Blue Ridge Community and Technical College

(Formerly The Community and
Technical College of Shepherd)

Financial Statements as of and for the
Years Ended June 30, 2007 and 2006, and
Independent Auditors' Reports

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
(Formerly The Community and Technical College of Shepherd)

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INDEPENDENT AUDITORS' REPORT

To the Governing Board of
Blue Ridge Community and Technical College
(formerly The Community and Technical College of Shepherd):

We have audited the statements of net assets of Blue Ridge Community and Technical College (formerly The Community and Technical College of Shepherd) (the "College") as of June 30, 2007 and 2006, 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 the respective 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 respective 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 referred to above present fairly, in all material respects, the respective financial position of the College as of June 30, 2007 and 2006, 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 Discussion and Analysis on pages 3 to 9 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the College's management. 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 we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2007, 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 audit.

Deloitte & Touche LLP

November 13, 2007

The Blue Ridge Community and Technical College
(Formerly the Community & Technical College of Shepherd)
Management Discussion and Analysis
Fiscal Year 2007 (Unaudited) Financial Statements

About The Blue Ridge Community and Technical College

The Blue Ridge Community and Technical College (the "College") is a state-supported institution within the West Virginia System of Higher Education Policy. Until July 1, 2005, the College was a component of Shepherd University (the "University"). The University operated two components, the baccalaureate component and the community and technical college component. The community college component became The Community and Technical College of Shepherd at the beginning of fiscal year 2006. At that time, it became a separate financial reporting entity. Effective July 1, 2006, the College changed its name to the Blue Ridge Community and Technical College. The College is under the responsibility of West Virginia Council for Community and Technical College Education.

The College offers associate degrees, workforce development programs, and collaborative programs in government, business and industry sectors. The College achieved separate accreditation during fiscal year 2005, and became a complete separate entity for financial reporting purposes on July 1, 2005. During fiscal year 2006, the University transferred net assets of $1.45 million to the College in accordance with Senate Bill 448.

Overview of the Financial Statements and Financial Analysis

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. The discussion and analysis of the College's financial statements provides an overview of its financial activities for the years ended June 30, 2007 and 2006 with a focus on 2007 and is required supplemental information.

Statement of Net Assets

The Statements of Net Assets presents the assets, liabilities, and net assets of the College as of June 30, 2007 and 2006. The Statement of Net Assets is a point-of-time financial statement. 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 difference between current and noncurrent assets and liabilities will be discussed in the footnotes to the financial statements.

From the data presented, readers of the 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 the College owes vendors, employees, and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the College.

Net assets are divided into three major categories. The first category, invested in capital assets-net of related debt, provides equity in property, plant, and equipment owned by the College. The second asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The College does not currently have nonexpendable restricted assets. The corpus of nonexpendable restricted resources is available only for investment purposes. Expendable restricted net assets are available for expenditure by the College 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. The third category is unrestricted net assets. Unrestricted assets are available to the College for any lawful purpose of the College.

Condensed Statements of Net Assets
As of June 30, 2007 and 2006
(In thousands of dollars)

	2007	2006
Assets:		
Cash and cash equivalents	$ 2,770	$ 2,146
Other Current Assets	186	368
Noncurrent Assets	826	792
Total Assets	3,782	3,306
Liabilities:		
Current Liabilities	814	736
Noncurrent Liabilities	532	595
Total Liabilities	1,346	1,331
Net Assets	$ 2,436	$ 1,975

The liquidity of the College is strong as cash and cash equivalents exceeds total current and noncurrent liabilities. The College's working capital ratios are 3.6 and 3.4 as of June 30, 2007 and 2006, respectively.

Approximately 73% of the total assets were held in cash reserves. Accounts receivable totaled approximately $175,000 at June 30, 2007, which is a decrease of approximately $164,000 and is attributable to an increase of $66,000 in student receivables and a decrease of approximately $229,000 in grants and contracts receivables. Noncurrent assets include approximately $304,000 of leasehold improvements and approximately $479,000 of equipment, net of depreciation at June 30, 2007 which is an increase of $34,000.

Current liabilities include accounts payable of approximately $94,000, accrued payroll of approximately $116,000, and deferred revenues of approximately $432,000 at June 30, 2007. Total current liabilities increased by approximately $78,000 with primary changes being a decrease in accounts payable of approximately $88,000 and an increase of approximately $119,000 in deferred revenue. The increase in deferred revenue was a result of increases in student fees, and contracts and grants. Liabilities include approximately $403,000 of debt owed to the Commission and approximately $300,000 of accrued compensated absences at June 30, 2007, which is an increase of about $34,000. The debt was reduced by $84,000 for payments and compensated absences increased by approximately $47,000.

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 this statement is to present the revenues received by the College, both operating and non-operating, and the expenses paid by the College, operating and non-operating, and any other revenues, expenses, gains, and losses received or spent by the College.

In general, operating revenues are received for goods and services rendered to various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the College. Revenues received for which goods and services are not provided are reported as non-operating revenues. For example, State appropriations are non-operating because they are provided by the Legislature to College without the Legislature directly receiving commensurate goods and services for those revenues.

Condensed Statements of
Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2007 and 2006
(In thousands of dollars)

	2007	2006
Operating Revenues	$ 3,378	$ 3,369
Operating Expenses	5,551	5,249
Operating Loss	(2,173)	(1,880)
Non Operating Revenues - Net	2,634	2,396
Net Increase in Net Assets	461	516
Capital Grants and Gifts	-	9
Net Increase in Net Assets Before Transfers	461	525
Transfer of Net Assets from Shepherd University	-	1,450
Net Increase in Net Assets	461	1,975
Net Assets - Beginning of Year	1,975	-
Net Assets - End of Year	$ 2,436	$ 1,975

