Eastern West Virginia Community and Technical College

Financial Statements as of and for the
Years Ended June 30, 2010 and 2009, and
Independent Auditors' Reports

EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

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INDEPENDENT AUDITORS' REPORT

To the Governing Board of
Eastern West Virginia Community and Technical College:

We have audited the accompanying statements of net assets of Eastern West Virginia Community and Technical College (the "College") as of June 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets, and of cash flows for the years then ended. These financial statements are the responsibility of the management of the College. Our responsibility is to express an opinion on these financial statements based on our audits.

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. 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 consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2010 and 2009, and the changes in net assets and cash flows of the College for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 to 9, which is the responsibility of the College's management, is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2010, on our consideration of the College's internal control over financial reporting and 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.

Deloitte & Touche LLP

October 25, 2010

Overview of the Financial Statements and Financial Analysis

The Governmental Accounting Standards Board issued directives for presentation of college and university financial statements which were adopted in fiscal year 2002 by Eastern West Virginia Community and Technical College (the "College"). The previous reporting format presented financial balances and activities by fund groups. The current format places emphasis on the overall economic resources of the College.

The following discussion and analysis of the College's financial statements provides an overview of its financial activities during the fiscal years ended June 30, 2010 and June 30, 2009 with the primary focus on 2010. This discussion and analysis is required supplementary information. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the College. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the College. The 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 differences between current and noncurrent assets and liabilities are discussed in the footnotes to the financial statements.

From the data presented, readers of the Statement of Net Assets are able to determine the availability of net assets (assets minus liabilities) for expenditure to continue the operations of the College. They are also able to determine how much the College owes vendors and employees.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the College's equity in equipment and library books owned by the College. The next net asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. Nonexpendable restricted net assets are for the Endowment Program where funds are invested and the earnings are available for expenditure but the original investment (corpus) is not. The College does not currently have nonexpendable restricted net assets since all funds of this nature would generally be directed to The Eastern West Virginia Community and Technical College Foundation, Incorporated. Expendable restricted net assets are available for expenditure by the College but have a specific purpose (i.e. time or purpose restrictions). The final category is unrestricted net assets. Unrestricted net assets are available to the College for any lawful purpose of the College.

Condensed Statements of Net Assets

	June 30, 2010	June 30, 2009	June 30, 2008
Assets:			
Current assets	$2,237,801	$2,159,707	$2,125,460
Noncurrent assets	8,846,421	8,084,185	5,469,407
Total Assets	11,084,222	10,243,892	7,594,867
Liabilities:			
Current Liabilities	1,236,937	1,168,931	1,483,880
Noncurrent Liabilities	848,422	323,901	29,794
Total Liabilities	2,085,359	1,492,832	1,513,674
Net Assets:			
Invested in capital assets, net of debt	8,048,967	7,662,207	5,354,080
Restricted-expendable	179,242	144,270	116,506
Unrestricted	770,654	944,583	610,607
Total Net Assets	$8,998,863	$8,751,060	$6,081,193

Financial Highlights:

- *Assets*

  Current assets as of June 30, 2010 increased $78,094 from June 30, 2009. Cash increased by $208,421 in part due to increase enrollment and grant funding. Accounts receivable decreased $411,512 as result of completion of a capital project for which Council/ Commission proceeds were no longer due. Current assets as of June 30, 2009 reflected an increase of $34,247 from June 30, 2008. Cash, as of June 30, 2009, increased by $159,001 from June 30, 2008 in part due to increased tuition and grant funding.

  Non-current assets increased by $762,236 as of June 30, 2010 from June 30, 2009 at which time reflected an increase of $2,614,778 in comparison to June 30, 2008. The increase from 2009 to 2010 and 2008 to 2009 is due to the completion of the College's new facility. At the close of fiscal year 2010, the College had occupied the new facility for 11 months.

- *Liabilities*

  Current Liabilities as of June 30, 2010 increased by $68,006 from the previous year as compared to a decrease of $314,949 from June 30, 2008 to June 30, 2009. Accounts payable reflects a decrease of $149,498 from June 30, 2009 to June 30, 2010, which is a result of the completion of an $8 million capital project. Deferred revenue increased by $261,492 from June 30, 2009 to June 30, 2010 due to acquiring additional grant funding and increased by $263,394 from June 30, 2008 to June 30, 2009 due to increased grant funding.

Non-current or long-term liabilities represent accrued compensated absences, other post employment benefits liability (OPEB) and a long-term liability for a capital project. Included in compensated absences are employees' balances of annual leave which are in excess of one year's annual leave rate for June 30, 2010 and 2009. The total noncurrent balance increased by $524,521 from June 30, 2009 to June 20, 2010 as a result of securing funds for a capital project and an increase in OPEB liability. The total noncurrent balance increased by $294,107 from June 30, 2008 to June 30, 2009, also as part of securing funds for a capital project.

