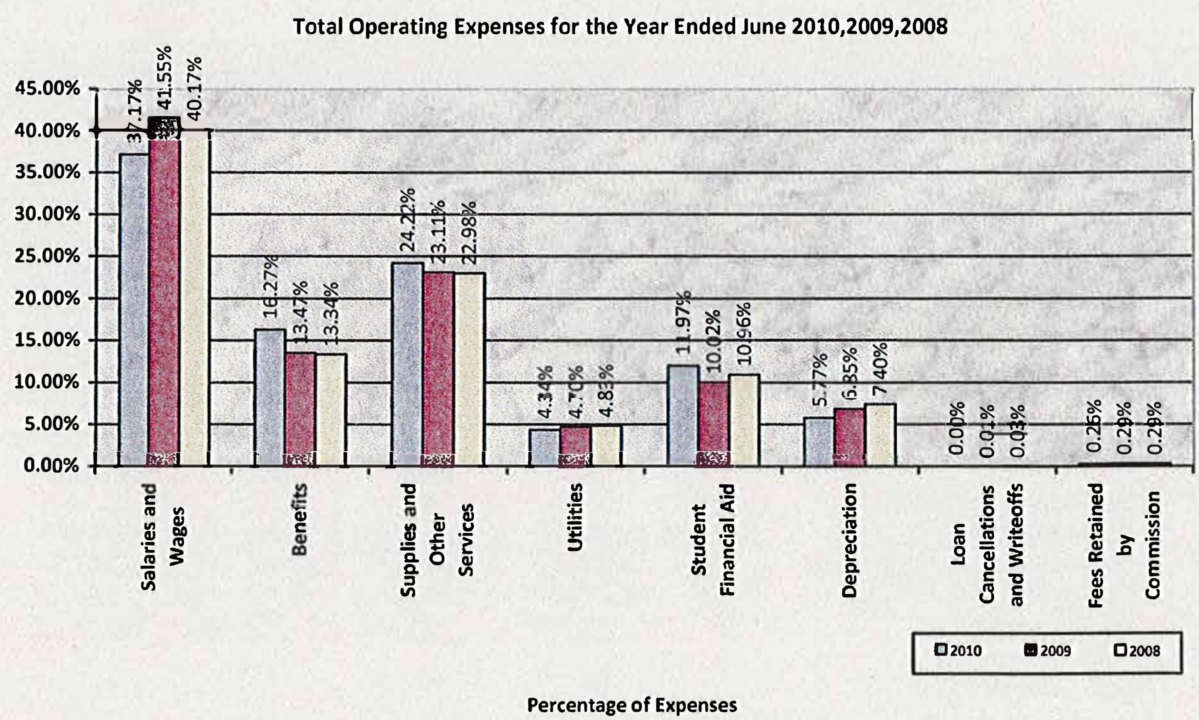
- State appropriated general revenue funds in the amount of $6,051,935 and Federal Stabilization Funds of $412,682 accounted for 25.58% of total revenues in FY 2010 compared to 30.03% in FY2009 and 30.53% in FY 2008. These appropriations are used to pay salaries and benefits in support of the operations of the College.

- Investment income decreased by $45,400 or 61.03 % from FY2009 to FY2010. This revenue source made up 0.11%of total revenues in FY 2010 compared to 0.33% in FY2009 and 1.31% in FY 2008. 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:

	2010	2009	2008	% Change
Salaries and wages	$ 9,453,333	$ 8,879,530	$ 7,930,727	6.46%
Benefits	4,136,022	2,879,452	2,633,473	43.64%
Supplies and other services	6,158,938	4,940,212	4,537,140	24.67%
Utilities	1,102,219	1,004,430	953,763	9.74%
Student financial aid, scholarships and fellowships	3,042,575	2,141,967	2,163,152	42.05%
Depreciation	1,465,842	1,464,231	1,461,702	0.11 %
Loan cancellations and write-offs	112	1,704	4,764	(93.43 %)
Fees retained by Commission for operations	65,850	61,125	57,085	7.73%
Total Operating Expenses	$ 25,424,891	$21,372,651	$19,741,806	18.96%



Capital Asset and Debt Administration

The College had capital asset additions of $18,784,206, $2,355,405, and $4,789,145 for the years ended June 30, 2010, 2009, and 2008, respectively. The FY2010 additions were funded by federal grants, capital project proceeds from the Higher Education Policy Commission, and capital financing proceeds.