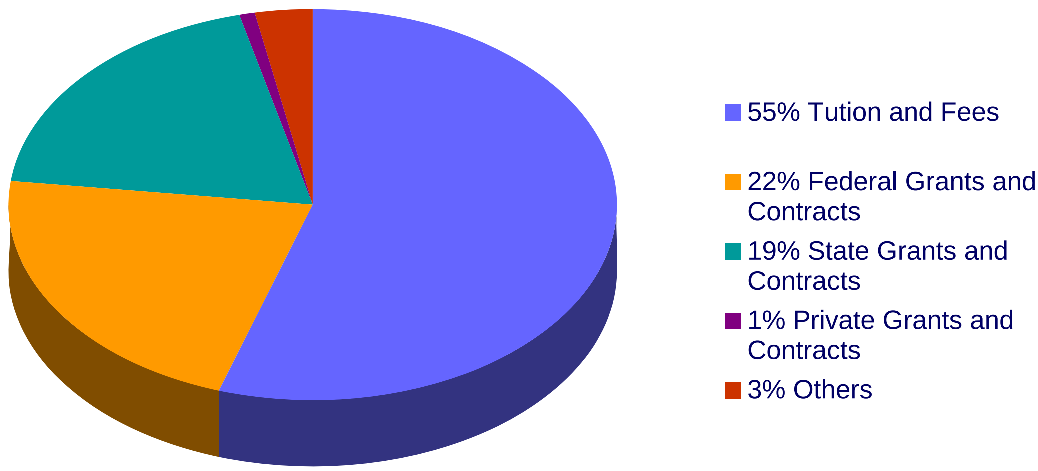
Operating Revenues

Over half of the operating revenue for the College is from tuition and fee assessments. Federal grants and contracts revenues are primarily received for student financial aid. State Grants and Contract revenues provide funding for student financial aid as well as workforce development activities. Total revenues for fiscal 2007 only increased approximately $8,000. Significant changes are as follows.

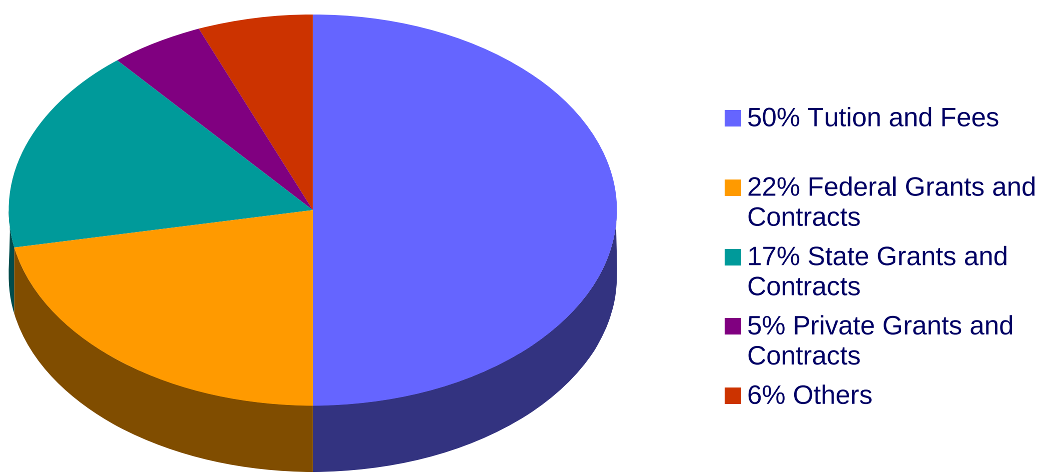
- Student tuition and fees increased by approximately $187,000 as a result of 11% increase in tuition and 30% increase in FTE's.

- The decrease in the sales and services of educational activities of approximately $154,000 was due to no services being provided to Shepherd University in fiscal 2007, while approximately $180,000 was provided in fiscal 2006.

2007 Operating Revenues



2006 Operating Revenues



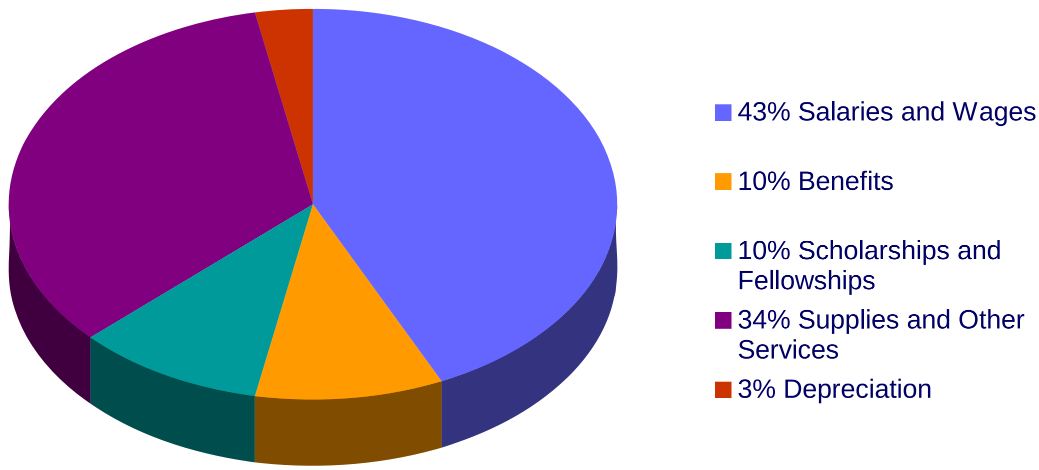
Operating Expenses

Over half of the fiscal year 2007 operating expenses were incurred for personnel services and benefits. Supplies and other expenses included approximately $483,000 paid to the University for administrative and academic support. The College discontinued its contract for these services on December 31, 2006 from the University and is now performed by employees of the College and contractual arrangements with other entities. Total operating expenses for fiscal 2007 increased by approximately $300,000. Significant changes were as follows.

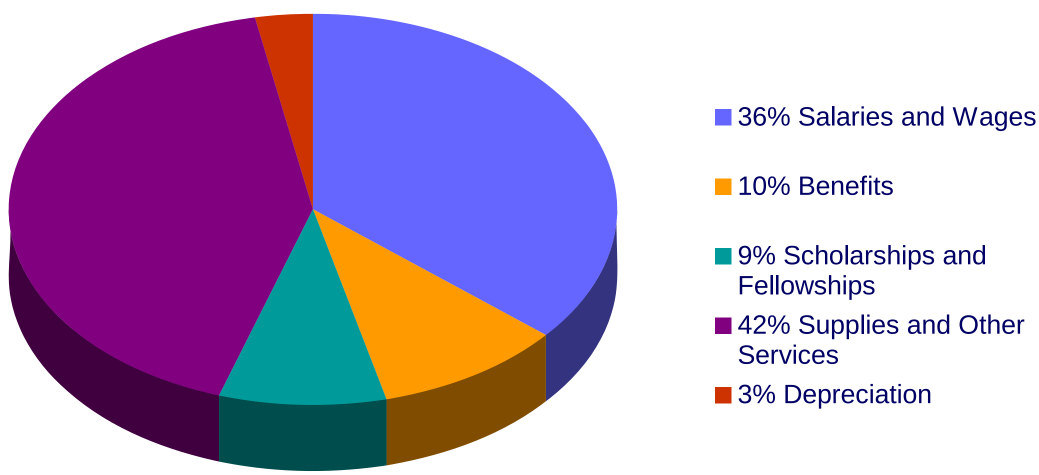
- Personnel expenses increased by approximately $550,000 which is primarily attributable to increase in head count from 19 in fiscal 2006 to 32 in fiscal 2007.