- *Net Assets*

  Investment in capital assets reports an increase of $386,760 in fixed assets (net of depreciation) between June 30, 2009 and June 30, 2010. The comparison of June 30, 2008 to June 30, 2009 reflects an increase of $2,308,127 in fixed assets (net of depreciation), as described in the above highlighted "Noncurrent Assets" section.

  Restricted net assets show an increase of $34,972 and $27,764 between 2010 and 2009 and 2009 and 2008, respectively. This is the result of the increase in collections of education and general tuition and fees and a capital fee that is expendable but restricted for capital projects.

  Unrestricted net assets decreased by $173,929 as of June 30, 2010 in comparison to June 30, 2009 and increased by $333,976 as of June 30, 2009 in comparison to June 30, 2008.

  In total, net assets as of June 30, 2010 increased by $247,803 from June 30, 2009 as compared to an increase of $2,669,867 between June 30, 2009 and June 30, 2008.

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues generated and expenses incurred by the College, both operating and nonoperating. In addition, any other revenues, expenses, gains or losses are also reflected in this financial statement.

Operating revenues are generated by providing goods and services to the College's customers and constituencies and in the form of federally-funded and state-funded grants. *Operating expenses* are expenses incurred by the College in order to generate operating revenue and to carry out the mission of the College.

Nonoperating revenue is revenue received for which goods and services are not provided. For example, State appropriations are nonoperating because they are provided by the West Virginia Legislature to the College without the West Virginia Legislature directly receiving commensurate goods and services for those revenues.

Condensed Statements of Revenues, Expenses, and Changes in Net Assets

	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008
Operating revenues	$1,027,571	$1,306,388	$618,972
Operating expenses	4,344,492	3,351,649	2,846,660
Operating loss	(3,316,921)	(2,045,261)	(2,227,688)
Nonoperating revenues	3,040,546	2,488,365	2,157,788
(Loss) income before other revenues, expenses, gains, or losses	(276,375)	443,104	(69,900)
Capital projects and bond proceeds	197,672	2,151,763	3,860,213
Capital grants	324,301	75,000	-
Gain on sale of fixed assets	2,205		
Donated equipment	-	-	34,561
Increase in net assets before cumulative effect	247,803	2,669,867	3,824,874
Cumulative effect for change in accounting principle for OPEB	-	-	95,138
Increase in Net Assets	247,803	2,669,867	3,920,012
Net Assets-beginning of year	8,751,060	6,081,193	2,161,181
Net Assets-end of year	$8,998,863	$8,751,060	$6,081,193

Financial Highlights:

Operating revenues decreased by $278,817 in fiscal year 2010 as compared to fiscal year 2009. Tuition and fee revenue decreased by $198,622 due to the College processing its own financial aid, specifically Pell grants, which resulted in a $482,752 allowance and an increase in nonoperating revenue. Prior to fiscal year 2010, Pell grants were made through Southern West Virginia Community and Technical College. Workforce fees, which are included within the student tuition and fees revenue financial statement line, increased by $86,085 in fiscal year 2010 as compared to fiscal year 2009. Revenue from grants and contracts reflected a decrease of $76,715 during this period. Grants and contracts are cyclical by nature and cannot be relied upon for sustained revenue from one year to the next.

Operating expenses in fiscal year 2010 increased by $992,843 from fiscal year 2009. Fiscal year 2009 also showed an increase in operating expenses of 504,989 as compared to fiscal year 2008. The increase in 2010 is a result of increased payroll wages, benefits, other services and utilities. Payroll increased in 2010 by $110,539 as a result of full staffing and the need for additional staff. No salary increases were given in 2010.

The increase in supplies and other services of $142,600 is a result of full staffing, implementation of new programs and promotional strategies. Depreciation reflected an increase of $208,569 in fiscal 2010 as compared to fiscal 2009. Completion of the new facility and increased grant funding allowed for the purchase of additional fixed assets. There was a decrease in depreciation expense of $11,328 in fiscal year 2009 as compared to fiscal year 2008.

Nonoperating revenue increased by $552,181 in fiscal year 2010 as compared to fiscal year 2009. Federal Pell grants showed an increase of $975,109, which was a result of the College processing these grants for the first time in fiscal year 2010. The College also received $136,477 of American Recovery and Reinvestment Act (ARRA) funding from the State of West Virginia. Fiscal year 2009 as compared to fiscal year 2008 resulted in a $330,577 increase in nonoperating revenue primarily due to increased state appropriations. The College participates in the investment pool managed by the State.

Other revenues decreased by $1,702,585 in fiscal year 2010 from fiscal year 2009 as compared to a decrease of $1,668,011 in fiscal year 2009 from fiscal 2008. The decrease in 2010 and 2009 both are a result of the completion of the new facility, which required less bond revenue.

Statement of Cash Flows

The final statement presented by the College is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the College during the year. The statement is divided into five sections.