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

Economic Outlook

The management of Glenville State College is enthusiastic about the fiscal outlook of the institution. Student enrollment continues five years of growth, revenues reflect a steady increase, and capital asset growth continues.

The College's increased student enrollment, 1828 for the Fall 2010 semester, is the result of expanded in-state and out-of-state recruitment.

- In-state, the College has targeted first-generation college students who – because this cohort is less likely to attend college – constitutes a significant market in West Virginia. West Virginia has one of the lower college-going rates in the nation and, consequently, ranks among the lowest in degree-attainment. The College's signature program, the Hidden Promise Consortium, is an innovative collaboration between the College and 20 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 a total Fall 2010 enrollment of more than 80 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.
- A Metro Fee, implemented in Fall 2009, has attracted out-of-state students from counties neighboring West Virginia with a reduced out-of-state tuition.

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GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009

LIABILITIES AND NET ASSETS	2010	2009
CURRENT LIABILITIES:		
Accounts payable	$ 845,841	$ 889,534
Accrued liabilities	828,598	853,772
Due to the Commission	7,066	2,227
Compensated absences—current portion	338,163	306,645
Deferred revenue	108,919	134,683
Note payable—current portion	1,511,939	98,999
Capital lease obligations—current portion	58,575	114,741
Bonds payable—current portion	237,072	221,460
Higher Education Policy Commission debt payable—current portion	191,896	183,794
Total current liabilities	4,128,069	2,805,855
NONCURRENT LIABILITIES (Note 6)	31,340,157	12,017,658
Total liabilities	35,468,226	14,823,513
NET ASSETS:		
Invested in capital assets—net of related debt	23,441,533	22,163,043
Restricted for:		
Loans	23,524	57,313
Capital projects	1,074,286	1,025,128
Debt service	2,169,537	731,897
Other	488,534	434,068
Unrestricted	(1,075,968)	2,505,967
Total net assets	26,121,446	26,917,416
TOTAL LIABILITIES AND NET ASSETS	$ 61,589,672	$ 41,740,929

See notes to combined financial statements. (Concluded)

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
OPERATING REVENUES:		
Student tuition and fees (net of scholarship allowance of $2,563,535 and $2,297,790)	$ 4,244,858	$ 3,667,038
Contracts and grants:		
Federal	2,246,442	1,755,688
State	2,106,238	1,891,225
Private	944,304	1,305,359
Interest on student loans receivable	1,013	695
Sales and services of educational activities	1,196,469	924,789
Auxiliary enterprise revenue (net of scholarship allowance of $1.456,832 and $1,423,720)	3,115,340	2,850,181
Miscellaneous—net	566,690	339,236
Total operating revenues	14,421,354	12,734,211
OPERATING EXPENSES:		
Salaries and wages	9,453,333	8,879,530
Benefits	4,136,022	2,879,452
Supplies and other services	6,158,938	4,940,212
Utilities	1,102,219	1,004,430
Student financial aid—scholarships and fellowships	3,042,575	2,141,967
Depreciation	1,465,842	1,464,231
Loan cancellations and write-offs	112	1,704
Fees assessed by the Commission for operations	65,850	61,125
Total operating expenses	25,424,891	21,372,651
OPERATING LOSS	(11,003,537)	(8,638,440)

(Continued)