- Supplies and other services decreased by approximately $348,000. As discussed above, the College had paid $483,000 for Shepherd University services, which was a reduction from approximately $1,100,000 provided in fiscal 2006. This was partially offset by increase in computer supplies expense of approximately $245,000.

2007 Operating Expenses



2006 Operating Expenses



Nonoperating Revenues (Expenses)

The nonoperating revenues increased by approximately $239,000 in fiscal 2007 over fiscal 2006. The significant changes are as follows:

- State appropriations increased by approximately $162,875 in fiscal year 2007.

- Investment income increased by $71,822 primarily due to better investment performance by the State.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activities of the College during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the College. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and noncapital financing purposes. The third section deals with cash flows from capital related financing activities. This section deals with cash used for the acquisition and construction for capital assets and related items, and related funding received. 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 provided by (used in) operating activities to the operating income (loss) reflected the Statement of Revenues, Expenses, and Changes in Net Assets.

Condensed Statements of Cash Flows
For the Years Ended June 30, 2007 and 2006
(In thousands of dollars)

Cash Provided by (Used in):	2007	2006
Operating Activities	$ (1,724)	$ (1,667)
Noncapital Financing Activities	2,531	4,012
Capital and Related Financing Activities	(320)	(276)
Investing Activities	137	77
Net Increase in Cash and Cash Equivalents	624	2,146
Cash and Cash Equivalents - Beginning of Year	2,146	-
Cash and Cash Equivalents - End of Year	$ 2,770	$ 2,146

The only major change in cash flows from fiscal 2006 was, that in fiscal 2006 there was a transfer in from Shepherd University of $1,644,114 included in non-capital financing.

Capital Assets

2007:

Approximately $40,000 was expended for leasehold improvements in fiscal year 2007. These expenditures were made primarily for office improvements. Equipment purchases made during the year totaled approximately $175,000.

2006:

The University transferred capital assets with a net book value of $791,000 to the College. Approximately $11,000 was expended for leasehold improvements in fiscal year 2006. These expenditures were made primarily for laboratory improvements. Equipment purchases made during the year totaled approximately $151,000.

Capital Debt

The College owes a portion of the debt incurred by the Commission for construction of educational facilities at state institutions of higher learning. The current and non-current portion of the debt owed by the College to the Commission was approximately $85,000 and $318,000, respectively, as of June 30, 2007, and approximately $84,000 and $403,000, respectively as of June 30, 2006.

Economic Outlook

The College is located in an area that is experiencing significant growth in its population. The economy in West Virginia is growing. Increases in the global demand for energy are having a positive impact on coal production and pricing. These increases have generated additional tax revenues for the State. Although, the number of high school graduates in the state continues to decline, the College is working towards attracting students and increasing enrollments in the eastern region of the state. The degree seeking enrollment for the fall term of 2007 increased by about 11% over fall term of 2006.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
(Formerly The Community and Technical College of Shepherd)

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2007 AND 2006

ASSETS	2007	2006
CURRENT ASSETS:		
Cash and cash equivalents	$2,769,673	$2,145,541
Due from the Commission		7,643
Due from the Council	11,338	3,500
Due from the State agencies		19,070
Accounts receivable — net	174,997	338,580
Total current assets	2,956,008	2,514,334
NONCURRENT ASSETS — Capital assets — net	825,516	791,730
TOTAL	$3,781,524	$3,306,064
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	$ 93,815	$ 181,827
Accrued liabilities	116,344	93,287
Due to State agencies	636	2,174
Compensated absences — current portion	86,168	61,510
Debt obligation due Commission — current portion	84,988	84,284
Deferred revenue	431,985	312,665
Total current liabilities	813,936	735,747
NONCURRENT LIABILITIES:		
Compensated absences	214,071	192,223
Debt obligation due Commission	317,606	402,594
Total noncurrent liabilities	531,677	594,817
Total liabilities	1,345,613	1,330,564
NET ASSETS:		
Invested in capital assets — net of related debt	422,922	304,852
Restricted for — expendable — other	139,843	74,798
Unrestricted	1,873,146	1,595,850
Total net assets	2,435,911	1,975,500
TOTAL	$3,781,524	$3,306,064

See notes to financial statements.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
(Formerly The Community and Technical College of Shepherd)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowance of $387,263 and $396,226, respectively	$ 1,886,884	$ 1,699,455
Contracts and grants:		
Federal	750,689	717,991
State	633,240	582,523
Private	46,207	157,723
Sales and services of educational activities	26,092	180,519
Other operating revenues	34,642	31,257
Total operating revenues	3,377,754	3,369,468
OPERATING EXPENSES:		
Salaries and wages	2,376,442	1,852,635
Benefits	532,601	506,031
Supplies and other services	1,874,946	2,222,716
Student financial aid — scholarships and fellowships	572,639	479,313
Depreciation	172,894	164,657
Fees assessed by the Commission for operations	22,187	23,529
Total operating expenses	5,551,709	5,248,881
OPERATING LOSS	(2,173,955)	(1,879,413)
NONOPERATING REVENUES (EXPENSES):		
State appropriations	2,531,131	2,368,256
Investment income	145,077	73,255
Fees assessed by the Commission	(41,842)	(45,646)
Net nonoperating revenues	2,634,366	2,395,865
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	460,411	516,452
CAPITAL GRANTS AND GIFTS		8,546
NET INCREASE IN NET ASSETS BEFORE TRANSFERS	460,411	524,998
TRANSFER OF NET ASSETS FROM SHEPHERD UNIVERSITY		1,450,502
NET INCREASE IN NET ASSETS	460,411	1,975,500
NET ASSETS — Beginning of year	1,975,500	
NET ASSETS — End of year	$ 2,435,911	$ 1,975,500