The ***first section*** reflects cash in-flows/out-flows generated from operating activities. The ***second section*** reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for nonoperating, non-investing, and non-capital financing purposes. The ***third section*** deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The ***fourth section*** reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The ***fifth section*** reconciles the net cash used to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

Condensed Statements of Cash Flows

	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008
Cash provided by (used in):			
Operating activities	($2,073,559)	($2,012,454)	($1,783,072)
Noncapital financing activities	2,756,039	2,475,506	2,133,164
Capital and related financing activities	(477,356)	(322,549)	(84,416)
Investing activities	3,297	18,498	51,523
Increase in cash	208,421	159,001	317,199
Cash and cash equivalents--beginning of year	1,398,747	1,239,746	922,547
Cash and cash equivalents--end of year	$1,607,168	$1,398,747	$1,239,746

Financial Highlights:

Cash flows used in operating activities increased by $61,105 in fiscal year 2010 from the previous year. A decrease of $226,701 in cash flows from tuition and fees is a result of the scholarship allowance for financial aid. Cash flow from grants and contracts saw an increase of $867,821 from fiscal 2009 to fiscal 2010 due to an increase in grants and contracts received by the College. Cash flows for payments to and on behalf of employees increased by $143,155 in fiscal 2010 as compared to fiscal 2009. Fiscal year 2010 also experienced an increase of $201,816 in cash flows for payments to suppliers over fiscal year 2009. Both of the increases (payments to and on behalf of employees and payments to suppliers) are reflective of the increases in the "salary & wages" and "benefits" and "supplies and other services" expenses as discussed in the "Statement of Revenues and Expenses and Changes in Net Assets" section.

Cash flows provided by noncapital financing activities increased by $280,533 in fiscal year 2010 as compared to fiscal year 2009 as a result of Federal Pell grants. Fiscal year 2009 noncapital financing activities reflected an increase in cash flows of $342,342 over fiscal year 2008.

Cash flows used in capital financing increased in fiscal year 2010 from fiscal year 2009 by $154,807. The use of cash in both years is primarily due to the construction payments for the new building in excess of the amounts received for capital projects and other capital purchases. The expenditures in excess of receipts is the primary reason for the decrease in unrestricted net assets, as unrestricted net assets were converted to invested in capital assets.

Cash flows from investing activities decreased in fiscal year 2010 from fiscal year 2009 by $15,201. This decrease was due to less invested monies and lower investment returns.

Overall cash increased by $208,421 in fiscal year 2010 as compared to an overall cash increase of $159,001 in fiscal year 2009.

Capital Activity

During August 2004 the West Virginia Higher Education Policy Commission issued $167,260,000 of 2004 Series B Revenue Bonds (Higher Education Facilities). The College had been approved for $8,000,000 for capital projects from this bond issuance. These bonds are to be repaid by excess State lottery funds with no direct debt responsibility for the College.

The project is to be part of a shared campus with several State/federal agencies. The College purchased two acres of land from the Hardy County Rural Development Authority. The construction site is within a mile of the College's current leased facility and located on Corridor H.

As of July 27, 2009, the College moved into its first Classroom/Laboratory/General Support building that is being funded through the 2004 Revenue Bonds. A ten-year Campus Facility Master Plan, and a five-year Capital Expenditure Plan were developed and approved by the West Virginia Council for Community and Technical College Education.

The College has agreements with the West Virginia Development Office (WVDO) totaling $2,485,000. These funds are being used to construct a new sewer system and access road for the College's new facility. The College will repay the WVDO "if nonoperating funds become available or when an appropriate nonoperating income stream is established" or "if the College sells or disposes of the two acres of property." The amount owed to the WVDO, in the event that one of the two previous conditions are met, is recorded as a noncurrent liability in the statement of net assets.

Economic Outlook

The College continues to grow in spite of the nation's economic crises. Community colleges typically see an increase in enrollment during difficult economic periods. The College continued to see a steady increase in headcount and FTEs which helped to increase student tuition and fees revenue prior to the allowance related to Pell grants.

The College also received one installment of ARRA funding from the State of West Virginia. This helped to fill the financial void the college experienced from recent reductions in State funding. However, the College recognizes this assistance is short-term and should prepare a long range budget strategy that will help the College maintain operations and academic services without ARRA funding while exploring the development of new programs and services to fulfill service region needs. It is anticipated for FY 2011 the State will fund the College's budget at FY 2009 levels. However, a continuous weak economy could lead to additional reductions in state revenue which will impact college funding.

The College will begin the process to develop a new strategic plan that will be linked to West Virginia's Community and Technical College System's Master Plan. An important goal is to link the Strategic Plan to the College's budget. The College has an opportunity to enhance and build new partnerships in the region that would contribute to increasing enrollment and tuition dollars. Partnerships also help to reduce program expenses through shared agreements and purchasing. New program development expenses could be shared through public/private partnerships.