GLENVILLE STATE COLLEGE

THE GLENVILLE STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF GLENVILLE STATE COLLEGE
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Grants and donations	$ 193,430	$ 490,647	$ 793,550	$ 1,477,627
Administration fee	137,541			137,541
Investment income	244,490	861,930	1,210	1,107,630
Gain on sale of asset	25,047			25,047
Total revenues, gain and other support	600,508	1,352,577	794,760	2,747,845
EXPENSES:				
Program services	290,893	588,854		879,747
Management and general	292,829	159,683	179	452,691
Fundraising	39,455			39,455
Professional fees	21,373			21,373
Depreciation	13,159			13,159
Total expenses	657,709	748,537	179	1,406,425
CHANGE IN NET ASSETS	(57,201)	604,040	794,581	1,341,420
TRANSFERS	(243,959)	227,331	16,628	
NET ASSETS—Beginning of year	848,054	(805,673)	10,718,512	10,760,893
NET ASSETS—End of year	$ 546,894	$ 25,698	$ 11,529,721	$ 12,102,313

See notes to combined financial statements.

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GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (11,003,537)	$ (8,638,440)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	1,465,842	1,464,231
Payments made on behalf of College		201,132
Changes in assets and liabilities:		
Accounts receivable—net	(161,267)	(109,658)
Loans to students—net	(185)	(4,831)
Prepaid expenses	(78,232)	
Inventories	26,108	5,407
Accounts payable	(56,796)	101,875
Accrued liabilities and due to the Commission	(7,233)	327,106
Compensated absences	1,536,023	239,379
Deferred revenue	(25,764)	44,904
NET CASH USED IN OPERATING ACTIVITIES	$ (8,305,041)	$ (6,368,895)
NONCASH TRANSACTIONS:		
Accretion of bond discount into bonds payable	$ 1,519	$ 1,519
Deferred Financing Costs	$ 1,067	$ 1,067

See notes to combined financial statements.

(Concluded)

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 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, 2010 and 2009, respectively.

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 $175,926 as part of the cost of assets for the year ended June 30, 2010. There was no interest capitalized during 2009. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 20 years for land improvements, 10 years for equipment, 7 years for library books, and 3 years for furniture. The College's capitalization threshold is $1,000. 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—The College accounts for compensated absences in accordance with the provisions of GASB.

GASB provides standards for the measurement, recognition, and display of other postemployment benefit ("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 of West Virginia (the "State"). Effective July 1, 2007, Glenville State was 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 can be obtained by contacting 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, 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

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 2010 and 2009, the College received and disbursed \$6,704,456 and \$5,992,877, 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 2010 and 2009, the College received and disbursed approximately \$3,572,573 and \$2,644,811, 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 College Business Officers ("NACUBO"). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the combined financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a College basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

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

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

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

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2010 and 2009, was held as follows:

	2010		
	Current	Noncurrent	Total
State Treasurer	$ 3,933,957	$ 973,640	$ 4,907,597
Municipal Bond Commission	296,250		296,250
Trustee		1,916,794	1,916,794
Banks	207,722		207,722
	$ 4,437,929	$ 2,890,434	$ 7,328,363

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

Amounts held by the State Treasurer includes $1,238,394 and $1,399,330 of restricted cash for grant programs, capital improvements, debt service, and student financial aid among others as of June 30, 2010 and 2009, 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 amounts of cash in the bank at June 30, 2010 and 2009 were $207,722 and $121,432, respectively, as compared with the combined bank balance of $492,027 and $244,172. The difference is primarily caused by items in transit.