See notes to financial statements.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
(Formerly The Community and Technical College of Shepherd)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 2,464,443	$ 1,556,009
Contracts and grants	1,549,456	1,417,040
Payments to and on behalf of employees	(2,839,480)	(2,164,852)
Payments to suppliers	(1,976,886)	(2,185,043)
Payments for scholarships and fellowships	(959,902)	(479,314)
Auxiliary enterprise charges	26,092	2,052
Fees retained by Commission	(22,187)	(23,529)
Other receipts — net	34,642	210,924
Net cash used in operating activities	(1,723,822)	(1,666,713)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	2,531,131	2,368,256
Transfer in of funds from Shepherd University		1,644,114
Federal student loan program — direct lending receipts	1,986,545	1,709,939
Federal student loan program — direct lending payments	(1,986,545)	(1,709,939)
Net cash provided by noncapital financing activities	2,531,131	4,012,370
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital grants and gifts received		8,546
Purchases of capital assets	(194,290)	(157,019)
Principal paid on debt	(84,284)	(83,228)
Debt service assessed by the Commission for debt service and reserves	(41,842)	(45,646)
Net cash used in capital financing activities	(320,416)	(277,347)
CASH FLOWS FROM INVESTING ACTIVITY — Interest on investments	137,239	77,231
NET INCREASE IN CASH AND CASH EQUIVALENTS	624,132	2,145,541
CASH AND CASH EQUIVALENTS — Beginning of year	2,145,541	
CASH AND CASH EQUIVALENTS — End of year	$ 2,769,673	$ 2,145,541

(Continued)

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE
(Formerly The Community and Technical College of Shepherd)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (2,173,955)	$ (1,879,413)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Loss on sale of capital assets		968
Depreciation expense	172,894	164,657
Changes in assets and liabilities:		
Accounts receivables — net	163,583	(283,955)
Due from the Commission	7,643	(6,442)
Due from the Council		(3,500)
Amount due from the State	19,070	(19,070)
Accounts payable	(100,402)	37,671
Accrued liabilities	23,057	52,952
Compensated absences	46,506	140,862
Due to other State agencies	(1,538)	(966)
Deferred revenue	119,320	128,323
Deposits held in custody for others		1,200
NET CASH USED IN OPERATING ACTIVITIES	$ (1,723,822)	$ (1,666,713)
NONCASH TRANSACTIONS:		
Capital assets additions in accounts payable	$ 21,960	$ 9,570
Assets and liabilities transferred from Shepherd University:		
Due from the Commission		3,977
Amount due from the State		1,200
Accounts receivable — net		54,625
Capital assets — net		790,766
Accounts payable		(133,385)
Accrued liabilities		(40,335)
Due to other State agencies		(3,142)
Compensated absences		(112,870)
Debt obligation due Commission		(570,106)
Deferred revenue		(184,342)
		$ (193,612)

See notes to financial statements.

(Concluded)

1. ORGANIZATION

Effective July 1, 2006, The Community and Technical College of Shepherd changed its name to Blue Ridge Community and Technical College (the "College"). The College is governed by Blue Ridge Technical College Board of Governors (the "Board"). The Board was established by Senate Bill 448 ("S.B. 448").

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 College 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.

During fiscal year 2004, S.B. 448 was passed requiring the transfer of certain net assets from Shepherd University to the College, its separately governed community and technical college, after the College received independent accreditation. The College received its accreditation on February 8, 2005. Effective July 1, 2005, net assets amounting to $1,450,502 were transferred into the College from Shepherd University in accordance with S.B. 448.

S.B. 448 also 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's (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 the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*, and Statement No. 35, *Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities* (an amendment of GASB Statement No. 34). The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows and replaces the fund-group perspective previously required.

The College follows all GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements, 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 that, along with all State institutions of higher education, the Commission (which includes West Virginia Network for Educational Telecomputing (WVNET)) and the Council, 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.

Financial Statement Presentation — GASB Statement No. 35, as amended by GASB Statements No. 37, *Basic Financial Statements — and Management's Discussion and Analysis for State and Local Governments: Omnibus* and GASB No. 38, *Certain Financial Statement Note Disclosures* establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a combined basis to focus on the College as a whole. Net assets are classified into four categories according to external donor restrictions or availability of assets for satisfaction of College obligations. The College's net assets are classified as follows:

- *Invested in Capital Assets, net of related debt* **—** This represents the College's total investment in capital assets, net of accumulated 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 for 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 No. 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, 2007 or 2006.

- *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 expenditures 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 and is overseen and managed by the West Virginia Board of Treasury Investments (BTI). 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 Statement No. 31, *Accounting and Financial Reporting for Certain Investments for External Investment Pools*. The BTI was established by the West Virginia State Legislature and is subject to oversight by the West Virginia 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, 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 five investment pools and participant-directed accounts, in which the State and local governmental agencies invest. These pools have been structured as multi-participant variable net asset funds to reduce risk and offer investment liquidity diversification to the fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual report. A copy of that annual report can be obtained from the following address: 1900 Kanawha Blvd., E. Room E-122, Charleston, West Virginia 25305 or http://www.wvbti.com.

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 leasehold improvements and equipment. 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 15–50 years for buildings and infrastructure, 20 years for land improvements and library books, and 3–10 years for furniture and equipment. Leasehold improvements are amortized over the period of the lease, which extends through 2015. The College capitalizes all purchases of library books and uses a capitalization threshold of $1,000 for other capital assets. During fiscal year 2006, the College implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairments of Capital Assets and for Insurance Recoveries* ("GASB No. 42"). The financial statements reflect all adjustments required by GASB No. 42 as of June 30, 2007 and 2006.

Deferred Revenue — Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as deferred revenue. Financial aid and other deposits are separately classified as deposits.

Compensated Absences — The College accounts for compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. This statement requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

The College's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1½ 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, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired July 1, 2001, or later, will no longer receive sick leave credit toward insurance premiums when they retire.

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 3⅓ years of teaching service extend health insurance for one year of single coverage and five years extend health insurance for one year of family coverage.

The estimate of the liability for the extended health or life insurance benefit has been calculated using the vesting method in accordance with the provisions of GASB Statement No. 16. Under that method, the College has identified the accrued sick leave benefit earned to date by each employee, determined the cost of that benefit by reference to the benefit provisions and the current cost experienced by the College for such coverage, and estimated the probability of the payment of that benefit to employees upon retirement.