Three academic programs were developed and are presently supported through state grants, Wind Energy Technician, Automotive Technician and Nursing. Acquiring the grants helped to develop these new programs, but the College must develop a strategic plan that will identify funding sources and partnerships that will sustain occupational and technical programs. Tuition dollars will not adequately support high cost technical programs because of the required low student to teacher ratio.

Taking a conservative approach has enabled the College to meet its expenses and prepare for future economic hardships. We also recognize the need to financially plan for salary increases, unexpected expenses, new program development and the expansion of the college's facilities. An expansion of the current facilities is critical to support the increasing number of students who are enrolling at the College.

EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,607,168	$ 1,398,747
Appropriations due from primary government	283,106	1,921
Accounts receivable — net	347,527	759,039
Total current assets	2,237,801	2,159,707
NONCURRENT ASSETS:		
Cash and cash equivalents	177,522	143,476
Capital assets — net	8,668,899	7,940,709
Total noncurrent assets	8,846,421	8,084,185
TOTAL	$ 11,084,222	$ 10,243,892
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 96,054	$ 245,552
Retainages payable	-	21,159
Amount due to the Commission	18,758	45,976
Accrued liabilities and deposits	66,328	69,432
Compensated absences — current portion	78,975	71,482
Deferred revenue	976,822	715,330
Total current liabilities	1,236,937	1,168,931
NONCURRENT LIABILITIES:		
Compensated absences	18,403	22,047
Other post employment benefits liability	210,087	23,352
Funds due to West Virginia Development Office	619,932	278,502
Total noncurrent liabilities	848,422	323,901
Total liabilities	2,085,359	1,492,832
NET ASSETS:		
Invested in capital assets, net of related debt	8,048,967	7,662,207
Restricted — expendable for capital projects	179,242	144,270
Unrestricted	770,654	944,583
Total net assets	8,998,863	8,751,060
TOTAL	$ 11,084,222	$ 10,243,892

See notes to financial statements.

EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

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

	2010	2009
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowance of $482,752 and $0 in 2010 and 2009, respectively	$ 534,228	$ 732,850
Contracts and grants:		
State	450,857	547,104
Private	40,826	21,294
Miscellaneous — net	1,660	5,140
Total operating revenues	1,027,571	1,306,388
OPERATING EXPENSES:		
Salaries and wages	1,608,939	1,498,400
Benefits	552,918	376,403
Supplies and other services	1,177,534	1,034,934
Rent	94,844	254,153
Utilities	88,846	68,794
Student financial aid — scholarships	492,357	-
Depreciation	321,995	113,426
Fees assessed by the Commission for operations	7,059	5,539
Total operating expenses	4,344,492	3,351,649
OPERATING LOSS	(3,316,921)	(2,045,261)
NONOPERATING REVENUES:		
State appropriations	1,925,638	2,437,115
State fiscal stabilization funds (federal)	136,477	-
Payments on behalf of Eastern West Virginia Community and Technical College	-	34,950
Federal Pell grants	975,109	-
Investment income	3,322	16,300
Total nonoperating revenues	3,040,546	2,488,365
(LOSS) INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(276,375)	443,104
CAPITAL PROJECTS AND BOND PROCEEDS FROM THE COMMISSION	197,672	2,151,763
CAPITAL GRANTS	324,301	75,000
GAIN ON SALE OF FIXED ASSETS	2,205	-
INCREASE IN NET ASSETS	247,803	2,669,867
NET ASSETS — Beginning of year	8,751,060	6,081,193
NET ASSETS — End of year	$ 8,998,863	$ 8,751,060

See notes to financial statements.

EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

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

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 513,690	$ 740,391
Contracts and grants	1,258,853	391,032
Payments to and on behalf of employees	(1,974,377)	(1,831,222)
Payments to suppliers	(1,177,075)	(975,259)
Payments to utilities	(183,690)	(318,497)
Payments for scholarships	(492,357)	-
Sales and service of educational activities	(11,145)	(39,099)
Fees retained by the Commission	(7,059)	(5,539)
Other (payments) receipts — net	(399)	25,739
Net cash used in operating activities	(2,073,559)	(2,012,454)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	1,644,453	2,475,506
State fiscal stabilization funds (federal)	136,477	-
Federal Pell grants	975,109	-
Cash provided by noncapital financing activities	2,756,039	2,475,506
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital project proceeds from the Commission	177,622	2,985,463
Capital project proceeds from the WV Development Office	605,332	-
Purchases of capital assets	(1,228,469)	(3,279,863)
Proceeds from sale of disposed assets	2,205	-
Draws from noncurrent cash and cash equivalents	1,484	1,249
Deposits to noncurrent cash and cash equivalents	(35,530)	(29,398)
Net cash used in capital financing activities	(477,356)	(322,549)
CASH FLOWS FROM INVESTING ACTIVITIES — Interest on investments	3,297	18,498
INCREASE IN CASH AND CASH EQUIVALENTS	208,421	159,001
CASH AND CASH EQUIVALENTS — Beginning of year	1,398,747	1,239,746
CASH AND CASH EQUIVALENTS — End of year	$ 1,607,168	$ 1,398,747
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Net operating loss	$(3,316,921)	$(2,045,261)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	321,995	113,426
Expenses paid on behalf of Eastern West Virginia Community and Technical College	-	34,950
Changes in assets and liabilities:		
Accounts receivable	147,635	(425,694)
Accounts payable/amounts due	459	24,751
Accrued liabilities and deposits	(3,104)	5,222
Other post employment benefits liability	186,735	14,188
Compensated absences	3,849	2,569
Deferred revenue	585,793	263,395
NET CASH USED IN OPERATING ACTIVITIES	$(2,073,559)	$(2,012,454)
NONCASH TRANSACTION — Capital assets additions included in accounts payable/retainages payable	$ -	$ 178,284