Amounts with the State Treasurer and the Municipal Bond Commission as of June 30, 2010 and 2009, are comprised of the following investment pools:

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 P1 by Moody's. The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

	Credit Rating*		2010		2009	
Security Type	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Corporate asset backed securities	Aaa	AAA	$ 24,330	5.37 %	$ 16,402	5.21 %
	Aaa	NR *	10,353	2.28	5,136	1.63
	Aa3	AAA	1,000	0.22	223	0.07
	Aa2	AAA			461	0.15
	A3	AAA			273	0.09
	Baa2	AAA			831	0.26
	Baa1	BBB**			332	0.10
	Baa2	BBB**			1,376	0.44
	Ba1	CC**	45	0.01		
	Ba2	BB**	219	0.05		
	Ba3	AAA			645	0.20
	B1	AAA			779	0.25
	B1	BBB**	605	0.13		
	B1	CCC**	857	0.19		
	B2	B**			493	0.16
	B2	CCC**	366	0.08	539	0.17
	B3	AAA			949	0.30
	B3	B**	442	0.10		
	B3	BBB**	247	0.05		
	B3	CCC**	554	0.12		
	Caa1	BB**			254	0.08
	Caa1	CCC**	230	0.05		
	Caa2	CCC**	779	0.17		
	NR *	AAA	3,538	0.78	679	0.22
			43,565	9.60	29,372	9.33
Corporate bonds and notes	Aaa	AAA	72,549	16.00	47,204	14.99
	Aaa	AA	2,060	0.46		
	Aa1	AA	5,430	1.20	4,445	1.41
	Aa1	A			2,052	0.65
	Aa2	AAA			3,040	0.96
	Aa2	AA	6,650	1.47	9,066	2.88
	Aa3	AA	6,722	1.48		
	Aa3	A	13,850	3.05	7,831	2.49
	A1	AA	15,485	3.41	4,813	1.53
	A1	A	21,098	4.65	5,522	1.75
	A2	A	41,093	9.06	32,040	10.17
	A3	A	4,158	0.92	7,024	2.23
	Baa3	A			2,067	0.66
			189,095	41.70	125,104	39.72
U.S. agency bonds	Aaa	AAA	40,180	8.86	60,250	19.13
U.S. Treasury notes***	Aaa	AAA	158,423	34.93	88,805	28.20
U.S. agency mortgage backed securities****	Aaa	AAA	4,540	1.00	4,975	1.58
Money market funds	Aaa	AAA	17,715	3.91	6,426	2.04
			$453,518	100 %	$314,932	100 %

* NR = Not Rated

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. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

	2010		2009	
Security Type	**Carrying Value (In thousands)**	**WAM (Days)**	**Carrying Value (In thousands)**	**WAM (Days)**
Repurchase agreements	$ 66,600	1	$ 53,000	1
U.S. Treasury notes	8,526	114		
U.S. Treasury bills	29,982	72	74,424	94
U.S. agency discount notes	36,465	115	87,662	55
U.S. agency bonds/notes	79,532	30	68,608	37
Money market funds	78	1	132	1
	$ 221,183	44	$ 283,826	54

The overall effective duration of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum maturity of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the WV Short Term Bond Pool at June 30, 2010 and 2009:

	2010		2009	
Security Type	**Carrying Value (in Thousands)**	**Effective Duration (Days)**	**Carrying Value (in Thousands)**	**Effective Duration (Days)**
U. S. Treasury bonds/notes	$ 158,423	583	$ 88,805	917
Corporate notes	189,095	560	125,104	559
Corporate asset backed securities	43,565	679	29,372	622
U.S. agency bonds/notes	40,180	288	60,250	752
U.S. agency mortgage backed securities	4,540	360	4,975	540
Money market funds	17,715	1	6,426	1
	$ 453,518	530	$ 314,932	691

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 the lending agent's money market

5. CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2010 and 2009:

	2010				
	Beginning Balance	Additions	Reductions	Transfer	Ending Balance
Capital assets not being depreciated:					
Land	$ 776,865	$ 191,636	$ -	$ -	$ 968,501
Construction In Progress	510,215	16,933,484		(1,825,119)	15,618,580
Total capital assets not being depreciated	$ 1,287,080	$ 17,125,120	$ -	$ (1,825,119)	$ 16,587,081
Other capital assets:					
Land improvements	$ 2,389,609	$ -	$ -	$ -	$ 2,389,609
Infrastructure	1,433,778				1,433,778
Buildings	47,094,092	728,230		1,825,119	49,647,441
Equipment	7,104,891	825,302	(7,131)		7,923,062
Library books	1,624,493	35,799	(1,559)		1,658,733
Leasehold Improvements		69,755			69,755
Total other capital assets	59,646,863	1,659,086	(8,690)	1,825,119	63,122,378
Less accumulated depreciation for:					
Land improvements	1,055,614	94,620			1,150,234
Infrastructure	1,353,268	9,512			1,362,780
Buildings	17,462,634	783,272			18,245,906
Equipment	5,074,056	530,096	(7,131)		5,597,021
Library books	1,511,277	46,736	(1,559)		1,556,454
Leasehold Improvements		2,325			2,325
Total accumulated depreciation	26,456,849	1,466,561	(8,690)		27,914,720
Other capital assets—net	$ 33,190,014	$ 192,525	$ -	$ 1,825,119	$ 35,207,658
Capital asset summary:					
Capital assets not being depreciated	$ 1,287,080	$ 17,125,120	$ -	$ (1,825,119)	$ 16,587,081
Other capital assets	59,646,863	1,659,086	(8,690)	1,825,119	63,122,378
Total cost of capital assets	60,933,943	18,784,206	(8,690)		79,709,459
Less accumulated depreciation	26,456,849	1,466,561	(8,690)		27,914,720
Capital assets—net	$ 34,477,094	$ 17,317,645	$ -	$ -	$ 51,794,739

6. LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the College for the years ended June 30, 2010 and 2009:

	2010				
	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 $207,375 at June 30, 2010	$ 4,377,717	$ -	$ 98,481	$ 4,279,236	$ 108,481
Campus Community Center bonds	1,374,539		54,042	1,320,497	56,391
Science Building Bonds	3,985,534		68,937	3,916,597	72,200
Goodwin Hall bonds		16,603,802		16,603,802	
Capital lease obligations	198,485		114,741	83,744	58,575
Notes payable	713,152	1,486,983	100,487	2,099,648	1,511,939
Commission debt payable	1,532,325		183,794	1,348,531	191,896
Total bonds, capital leases, and note payable	12,181,752	18,090,785	620,482	29,652,055	1,999,482
Other liabilities:					
Accrued compensated absences	448,804	409,472	359,490	498,786	338,163
Hedging derivative intruments		1,728,179		1,728,179	
Other post employment benefits liability	312,741	1,486,041		1,798,782	
Total noncurrent liabilities	$ 12,943,297	$ 21,714,477	$ 979,972	$ 33,677,802	$ 2,337,645

	2009				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, capital leases, and notes payable:					
Student Housing bonds payable net of discount, including unexpended funds of $202,338 at June 30, 2009	$ 4,471,198	$ -	$ 93,481	$ 4,377,717	$ 98,481
Campus Community Center bonds	1,426,330		51,791	1,374,539	54,042
Science Building Bonds	4,051,611		66,077	3,985,534	68,937
Capital lease obligations	389,809		191,324	198,485	114,741
Notes payable	240,462	635,000	162,310	713,152	98,999
Commission debt payable	1,709,806		177,481	1,532,325	183,794
Total bonds, capital leases, and note payable	12,289,216	635,000	742,464	12,181,752	618,994
Other liabilities:					
Accrued compensated absences	392,226	324,994	268,416	448,804	306,645
Other post employment benefits liability	129,941	182,800		312,741	
Total noncurrent liabilities	$ 12,811,383	$ 1,142,794	$ 1,010,880	$ 12,943,297	$ 925,639

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, 2010:

Year Ending June 30	Principal	Interest	Total
2011	$ 58,575	$ 2,523	$ 61,098
2012	25,169	586	25,755
			86,853
Less interest			3,109
			$ 83,744

The net book value of leased assets was $369,580 and $542,022 as of June 30, 2010 and 2009.