The estimated expense and expense incurred for the vacation leave, sick leave, or extended health or life insurance benefits are recorded as a component of benefits expense on the statements of revenues, expenses, and changes in net assets.

Risk Management — The State's Board of Risk and Insurance Management (BRIM) provides general, property and casualty, and liability coverage to the College and its employees. Such coverage may be provided to the College by BRIM through self-insurance programs maintained by BRIM or policies underwritten by BRIM that may involve experience-related premiums or adjustments to BRIM.

BRIM engages an independent actuary to assist in the determination of its premiums so as to minimize the likelihood of premium adjustments to the College or other participants in BRIM's insurance programs. As a result, management does not expect significant differences between the premiums the College is currently charged by BRIM and the ultimate cost of that insurance based on the College's actual loss experience. In the event such differences arise between estimated premiums currently charged by BRIM to the College and the College's ultimate actual loss experience, the difference will be recorded, as the change in estimate becomes known.

In addition, through its participation in the West Virginia Public Employees Insurance Agency (PEIA) and 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 insurers, the College has transferred its risks related to health, life, prescription drug coverage, and job-related injuries.

Classification of Revenues — The College has classified its revenues according to the following criteria:

- *Operating Revenues* — Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, local, and nongovernmental grants and contracts, and (4) sales and services of educational activities.

- *Nonoperating Revenues* — Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB No. 34, such as state appropriations and investment income.

- *Other Revenues* — Other revenues consist primarily of capital gains 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. The College did not have any designated net assets as of June 30, 2007 and 2006.

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 universities like the College. Direct student loan receivables are not included in the College's statements of net assets as the loans are repayable directly to the U.S. Department of Education. In 2007 and 2006, the College received and disbursed approximately \$2,000,000 and \$1,700,000, 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, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2007 and 2006, the College received and disbursed approximately \$750,000 and \$700,000, respectively, under these federal student aid programs.

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

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and College Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the 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 expenditures during the reporting period. Actual results could differ from those estimates.

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

Recent Statements Issued by the Government Accounting Standards Board — The GASB has also issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after December 15, 2006. This statement provides standards for the measurement, recognition and display of other postemployment benefit expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. 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 is required to participate in this multiple employer cost-sharing plan sponsored by the State. The College has not yet determined the effect that the adoption of GASB Statement No. 45 may have on the financial statements. Details regarding this plan can be obtained by contacting Public Employees Insurance Agency, State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, West Virginia 25305-0710 or http://www.wvpeia.com.

The GASB has issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, effective for fiscal years beginning after December 15, 2006. This statement addresses whether an exchange of an interest in expected cash flows for collecting specific receivables of specific future revenues for an immediate lump sum should be regarded as a sale or as a collateralized borrowing resulting in a liability. It establishes criteria to determine whether proceeds should be reported as revenue or a liability. The College has not yet determined the effect that the adoption of GASB Statement No. 48 may have on the financial statements.

The GASB has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for fiscal years beginning after December 15, 2007. This statement addresses the obligations of existing pollution events. It provides guidance on whether any components of a remediation should be recognized as a liability. The College has not yet determined the effect that the adoption of GASB Statement No. 49 may have on the financial statements.

The GASB has issued Statement No. 50 *Pensions Disclosures* (an amendment of GASB Statements No. 25 and No. 27), effective for fiscal years beginning after June 15, 2007. This statement more closely aligns the financial reporting requirements for pension with those for other postemployment benefits, thus enhancing the information disclosed on the notes to the financial statements or presented as required supplementary information. The College has not yet determined the effect that the adoption of GASB Statement No. 50 may have on the financial statements.

The GASB has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for fiscal years beginning after June 15, 2009. This statement provides guidance regarding whether and when intangible assets should be considered capital assets for financial reporting purposes. The College has not yet determined the effect that the adoption of GASB Statement No. 51 may have on the financial statements.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents as of June 30, 2007 and 2006, are held as follows:

	2007	**2006**
State Treasurer	$2,674,971	$2,098,474
In Bank	94,702	47,067
	$2,769,673	$2,145,541

The combined carrying amount of cash in the bank was $94,702 and $47,067, as compared with the combined bank balance of $117,077 and $71,690 at June 30, 2007 and 2006, respectively. The difference is primarily caused by outstanding checks. The bank balances were covered by federal depository insurance or were collateralized by securities held by the State's agent.

Amounts with the State Treasurer as of June 30, 2007 and 2006 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 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.

Cash Liquidity Pool

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither the BTI nor any of the BTI's Consolidated Fund pools or accounts has been rated for credit risk by any organization. Of the BTI's Consolidated Fund pools and accounts which the Commission may invest in, three are subject to credit risk: Cash Liquidity Pool, Government Money Market Pool, and Enhanced Yield Pool.

The BTI limits the exposure to credit risk in the Cash Liquidity 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.

The following table provides information on the credit ratings of the Cash Liquidity Pool's investments (in thousands):

	Credit Rating *		2007		2006	
Security Type	**Moody's**	**S&P**	**Carrying Value**	**Percent of Pool Assets**	**Carrying Value**	**Percent of Pool Assets**
Investments:						
Commercial paper	P1	A-1	$ 1,015,926	48.89 %	$ 943,057	54.14 %
Corporate bonds and notes	Aaa	AAA	98,999	4.76	61,992	3.56
	Aa3	AA	20,001	0.96		
	Aa3	A	23,002	1.11		
	Aa2	AA	15,000	0.72		
	Aa2	A	27,000	1.30		
	Aa1	AA	77,023	3.71		
	Aa	AA			55,063	3.16
	Aa	A			12,000	0.69
			261,025	12.56	129,055	7.41
U.S. agency bonds	Aaa	AAA	46,994	2.26	43,663	2.51
U.S. Treasury bills	Aaa	AAA	358,725	17.27	306,279	17.58
Negotiable certificates of deposit	P1	A-1	76,500	3.68	99,000	5.68
U.S. agency discount notes	P1	A-1	21,655	1.04	93,851	5.39
Money market funds	Aaa	AAA	185	0.01	758	0.04
Repurchase agreements (underlying securities):						
U.S. Treasury notes	Aaa	AAA			73,000	4.19
U.S. agency notes	Aaa	AAA	246,821	11.88	29,339	1.69
			246,821	11.88	102,339	5.88
Deposits:						
Nonnegotiable certificates of deposit	NR	NR	50,000	2.41	23,800	1.37
			$ 2,077,831	100.00 %	$ 1,741,802	100.00 %

* NR = Not Rated. See "Deposits" note at the conclusion of this footnote.