See notes to financial statements.

1. ORGANIZATION

Eastern West Virginia Community and Technical College (the "College") is governed by the Eastern West Virginia Community and Technical College Governing Board (the "Board"). The Board was established by Senate Bill 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 College; the power to prescribe the specific functions and College's budget request; the duty to review at least every five years all academic programs offered at the College; and the power to fix tuition and other fees for the different classes or categories of students enrolled at its College.

Senate Bill 448 gives the West Virginia Council for Community and Technical College Education (the "Council") the responsibility of developing, overseeing, and advancing the State of West Virginia (the "State") public policy agenda as it relates to community and technical college education.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity — The College is an operating unit of the West Virginia Higher Education Fund and represents separate funds of 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 Council, and West Virginia Higher Education Policy Commission (the "Commission," which includes West Virginia Network for Educational Telecomputing (WVNET)) 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 financial statements present all funds under the authority of the College. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities. A related foundation and another affiliate of the College are not part of the College reporting entity and are not included in the accompanying financial statements since the College has no ability to designate management, cannot significantly influence operations of these entities, and is not accountable for the fiscal matters of these entities under GASB.

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 depreciation, and 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 the College is legally or contractually obligated to spend 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 restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of the College. 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 does not have any restricted nonexpendable net assets at June 30, 2010 or 2009.

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 to meet current expenses for any purpose.

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 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 expenses when materials or services are received.

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

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the "State Treasurer") are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (BTI). These funds are transferred to the BTI and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, and by provisions of bond indentures and trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources in accordance with GASB. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or on the first day of each month for the WV Short-Term Bond Pool (formerly Enhanced Yield Pool) and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts, three of which the College may invest in. These pools have been structured as multiparticipant variable 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 those annual reports can be obtained from the following address: 1900 Kanawha Blvd., E. Room E-122, Charleston, WV 25305 or http://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.

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

Capital Assets — Capital assets include land, building/improvements, construction in progress, furniture and equipment, and books and materials that are part of a catalogued library. 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. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years of buildings, 7 years for library books and 3 to 10 years for furniture and equipment. The College's capitalization threshold is $1,000.

Deferred Revenue — Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as deferred revenue.

Compensated Absences and Other Post Employment Benefits (OPEBs) — The College accounts for compensated absences in accordance with the provisions of GASB.

GASB provides standards 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. Effective July 1, 2007, the College was required to participate in this multiple-employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State. Details regarding this plan 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 other postretirement benefits 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 on 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 of teaching service extend health insurance for one year of family coverage. The same hire date mentioned above applies to coverage for faculty employees also. Faculty hired after July 1, 2009, will no longer receive years of service credit toward insurance premiums when they retire.

The estimated expense and expense incurred for the vacation leave or OPEB benefits are recorded as a component of benefits expense in the statements of revenues, expenses, and changes in net assets.

Risk Management — The State's Board of Risk and Insurance Management (BRIM) provides general and 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 PEIA and third-party insurers, 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 nonexchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as state appropriations and investment income.

Other Revenues — Other revenues consist primarily of capital grants and gifts.

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

Federal Financial Assistance Programs — Federal Stafford Loan receivables are not included in the College's statements of net assets, as the loans are repayable directly to the Pennsylvania Higher Education Assistance Agency. In 2010 and 2009, the College received and disbursed approximately $443,000 and $0, respectively, under the Federal Stafford Loan Program on behalf of the Pennsylvania Higher Education Assistance Agency, 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 program. The activity of this program is recorded in the accompanying financial statements. In 2010, the College received and disbursed approximately $975,000 under this federal student aid program. Prior to 2010, the College did not distribute student financial assistance funds on behalf of the federal government to students under the federal Pell Grant program. Pell Grant funds distributed for 2009 were made through Southern West Virginia Community and Technical College.

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

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers. Certain aid, such as loans, funds provided to students as awarded by third parties, and Federal Stafford Loans, 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 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks 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 financial statements.