9. NOTE PAYABLE

Notes payable consisted of the following at June 30, 2010 and 2009:

	Interest Rate	Annual Principal Installment Due	2010 Principal Amount Outstanding	2009 Principal Amount Outstanding
Real Estate Purchase:				
$1,500,000 single payment note collateralized by GSC Foundation securities, for construction purposes.	4.0%	$1,500,000	$ 1,486,983	$ -
$375,000 unsecured promissory note to the Commission	0.0%	$37,500 semi-annually through 6/2010		75,000
$26,250 promissory note collateralized by 1st lien on purchased house and lot, Gilmer County, West Virginia	6.0%	$8,750 annually through 1/2011	8,750	17,500
$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	603,915	620,652
Total Note Payable			$ 2,099,648	$ 713,152

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.

For the year ended June 30, 2010 and 2009, debt service assessed is as follows:

	2010	2009
Principal	$ 183,794	$ 177,481
Interest	65,619	85,028
	$ 249,413	$ 262,509

12. UNRESTRICTED NET ASSETS

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

	2010	2009
Designated for auxiliaries	$ 324,568	$ 540,791
Designated for affiliated organizations	(1,521,077)	103,175
Undesignated	1,919,323	2,174,742
Total unrestricted net assets before OPEB liability	722,814	2,818,708
Less: OPEB liability	1,798,782	312,741
Total unrestricted net assets	$ (1,075,968)	$ 2,505,967

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, 2010 and 2009, respectively.

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, 2010, along with the notional amount, credit rating of the associated counter party, and other terms as of June 30, 2010.

Type	Cash Flow Hedge for Debt Series	2010 Notional Amount	Effective Date	Termination Date	Rate Paid	Rate Received	Counterparty/ Counterparty Credit Rating	2010 Fair Value
Pay-fixed interest rate swap	2009A	$ 14,517,631	12/22/2010	1/5/2017	4.34%	68 % USD-LIBOR-BBA one month plus 1.625%	BB&T / A	$ 1,728,179

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, 2010, 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. The College's management believes disallowances, if any, will not have a significant financial impact on the College's financial position.

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, 2010 or 2009.

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.

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

Condensed Statement of Revenues, Expenses and Changes in Net Assets (Unaudited)	Housing Facilities Revenue Bonds Series 2000A		Facilities Improvement Revenue Bonds Series 2006		Student Fee Revenue Bonds Series 2007	
	As of June 30 2010	As of June 30 2009	As of June 30 2010	As of June 30 2009	As of June 30 2010	As of June 30 2009
Operating:						
Operating revenues	$ 960,534	$ 706,204	$ 276,287	$ 385,739	$ 402,508	$ 415,900
Operating expenses	(438,646)	(337,325)	(501,255)	(528,296)	(199,840)	(199,830)
Net operating income	521,888	368,879	(224,968)	(142,557)	202,668	216,070
Nonoperating:						
Nonoperating revenues	675,452	2,020	71	789	72	347,589
Nonoperating expenses	(313,506)	(314,928)	(58,530)	(60,781)	(185,757)	(188,598)
Changes in net assets	883,834	55,971	(283,427)	(202,549)	16,983	375,061
Net assets—beginning of year	781,265	725,294	8,694,536	8,897,085	6,347,154	5,972,093
Net assets—end of year	$ 1,665,099	$ 781,265	$ 8,411,109	$ 8,694,536	$ 6,364,137	$ 6,347,154