At June 30, 2007 and 2006, the College's ownership represents .12% and .08%, respectively, of these amounts held by the BTI.

Government Money Market Pool

Credit Risk — The BTI limits the exposure to credit risk in the 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.

The following table provides information on the credit ratings of the Government Money Market Pool's investments (in thousands):

	Credit Rating		2007		2006	
Security Type	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
U.S. agency bonds	Aaa	AAA	$ 67,620	29.46 %	$ 21,420	11.76 %
U.S. Treasury bills	Aaa	AAA	36,379	15.85	28,346	15.56
U.S. agency discount notes	P1	A-1	74,143	32.30	112,399	61.70
Money market funds	Aaa	AAA	9	-	109	0.06
Repurchase agreements (underlying securities):						
U.S. Treasury notes	Aaa	AAA	51,400	22.39		
U.S. Treasury strips	Aaa	AAA			15,602	8.56
U.S. agency bonds	Aaa	AAA			4,298	2.36
			51,400	22.39	19,900	10.92
			$ 229,551	100.00 %	$ 182,174	100.00 %

At June 30, 2007 and 2006, the College's ownership represents .04% and 0.02%, respectively, of these amounts held by the BTI.

Enhanced Yield Pool

Credit Risk — The BTI limits the exposure to credit risk in the Enhanced Yield 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 Enhanced Yield Pool's investments (in thousands):

	Credit Rating		2007		2006	
Security Type	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Corporate asset backed securities	P1	A-1	$ 42,122	18.40 %	$ 46,963	17.70 %
Corporate bonds and notes	Aaa	AAA	1,667	0.73	2,448	0.92
	Aa3	AA	7,857	3.43		
	Aa3	A	3,905	1.70		
	Aa2	AA	950	0.41		
	Aa2	A	2,177	0.95		
	Aa1	AA	6,431	2.81		
	A3	A	6,958	3.04		
	A2	AA	747	0.33		
	A2	A	8,188	3.58		
	A1	AA	3,034	1.32		
	A1	A	10,706	4.68		
	Aa	AA			3,790	1.43
	Aa	A			15,660	5.90
	A	AA			3,048	1.15
	A	A			46,847	17.65
			52,620	22.98	71,793	27.05
U.S. agency bonds	Aaa	AAA	46,075	20.13	87,215	32.86
U.S. Treasury bills	Aaa	AAA			58,067	21.88
U.S. Treasury notes	Aaa	AAA	55,877	24.41		
U.S. agency mortgage backed securities	Aaa	AAA	11,741	5.13		
Repurchase agreements (underlying securities):						
U.S. agency mortgage backed securities	Aaa	AAA			1,346	0.51
U.S. angency notes	Aaa	AAA	20,485	8.95		
			20,485	8.95	1,346	0.51
			$ 228,920	100 %	$ 265,384	100.00 %

At June 30, 2007 and 2006, the College's ownership represents .06% and .27%, 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 Cash Liquidity 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 (WAM) for the various asset types in the Cash Liquidity Pool:

Security Type	2007 Carrying Value (In Thousands)	2007 WAM (Days)	2006 Carrying Value (In Thousands)	2006 WAM (Days)
Repurchase agreements	$ 246,821	2	$ 102,339	3
U.S. Treasury bills	358,725	30	306,279	32
Commercial paper	1,015,926	52	943,057	25
Certificates of deposit	126,500	76	122,800	105
U.S. agency discount notes	21,655	113	93,851	89
Corporate notes	261,025	58	129,055	77
U.S. agency bonds/notes	46,994	156	43,663	208
Money market funds	185	1	758	1
	$ 2,077,831	48	$ 1,741,802	42

The overall WAM of the investments of the 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 WAM for the various asset types in the Government Money Market Pool:

Security Type	2007 Carrying Value (In Thousands)	2007 WAM (Days)	2006 Carrying Value (In Thousands)	2006 WAM (Days)
Repurchase agreements	$ 51,400	2	$ 19,900	3
U.S. Treasury bills	36,379	29	28,346	42
U.S. agency discount notes	74,143	106	112,399	39
U.S. agency bonds/notes	67,620	60	21,420	152
Money market funds	9	1	109	1
	$ 229,551	49	$ 182,174	49

The overall weighted average maturity of the investments of the Enhanced Yield 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 WAM for the various asset types in the Enhanced Yield Pool:

Security Type	2007 Carrying Value (In Thousands)	2007 WAM (Days)	2006 Carrying Value (In Thousands)	2006 WAM (Days)
Repurchase agreements	$ 20,485	2	$ 1,346	3
U.S. Treasury bonds/notes	55,877	1,092	58,067	894
Corporate notes	52,620	557	71,793	588
Corporate asset backed securities	42,122	421	46,963	688
U.S. agency bonds/notes	46,075	927	87,215	594
U.S. agency mortgage backed securities	11,741	814		
	$ 228,920	700	$ 265,384	672

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 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 of 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. The Cash Liquidity Pool contains nonnegotiable certificates of deposit valued at $50,000,000, which represents 2.41% of the pool's assets. The BTI does not have a deposit policy for custodial credit risk.