Newly Adopted Statements Issued by the Governmental Accounting Standards Board — During 2010, the College adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement provides guidance regarding whether and when intangible assets should be considered capital assets for financial reporting purposes. The adoption of this statement did not have a material impact on its financial statements.

The College also adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement requires governmental entities to measure most derivative instruments at fair value as assets or liabilities. It also improves disclosure requirements surrounding the entity's derivative instrument activity, its objectives for entering into the derivative instrument, and the instrument's significant terms and risks. The adoption of this statement did not have a material impact on its financial statements.

Recent Statements Issued by the Governmental Accounting Standards Board — The Governmental Accounting Standards Board has issued Statement No. 59, *Financial Instruments Omnibus*, effective for fiscal years beginning after June 15, 2010. This statement improves financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards related to certain financial instruments and external investment pools. The College has not yet determined the effect that the adoption of Statement No. 59 may have on its financial statements.

3. CASH AND CASH EQUIVALENTS

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

2010	**Current**	**Noncurrent**	**Total**
State Treasurer	$ 1,595,159	$ 177,522	$ 1,772,681
Bank	11,709	-	11,709
Cash on hand	300	-	300
	$ 1,607,168	$ 177,522	$ 1,784,690

2009	**Current**	**Noncurrent**	**Total**
State Treasurer	$ 1,398,447	$ 143,476	$ 1,541,923
Cash on hand	300	-	300
	$ 1,398,747	$ 143,476	$ 1,542,223

Amounts held by the State Treasurer include $177,522 and $143,476 of restricted cash for purposes specified by West Virginia State Code as of June 30, 2010 and 2009, respectively.

Amounts with the State Treasurer as of June 30, 2010 and 2009, 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 which the College may invest in, all are subject to credit risk.

WV Money Market — Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the years ended June 30, 2010 and 2009, the WV Money Market Pool has been rated AAAm by Standard & Poor's. A Fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2010 and 2009, the WV Money Market Pool investments had a total carrying value of $2,876,711,000 and $2,570,261,000, respectively, of which the College's ownership represents 0.06% and 0.05%, respectively.

WV Government Money Market Pool — Credit Risk — For the years ended June 30, 2010 and 2009, 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, 2010 and 2009, the WV Government Money Market Pool investments had a total carrying value of $221,183,000 and $283,826,000, of which the College's ownership represents 0.01% and 0.05% 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 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
	Baal	BBB**			332	0.10
	Baa2	BBB**			1,376	0.44
	Bal	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		
	Caal	BB**			254	0.08
	Caal	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		
	Aal	AA	5,430	1.20	4,445	1.41
	Aal	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 securities were not in compliance with BTI Investment Policy at June 30, 2010 and /or 2009. 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 issued by the Government National Mortgage Association and are explicitly guaranteed by the United States government and are not subject to credit risk.

At June 30, 2010 and 2009, the College's ownership represents 0.03% and 0.01%, respectively, of these amounts held by the BTI.

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

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

	2010		2009	
Security Type	**Carrying Value (In Thousands)**	**WAM (Days)**	**Carrying Value (In Thousands)**	**WAM (Days)**
Repurchase agreements	$ 174,980	1	$ 212,010	1
U.S. Treasury notes	65,153	140		
U.S. Treasury bills	476,670	35	483,714	69
Commercial paper	855,844	18	592,479	32
Certificates of deposit	281,000	45	128,402	56
U.S. agency discount notes	606,048	52	635,602	57
Corporate bonds and notes	20,000	19	73,812	38
U.S. agency bonds/notes	246,990	55	294,019	70
Money market funds	150,026	1	150,223	1
	$2,876,711	33	$2,570,261	47

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	51

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 fund in the BTI's name. In all transactions, the BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

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

Deposits — Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. 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 as of June 30, 2010 and 2009, were as follows:

	2010	2009
Student tuition and fees — net of allowance for doubtful accounts of $150,685 and $77,051 in 2010 and 2009, respectively	$ 74,006	$ 42,969
Due from Commission/Council	226,472	398,250
Due from other State Agencies	14,600	317,318
Accrued interest receivable	445	420
Other accounts receivable	32,004	82
	$ 347,527	$ 759,039

5. CAPITAL ASSETS

A summary of capital asset transactions for the College for the years ended June 30, 2010 and 2009, is as follows:

	2010			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 50,000	$ -	$ -	$ 50,000
Construction in progress	7,513,503		7,513,503	-
Total capital assets not being depreciated	$ 7,563,503	$ -	$ 7,513,503	$ 50,000
Other capital assets:				
Building/improvements	$ -	$ 7,690,672	$ -	$ 7,690,672
Equipment	2,064,389	873,016	38,882	2,898,523
Library books	6,477			6,477
Total other capital assets	2,070,866	8,563,688	38,882	10,595,672
Less accumulated depreciation for:				
Building/improvements		153,480		153,480
Equipment	1,687,207	168,515	38,882	1,816,840
Library books	6,453			6,453
Total accumulated depreciation	1,693,660	321,995	38,882	1,976,773
Other capital assets — net	$ 377,206	$ 8,241,693	$ -	$ 8,618,899
Capital asset summary:				
Capital assets not being depreciated	$ 7,563,503	$ -	$ 7,513,503	$ 50,000
Other capital assets	2,070,866	8,563,688	38,882	10,595,672
Total cost of capital assets	9,634,369	8,563,688	7,552,385	10,645,672
Less accumulated depreciation	1,693,660	321,995	38,882	1,976,773
Capital assets — net	$ 7,940,709	$ 8,241,693	$ 7,513,503	$ 8,668,899