Condensed Statement of Cash Flows (Unaudited)	Housing Facilities Revenue Bonds Series 2000A		Facilities Improvement Revenue Bonds Series 2006		Student Fee Revenue Bonds Series 2007		Housing Facilities Revenue Bonds Series 2009
	As of June 30 2010	As of June 30 2009	As of June 30 2010	As of June 30 2009	As of June 30 2010	As of June 30 2009	As of June 30 2010
Net cash provided by operating activities	$ 722,495	$ 514,790	$ 103,662	$ 84,675	$ 402,508	$ 415,900	$
Net cash used in capital and related activities	(771,124)	(695,548)	(112,522)	(121,561)	(254,674)	(133,177)	1,298,850
Net increase in cash	(48,629)	(180,758)	(8,860)	(36,886)	147,834	282,723	1,298,850
Cash and cash equivalents - beginning of year	230,902	411,660	545,999	582,885	499,818	217,095	
Cash and cash equivalents - end of year	$ 182,273	$ 230,902	$ 537,139	$ 545,999	$ 647,652	$ 499,818	$ 1,298,850

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, 2010, 2009 and 2008, the Foundation's net assets (including unrealized gains) totaled $12,102,313, $10,760,893 and $8,273,931, 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, 2010 and 2009, the Foundation contributed $354,086 and $546,275, respectively, to the College for scholarships.

The following notes on pages 49 – 55 are taken directly from the Foundation's audited financial statements.

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, 2010 and 2009. Interest expense of $1,303 and $1,763 was paid during the years ended June 30, 2010 and 2009, respectively.

Recent Accounting Pronouncements

Effective July 1, 2009, the Foundation adopted new accounting guidance related to U.S. GAAP (FASB ASC 105, Generally Accepted Accounting Principles). This guidance establishes FASB ASC as the source of authoritative U.S. GAAP recognized by FASB to be applied to nongovernmental entities. FASB ASC supersedes all existing non-SEC accounting and reporting standards. All other grandfathered, non-SEC accounting literature not included in FASB ASC has become nonauthoritative. FASB will no longer issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates (ASUs), which will serve to update FASB ASC, provide background information about the guidance and provide the basis for conclusions on the changes to FASB ASC. FASB ASC is not intended to change U.S. GAAP. This guidance is effective for the Foundation as of June 30, 2010.

NOTE 2. INVESTMENTS (CONTINUED)

Investments of the Foundation at June 30, 2009 consist of:

	Cost	Fair Value
American Century Mutual Funds	$ 39,382	$ 33,251
Lord Abbott Mutual Funds	78,322	52,625
Fidelity Investment Portfolio	5,600,729	3,992,368
Fidelity TLN Portfolio	4,832,985	4,881,515
Huntington Bancshares, Inc. Common Stock	37,500	4,180
United Bancshares, Inc. Common Stock	68,124	97,700
Exxon Mobil Corporation Common Stock	9,391	107,812
Other Investments	1,000	1,000
	$10,667,433	$ 9,170,451

The Fidelity Investment Portfolio consists of governmental agency notes and bonds (10%); corporate notes and bonds (25%); bond and stock mutual funds (64%); and short-term cash investments (1%).

The Fidelity TLN Portfolio consists of governmental agency notes and bonds (29%); corporate notes and bonds (62%); bond and stock mutual funds (8%); and short-term cash investments (1%).

Determination of Fair Value

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the Fair Value Measurements and Disclosures topic of FASB ASC 820, 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 recent 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.

NOTE 3. BEQUESTS AND CONTRIBUTIONS RECEIVABLE

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

	2010	2009
Cline, present value of life insurance policy	$ 138,017	$ 120,576
Kern, present value of life insurance policy	11,685	10,367
Rice, present value of life insurance policy	543,079	532,288
Contribution receivable	--	50,000
TOTAL	$ 692,781	$ 713,231

NOTE 4. NOTES RECEIVABLE

During the year ended June 30, 2008, the Foundation advanced funds to Dr. Peter Barr, President of Glenville State College, for improvements to the president's house. Funds advanced totaled $23,898 with annual principal payments of $5,000 plus interest at 6%. The balance of the receivable at June 30, 2010 and 2009 was $9,006, and $13,898, respectively.

