New River Community and Technical College

Financial Statements

Years Ended June 30, 2007 and 2006

and

Independent Auditors' Reports

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
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Suttle & Stalnaker
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Governing Board
New River Community and Technical College
Beckley, West Virginia

We have audited the accompanying basic financial statements of the business-type activity of New River Community and Technical College (the "College"), as of June 30, 2007 and 2006 and the discretely presented component unit of the College as of December 31, 2006, and for the years then ended which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on the respective financial statements based on our audits. We did not audit the discretely presented financial statements of the Greenbrier Community College Foundation, Inc. (a component unit of the College) for the year ended December 31, 2006. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the discretely presented financial statements of the Greenbrier Community College Foundation, Inc., is based solely on the report of the other auditors.

We conducted our audits in accordance with accounting principles 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 audits 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 audit 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.

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In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and the discretely presented component unit of the College as of June 30, 2007 and 2006, and the respective changes in net assets and cash flows 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 5 through 11 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. 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 required supplementary information. However, we did not audit the information, and express no an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 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 read in conjunction with this report in considering the results of our audit.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
December 26, 2007

Our discussion and analysis of New River Community and Technical College's (the College) financial performance provides an overview of the College's financial activities during the years ended June 30, 2007 and 2006 (year of inception). Since this discussion and analysis is designed to focus on current activities, resulting changes, and currently known facts, please refer to the College's basic financial statements on pages 12 to 16 and the notes to financial statements on pages 17 to 44.

Financial Highlights

With the passage of Senate Bill 448, the College was established and attained independent accreditation in February, 2005, a separation from Bluefield State College (BSC). Senate Bill 401 defined the process for separation of assets and liabilities from BSC to BSC and the College. The attached statements represent separate financial information for the College, beginning July 1, 2005. The following are brief summaries for the College:

- The College's assets exceeded its liabilities at the end of the year by $9.0 million for FY2007 and $9.2 million for FY2006.

- Net operating income (loss) before asset transfers and other special items was ($0.4 million) in FY2007 and $0.6 million in FY2006.

- Other revenues and expenses included transfers of properties of $1.9 million from the Greenbrier Building Commission in 2006, transfer of assets from the Higher Education Policy Commission of $0.3 million in 2006 and bond proceeds of $0.2 million in 2007 and $0.9 million in 2006, and transfer of net assets from Bluefield State College of $5.5 million in FY2006.

Overview of the Financial Statements

The College has implemented GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. GASB No. 35 requires the College to present financial information as a whole rather than focusing on individual funds.

This report consists of management's discussion and analysis, the basic financial statements, and the notes to the financial statements. The basic financial statements include the statement of net assets; statement of revenues, expenses, changes in net assets; and statement of cash flows.

The statement of net assets presents the College's assets and liabilities, with the difference reported as net assets. Increases or decreases in net assets can be an indicator of improvement or deterioration of the College's financial position.

Changes in net assets during the year are reported in the statement of revenues, expenses, and changes in net assets. All revenues, expenses, and changes are reported as the underlying event occurs that results in the revenue, expense, or change. The statement of cash flows presents information on actual cash inflows or outflows as they occur.

As of July 1, 2006, the Greenbrier Community College Foundation, Inc. (Foundation) became significant enough to be included in the financial statements of the College. As such, the Foundation audited financial statements are discretely presented as part of the College's financial statements.

Financial Analysis of the College

For FY2007 of the College's net assets of $9.0 million, $8.6 million (96%) represents its investment in capital assets of land, land improvements, buildings, equipment, and library books. These capital assets are utilized to provide educational and related services to students and the communities and are not available for future spending. For FY2007, unrestricted net assets are available to meet the College's obligations. The unrestricted net assets were $.4 million (4%) of the total net assets. The unrestricted cash represents the amount not restricted via plant operations, auxiliaries, grant and loan funds, and state code restrictions.