	2009			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 50,000	$	$ -	$ 50,000
Construction in progress	5,091,409	2,422,094		7,513,503
Total capital assets not being depreciated	$ 5,141,409	$ 2,422,094	$ -	$ 7,563,503
Other capital assets:				
Equipment	$ 1,786,428	$ 277,961	$ -	$ 2,064,389
Library books	6,477			6,477
Total other capital assets	1,792,905	277,961	-	2,070,866
Less accumulated depreciation for:				
Equipment	1,573,781	113,426		1,687,207
Library books	6,453			6,453
Total accumulated depreciation	1,580,234	113,426	-	1,693,660
Other capital assets — net	$ 212,671	$ 164,535	$ -	$ 377,206
Capital asset summary:				
Capital assets not being depreciated	$ 5,141,409	$ 2,422,094	$ -	$ 7,563,503
Other capital assets	1,792,905	277,961		2,070,866
Total cost of capital assets	6,934,314	2,700,055	-	9,634,369
Less accumulated depreciation	1,580,234	113,426		1,693,660
Capital assets — net	$ 5,354,080	$ 2,586,629	$ -	$ 7,940,709

As of June 30, 2010, the College had no outstanding construction commitments.

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 that are held for exhibition. These collections are neither disposed of for financial gain nor encumbered in any means.

6. LONG-TERM LIABILITIES

A summary of long-term obligation transactions for the College for the years ended June 30, 2010 and 2009, is as follows:

	2010				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued compensated absences	$ 93,529	$ 3,849	$ -	$ 97,378	$ 78,975
OPEB liability	23,352	186,735		210,087	
Total long-term liabilities	$ 116,881	$ 190,584	$ -	$ 307,465	

	2009				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued compensated absences	$ 90,960	$ 2,569	$ -	$ 93,529	$ 71,482
OPEB liability	9,164	14,188		23,352	
Total long-term liabilities	$ 100,124	$ 16,757	$ -	$ 116,881	

7. LEASE OBLIGATIONS

Future minimum payments under operating leases, which consist primarily of office space, with initial or remaining terms of one year or more, as of June 30, 2010, are as follows:

Years Ending June 30	
2011	$ 83,728
2012	70,000
2013	17,500
	$ 171,228

Lease agreements related to the building were renewed in July 2006 for a three-year lease period. However, the College moved into its new building on July 27, 2009, and terminated its lease with HARCO Investments on July 31, 2009. The College does not have any noncancelable leases.

Total rent expense for operating leases amounted to $96,155 and $254,153 for the years ended June 30, 2010 and 2009, respectively.

8. OTHER POST EMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarially determined amounts. At June 30, 2010 and 2009, the noncurrent liability related to OPEB costs was $210,087 and $23,352, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $221,558 and $35,163, respectively, during 2010, and $89,676 and $40,537, respectively, during 2009. As of the years ended June 30, 2010 and 2009, there was one retiree receiving these benefits.

9. 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. As of June 30, 2010, the College has completed the construction of its new facility, which is being funded as noted below.

During the year ended June 30, 2005, the Commission issued $167 million of 2004 Series B 30-year Revenue Bonds to fund capital projects at various higher education institutions in the State. The College had been approved to receive $8 million of these funds. State lottery funds will be used to repay the debt, although College revenues are pledged if lottery funds prove insufficient. The College has recognized approximately $7,517,000 from these committed funds through June 30, 2010.

10. WEST VIRGINIA DEVELOPMENT OFFICE OBLIGATION

The College entered into two financial assistance agreements with the West Virginia Development Office (WVDO) for $685,000 and $2,000,000; these funds will be used to construct a new sewer system and access road for the College's new facility at 316 Eastern, respectively. Under the terms of both agreements, the College agrees to repay the WVDO "if nonoperating funds become available or when an appropriate nonoperating income stream is established" or "if the College sells or disposes of the two acres of property."

11. UNRESTRICTED NET ASSETS

The College did not have any designated unrestricted net assets as of June 30, 2010 or 2009.

	2010	2009
Total unrestricted net assets before OPEB liability	$ 980,741	$ 967,935
Less: OPEB liability	210,087	23,352
Total unrestricted net assets	$ 770,654	$ 944,583

12. RETIREMENT PLANS

Substantially all full-time employees of the College participate in the Teachers' Insurance and Annuities Association — College Retirement Equities Fund (TIAA-CREF).