NOTE 5. FIXED ASSETS

Fixed assets at June 30, 2010 and 2009 consist of:	2010	2009
Land	$ --	$ 15,000
Building	--	86,000
Office equipment	49,638	48,001
Vehicles	49,700	49,700
	99,338	198,701
Less accumulated depreciation	(66,760)	(55,035)
TOTAL	$ 32,578	$ 143,666

NOTE 6. NOTES PAYABLE

During the year ended June 30, 2007, the Foundation acquired a note payable to Calhoun County Bank, to purchase a vehicle. The note has an original principal of $38,085, with 60 monthly payments of $738 through June 2012. The note bears interest at 6% and is secured by a vehicle with a net book value of $16,000 at June 30, 2010. The outstanding balances at June 30, 2010 and 2009 were $17,345 and $24,897, respectively.

Future maturities of notes payable at June 30, 2010 are as follows:

2011	$ 8,033
2012	9,312
	$ 17,345

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Compliance and Other Matters

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

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

November 23, 2010

55 + Years of Excellence
★ ★ ★ ★ ★

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November 23, 2010

To the Glenville State College Board of Governors
Glenville State College
200 High Street
Glenville, West Virginia

We have audited the financial statements of the business-type activities, and discretely presented component unit of Glenville State College for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 6, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Glenville State College are described in Note 2 to the financial statements. As described in Note 2 to the financial statements, the College adopted Statement of Governmental Accounting Standards GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, in 2010. Note 14 to the financial statements identifies the effects of the adoption. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the College's financial statements were:

> Management's valuation of inventories, valuation of receivables, depreciation of capital assets, determination of compensated absences and other post employment benefits.
>
> Management's estimate of the fair value of the College's cash flow hedge related to its pay-fixed, receive-variable interest rate swap.
>
> Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. We evaluated the key factors and assumptions used to develop the aforementioned estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

> The disclosure of Significant Accounting Policies in Note 2 to the financial statements describes the College's financial statement presentation policies and any changes adopted during the most current reporting period.

Difficulties Encountered in Performing the Audit

> The adoption of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* delayed the completion of our audit as information to determine the fair value of the cash flow hedging instrument was not readily available.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached Schedule A summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

The following material misstatement detected as a result of audit procedures was corrected by management:

> Audit adjustment to record the adoption of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.*

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 23, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the College's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

As identified in the College's audited financial statements ***Schedule of Findings and Responses*** **(2010 – 1)**, based on our discussions with and observations of management during the audit process, it appeared that management was not fully aware of a recent *Governmental Accounting Standards Board* (GASB) pronouncement that directly and materially impacted the current year's financial statement presentation, including footnote disclosure requirements.

This information is intended solely for the use of the Board of Governors and management of Glenville State College and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Hayflich & Steinberg, CPA's, PLLC

HAYFLICH & STEINBERG, CPA's, PLLC

GLENVILLE STATE COLLEGE

CORRECTED AND UNCORRECTED MISSTATEMENTS

SCHEDULE A

Description (Nature) of Audit Difference (AD)	Known (K) or Likely (L)	Cause	Financial Statements Effect—Amount of Over (Under) Statement of: Total Assets	Total Liabilities	Working Cap.	Equity	Revenues	Expen.	Change in Fund Balance/ Net Assets
Accrued Liability	K	Client failed to accrue		(9,095)				(9,095)	9,095
AP	K	Client failed to accrue		(5,815)				(5,815)	5,815
Prepaid Exp	K	Client failed to record	9,779					(9,779)	9,779
Hedging Arrangement	K	Unaware of GASB 53	1,728,179	1,728,179					-
Total			1,737,958	1,713,269	-	-	-	(24,689)	24,689
Less audit adjustments subsequently booked			1,728,179	1,728,179					
Net unadjusted AD—current year (iron curtain method)			9,779	(14,910)	-	-	-	(24,689)	24,689
Financial statement caption totals			61,589,672	35,468,226		26,121,446	24,628,921	25,424,891	(795,970)
Current year AD as % of F/S captions (iron curtain method)			0.02%	-0.04%	0.00%	0.00%	0.00%	-0.10%	-3.10%