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2007 and 2006, is as follows:

	2007	2006
Student tuition and fees — net of allowance for doubtful accounts of $52,571 and $22,816	$ 111,026	$ 45,401
Grants and contracts receivable	63,971	293,179
	$ 174,997	$ 338,580

5. CAPITAL ASSETS

Summary of capital assets transactions for the College as of June 30, 2007 and 2006, is as follows:

	2007				
	Beginning Balance	Transfers	Additions	Reductions	Ending Balance
Capital assets not being depreciated — construction in progress	$ 4,703	$ -	$ 37,922	$ -	$ 42,625
Other capital assets:					
Leasehold improvements	$ 390,515	$ -	$ -	$ -	$ 390,515
Equipment	744,583		174,937	6,179	913,341
Total other capital assets	1,135,098	-	174,937	6,179	1,303,856
Less accumulated depreciation for:					
Leasehold improvements	56,462		29,764		86,226
Equipment	291,609		143,130		434,739
Total accumulated depreciation	348,071	-	172,894	-	520,965
Other capital assets — net	$ 787,027	$ -	$ 2,043	$6,179	$ 782,891
Capital asset summary:					
Capital assets not being depreciated	$ 4,703	$ -	$ 37,922	$ -	$ 42,625
Other capital assets	1,135,098		174,937	6,179	1,303,856
Total cost of capital assets	1,139,801	-	212,859	6,179	1,346,481
Less accumulated depreciation	348,071		172,894		520,965
Capital assets — net	$ 791,730	$ -	$ 39,965	$6,179	$ 825,516

	2006				
	Beginning Balance	Transfers	Additions	Reductions	Ending Balance
Capital assets not being depreciated — construction in progress	$ -	$ -	$ 4,703	$ -	$ 4,703
Other capital assets:					
Leasehold improvements	$ -	$ 379,570	$ 10,945	$ -	$ 390,515
Equipment		595,501	150,941	1,859	744,583
Total other capital assets	-	975,071	161,886	1,859	1,135,098
Less accumulated depreciation for:					
Leasehold improvements		26,789	29,673		56,462
Equipment		157,516	134,984	891	291,609
Total accumulated depreciation	-	184,305	164,657	891	348,071
Other capital assets — net	$ -	$ 790,766	$ (2,771)	$ 968	$ 787,027
Capital asset summary:					
Capital assets not being depreciated	$ -	$ -	$ 4,703	$ -	$ 4,703
Other capital assets		975,071	161,886	1,859	1,135,098
Total cost of capital assets	-	975,071	166,589	1,859	1,139,801
Less accumulated depreciation		184,305	164,657	891	348,071
Capital assets — net	$ -	$ 790,766	$ 1,932	$ 968	$ 791,730

On July 1, 2005, net capital assets of $790,766 was transferred into the College from Shepherd University.

The College maintains various collections of inexhaustible assets to which no value can be determined. Such collections include contributed works of art, historical treasures, and literature that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not capitalized or recognized for financial statement purposes.

6. LONG-TERM LIABILITIES

Summary of long-term obligation transactions for the College for the years ended June 30, 2007 and 2006, is as follows:

	2007					
	Beginning Balance	Transfers	Additions	Reductions	Ending Balance	Current Portion
Long-term liabilities:						
Accrued compensated absences	$ 253,733	$ -	$ 46,506	$ -	$ 300,239	$ 86,168
Debt obligation due Commission	486,878			84,284	402,594	84,988
Total long-term liabilities	$ 740,611	$ -	$ 46,506	$ 84,284	$ 702,833	

	2006					
	Beginning Balance	Transfers	Additions	Reductions	Ending Balance	Current Portion
Long-term liabilities:						
Accrued compensated absences	$ -	$ 112,870	$ 140,863	$ -	$ 253,733	$ 61,510
Debt obligation due Commission		570,106		83,228	486,878	84,284
Total long-term liabilities	$ -	$ 682,976	$ 140,863	$ 83,228	$ 740,611	

7. COMPENSATED ABSENCES

Composition of the compensated absence liability at June 30, 2007 and 2006, is as follows:

	2007	2006
Health or life insurance benefits	$ 173,795	$ 161,616
Accrued vacation leave	126,444	92,117
	$ 300,239	$ 253,733

The cost of health and life insurance benefits paid by the College is based on a combination of years of service and age. For the years ended June 30, 2007 and 2006, the amount paid by the College for extended health or life insurance coverage retirement benefits totaled approximately $4,752 and $5,648, respectively. As of June 30, 2007 and 2006, there were 2 and 1 retirees, respectively, currently eligible for these benefits.

8. 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 the State government. Those mandates affect all aspects of the College's operations, its tuition and fee structure, its personnel policies, and its administrative practices.

The State has chartered the Commission with the responsibility to construct or renovate, finance, and maintain various academic and other facilities of the State's universities and colleges, including certain facilities of the College. Financing for these facilities was provided through revenue bonds issued by the former Board of Regents or the former Boards of the University and College Systems (the "Boards"). These obligations administered by the Commission are the direct and total responsibility of the Municipal Bond Commission, as successor to the former Boards.

The Municipal Bond 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 the Municipal Bond 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, effective as of June 30, 2002.

For the years ended June 30, 2007 and 2006, debt service assessed is as follows:

	2007	2006
Principal	$ 84,284	$ 83,228
Interest	20,513	23,010
Other	21,329	22,636
	$ 126,126	$ 128,874

9. LEASES

The College leases a building which is accounted for as operating lease.

Future annual minimum lease payments on operating leases for years subsequent to June 30, 2007, are as follows:

Year Ending June 30	
2008	$ 154,534
2009	156,852
2010	159,205
2011	161,593
Total	$ 632,184

Total lease expense for the years ended June 30, 2007 and 2006, was $150,000 and $175,000, respectively.

10. RETIREMENT PLANS

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

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to Great West Retirement System 401(a) (the "Great West") basic retirement plan. New hires have the choice of either plan.

The STRS is a cost-sharing, public employee retirement system. Employer and employee contribution rates are established annually by the West Virginia State Legislature. 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 years ended June 30, 2007 and 2006. Required employee contributions were at the rate of 6% of total annual salary for the year ended June 30, 2007 and 2006. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest five years' salary out of the last 15 years) multiplied by the number of years of service.

Total contributions to the STRS for the years ended June 30, 2007 and 2006, was $12,151 and $12,301, respectively, which consisted of $8,679 and $8,786 from the College in 2007 and 2006, respectively, and $3,472 and $3,515 from the covered employees in 2007 and 2006, respectively.

The contribution rate is set by the West Virginia State Legislature on an overall basis and the STRS does not perform a calculation of the contribution requirement for individual employers, such as the College. Historical trend and net pension obligation information is available from the annual financial report of the Consolidated Public Retirement Board. A copy of the report may be obtained by writing to the Consolidated Public Retirement Board, Building 5, Room 1000, Charleston, West Virginia 25305.

The TIAA-CREF and Great West are a defined-contribution benefit plans 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 and Great West, which are not matched by the College.

Total contributions to the TIAA-CREF for the years ended June 30, 2007 and 2006, was $220,428 and $161,788, which consisted of equal contributions from the College and covered employees in 2007 and 2006 respectively, of $110,214 and $80,894, respectively.