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 ("Educators Money"). New hires have the choice of either plan. As of June 30, 2010 and 2009, no employees were enrolled in Educators Money.

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, 2010, 2009, and 2008, were $143,758, $141,977, and $134,096, respectively, which consisted of contributions of $71,879, $70,988, and $67,048 for 2010, 2009, and 2008, respectively, from both the College and covered employees.

The College's total payroll for the years ended June 30, 2010 and 2009, was $1,591,162 and $1,507,830, respectively; total covered employees' salaries in TIAA-CREF were $1,217,113, and $1,186,764, in 2010 and 2009, respectively.

13. FOUNDATION (UNAUDITED)

The Eastern West Virginia Community and Technical College Foundation, Inc. (the "Foundation"), which was incorporated in fiscal year 2001, is a separate nonprofit organization incorporated in the State and has as its purpose "to support, encourage and assist in the development and growth of the College, to render service and assistance to the College, and through it to the citizens of the State of West Virginia." 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 employs management, forms policy, and maintains fiscal accountability over funds administered by the Foundation. Accordingly, the financial statements of the Foundation are not included in the accompanying financial statements under GASB Statement No. 14, and they are not included in the College's accompanying financial statements under GASB Statement No. 39 because they are not significant.

The Foundation's net assets totaled approximately $25,000 and $27,000 at June 30, 2010 and 2009, respectively. The net assets include amounts which are restricted by donors to use for specific projects or departments of the College and its affiliated organizations. Contributions to the Foundation, which are not reflected in the accompanying financial statements, totaled $115 and $175 for the years ended June 30, 2010 and 2009, respectively. No contributions were made to the College during either the year ended June 30, 2010 or 2009.

14. AFFILIATED ORGANIZATION

The College has an affiliation agreement with Eastern Workforce Opportunity Regional Center and Services ("Eastern WORCS"). Although Eastern WORCS has been created "to foster and support applied research and workforce development" at the College, it is a separate nonprofit organization incorporated in the State of West Virginia. Oversight of Eastern WORCS is the responsibility of a separate and independently elected Board of Directors. Accordingly, the financial statements of Eastern WORCS are not included in the accompanying financial statements under GASB Statement No. 14, and they are not included in the College's accompanying financial statements under GASB Statement No. 39, because the economic resources held by Eastern WORCS do not entirely or almost entirely benefit the College. No contributions were made to the College during either the year ended 2010 or 2009.

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 have a significant financial impact on the financial position of the College.

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 that disallowances, if any, will not have a significant financial impact on the College's financial position.

16. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The following tables represent operating expenses within both natural and functional classifications for the years ended June 30, 2010 and 2009:

2010	Salaries and Wages	Benefits	Supplies and Other Services	Rent	Utilities	Scholarships	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 419,994	$ 68,065	$ 230,719	$ -	$ -	$ -	$ -	$ -	$ 718,778
Public service	140,872	40,153	350,948	1,734					533,707
Academic support	437,632	89,294	142,607	26,435	3,000				698,968
Student services	201,504	56,364	47,272	100					305,240
General institutional support	379,224	295,799	318,260	111					993,394
Operations and maintenance of plant	29,713	3,243	86,600	66,464	85,846				271,866
Student financial aid						492,357			492,357
Auxiliary			1,128						1,128
Depreciation							321,995		321,995
Other								7,059	7,059
Total	$1,608,939	$552,918	$1,177,534	$ 94,844	$88,846	$492,357	$321,995	$7,059	$4,344,492

2009	Salaries and Wages	Benefits	Supplies and Other Services	Rent	Utilities	Scholarships	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 374,580	$ 54,291	$ 244,462	$ -	$ -	$ -	$ -	$ -	$ 673,333
Public service	143,717	41,502	152,221	20,565					358,005
Academic support	419,817	87,104	268,532	50	2,121				777,624
Student services	181,318	54,032	79,497						314,847
General institutional support	369,831	138,732	249,054						757,617
Operations and maintenance of plant	9,137	742	41,168	233,538	66,673				351,258
Auxiliary									-
Depreciation							113,426		113,426
Other								5,539	5,539
Total	$1,498,400	$376,403	$1,034,934	$254,153	$68,794	$ -	$113,426	$5,539	$3,351,649

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

To the Governing Board of
Eastern West Virginia Community and Technical College:

We have audited the financial statements of Eastern West Virginia Community and Technical College (the "College") as of and for the year ended June 30, 2010, and have issued our report thereon dated October 25, 2010. 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 of America.

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 opinion 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.

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 combination of deficiencies, in internal controls, 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's 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 Eastern West Virginia Community and Technical College Governing Board, managements of the College and the West Virginia Higher Education Policy Commission, the West Virginia Council for Community and Technical College Education and the State of West Virginia and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

October 25, 2010