Total contribution to the Great West for the year ended June 30, 2007 were $1,688, which consisted of equal contributions from the College and covered employees of $844. No employee had elected to contribute to Great West for the year ended June 30, 2006.

The College's total payroll for the years ended June 30, 2007 and 2006, was $2,362,323 and $1,794,847, respectively, and total covered employees' salaries in the STRS, TIAA-CREF and Great West were $57,861, $1,836,900, and $14,067 and $58,575, $1,348,232, and $0 in 2007 and 2006, respectively.

11. RELATED-PARTY TRANSACTIONS

During fiscal years 2007 and 2006, the College received $0 and $180,519, respectively, for educational services provided to Shepherd University. In addition, at June 30, 2007 and 2006, the College paid $483,416 and $1,141,063, respectively, for administrative and academic support and student services provided by Shepherd University and the amount is included in supplies and other services line in the statements of revenues, expenses, and changes in net assets.

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

13. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2007 and 2006, the following table represents operating expenses within both natural and functional classifications:

	2007						
	Salaries and Wages	Benefits	Supplies and Other Services	Scholarships and Fellowships	Depreciation	Fees Assesed by the Commission	Total
Instruction	$ 1,652,961	$ 302,942	$ 681,810	$ -	$ -	$ -	$ 2,637,713
Public service	16,462	958	40,660				58,080
Academic support	18,941	4,191	127,464				150,596
Student services	221,753	48,642	522,594				792,989
General institutional support	438,798	168,258	427,629				1,034,685
Operations and maintenance of plant	27,527	7,610	74,789				109,926
Student financial aid				572,639			572,639
Depreciation					172,894		172,894
Other						22,187	22,187
Total	$ 2,376,442	$ 532,601	$ 1,874,946	$ 572,639	$ 172,894	$ 22,187	$ 5,551,709

	2006						
	Salaries and Wages	Benefits	Supplies and Other Services	Scholarships and Fellowships	Depreciation	Fees Assesed by the Commission	Total
Instruction	$ 1,504,197	$ 289,073	$ 584,650	$ 14,773	$ -	$ -	$ 2,392,693
Public service	8,439	646	28,452				37,537
Academic support			215,787				215,787
Student services	81,329	19,034	410,819				511,182
General institutional support	258,670	197,278	927,881				1,383,829
Operations and maintenance of plant			55,127				55,127
Student financial aid				464,540			464,540
Depreciation					164,657		164,657
Other						23,529	23,529
Total	$ 1,852,635	$ 506,031	$ 2,222,716	$ 479,313	$ 164,657	$ 23,529	$ 5,248,881

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

To the Governing Board of
Blue Ridge Community and Technical College
(formerly The Community and Technical College of Shepherd):

We have audited the financial statements of Blue Ridge Community and Technical College (formerly The Community and Technical College of Shepherd) (the "College") as of and for the year ended June 30, 2007, and have issued our report thereon dated November 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the College's internal control over financial reporting 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2007-01 to be significant deficiencies in internal control over financing reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described in the accompanying schedule of findings and responses is a material weakness.

COMPLIANCE AND OTHER MATTERS

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

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

This report is intended solely for the information and use of Blue Ridge Community and Technical College Governing Board, managements of the College, and the West Virginia Council for Community and Technical College Education, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

November 13, 2007

Reference Number		Finding
2007-01	**Condition:**	During fiscal 2007, the College assumed the preparation and maintenance of accounting records which was previously subcontracted to Shepherd University. In addition, the College experienced a turnover in the Controller position prior to the fiscal 2007 audit. As a result of the transition, several items were noted during our audit: • Not all journal entries were properly documented. • Reconciliations between general ledger and subledger balances (i.e., subledger balances to Banner and State's Financial Information Management System) did not occur on a timely basis. • Key Finance and Accounting personnel did not have proper training in the Banner system.
	Criteria:	• All journal entries should have supporting documentation including explanation for the purpose of the entry. In addition, the entry should be signed by the preparer and a review should be documented by appropriate management prior to posting it to the general ledger. • Reconciliations between subledger balances and general ledger should occur timely. • Key Finance and Accounting personnel should undergo training in the implementation of any new system such as Banner.
	Cause:	The findings noted was a result of transition of the finance and accounting function from Shepherd University to the College starting fiscal 2007 and turnover of key finance and accounting personnel (i.e., Controller).
	Effect:	• The lack of documentation on some of the journal entries resulted in significant time spent by the College's accounting staff in locating appropriate support or substantiating the validity of the adjusting entries. • Non-performance of reconciliations between subledger balances and the general ledger resulted in late adjusting entries being recorded by the College. • The Finance and Accounting staff were not comfortable with nor aware of the full capability and

functionality of the Banner system. Numerous errors were noted in the preparation of trial balances, extracting journal entries, posting of journal entries, etc. since staff were not familiar with the Banner system.

As a result of the above, the significant delays were noted in the audit and preparation of financial statements.

Recommendation:

- The College should have a standard journal entry form documenting the account number, description of the account, the amount, and reason or comment for the entry. Each journal entry (with supporting documentation attached) should be reviewed by appropriate management prior to posting it to the general ledger. Documentation of preparation and review of entries should be maintained.
- The College should establish a timeframe for reconciliation procedures between subledger and general ledger account balances each month as part of its financial closing and reporting process and prior to preparation of financial statements.
- Key Finance and Accounting personnel should undergo training on the Banner system in order to be familiar with its use and the full functionality of the system. In addition, support hotline (i.e., WVNET) should also be available to the staff should be there be questions or problems encountered with the use of the Banner system.

Management's Corrective Action Plan:

The following plan has been implemented by the College in November 2007:

- A standard journal entry form has been created and filed by month. Each journal entry has supporting documentation attached. All journal entries will be reviewed and documented by appropriate management prior to posting the entries to the general ledger.
- On a monthly basis, the following accounts from the general ledger will be reconciled to supporting documents: all cash accounts, accounts receivable, fixed assets, accounts payable, and deferred revenue. Monthly financial statements will be prepared. Additionally, quarterly budget variance reports will be prepared.
- Accounting personnel are receiving training in certain areas of the finance modules of Banner from the software support vendor, WVNET. To date, the staff has been trained on the Third Party Billing and Finance entries. More training is to occur in the next few months. The support hotline, WVNET, has also been responsive to the needs of the finance department as problems arise in the use of Banner.