Net Assets
June 30, 2007 and 2006
(in millions)

	2007	2006
Cash	$ 1.9	$ 1.9
Other current assets	.2	.8
Total current assets	2.1	2.7
Capital assets	8.6	8.6
Total noncurrent assets	8.6	8.6
Total assets	10.7	11.3
Current liabilities	1.0	1.2
Noncurrent liabilities	.7	.9
Total liabilities	1.7	2.1
Net assets		
Invested in capital assets	8.6	8.5
Restricted, expendable	.0	.2
Unrestricted	.4	.5
Total net assets	$ 9.0	$ 9.2

For the years ended June 30, 2007 and 2006, the income (loss) before other revenues and expenses such as transfers was $(.4) million and $.6 million. The College received a $1.9 million property gift from the Greenbrier Building Commission in 2006, bond proceeds of $.9 million in 2006 and $.2 million in 2007 and transfer of property of $.3 million from the Higher Education Policy Commission in 2006, and a transfer of net assets from Bluefield State College of $5.5 million in 2006.

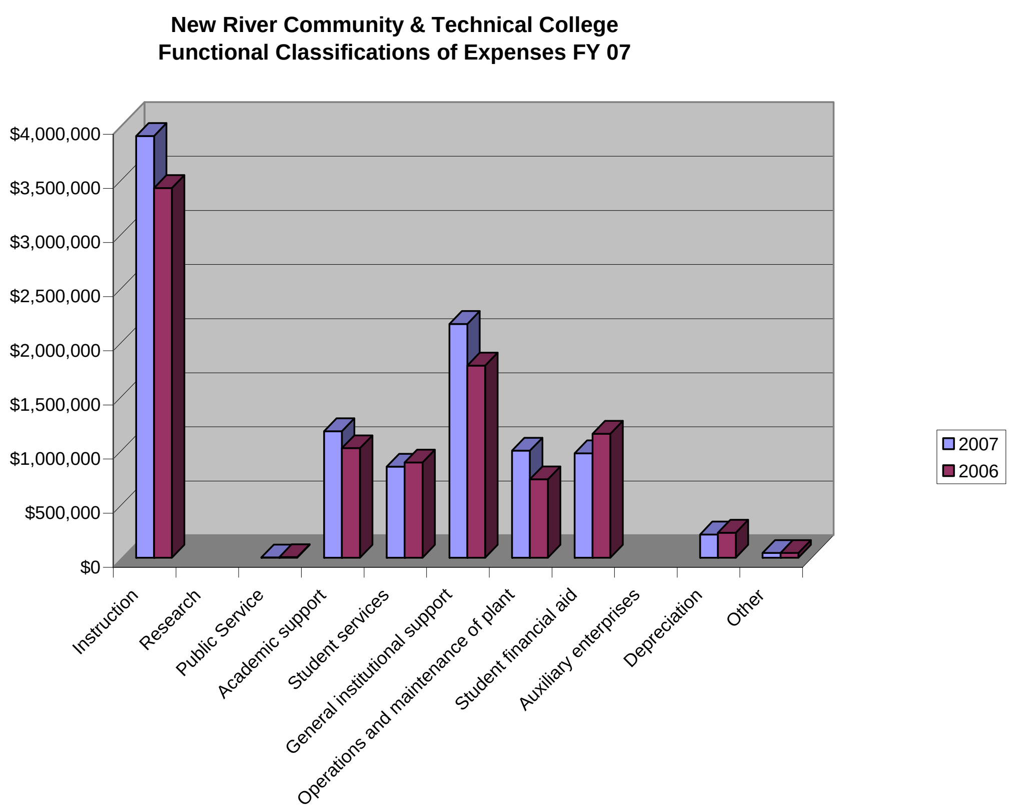
Operating Results
Years Ended June 30, 2007 and 2006
(in millions)

	2007	2006
Operating revenues		
Tuition and fees	$ 1.4	$ 1.4
Contracts and grants	3.2	3.6
Other	.8	.6
	5.4	5.6
Less: operating expenses	10.3	9.2
Operating loss	(4.9)	(3.6)
Nonoperating revenues and transfers		
State appropriation	4.4	4.1
Other	.1	.1
Net nonoperating revenue and transfers	4.5	4.2
Income (loss) before other revenues, expenses, gains or losses	(.4)	.6
Asset transfers & bond proceeds		
From BSC	-	5.5
From Policy Commission	-	.3
From Greenbrier Building Commission	-	1.9
Bond proceeds	.2	.9
Total transfers	.2	8.6
Total change in net assets	$ (.2)	$ 9.2

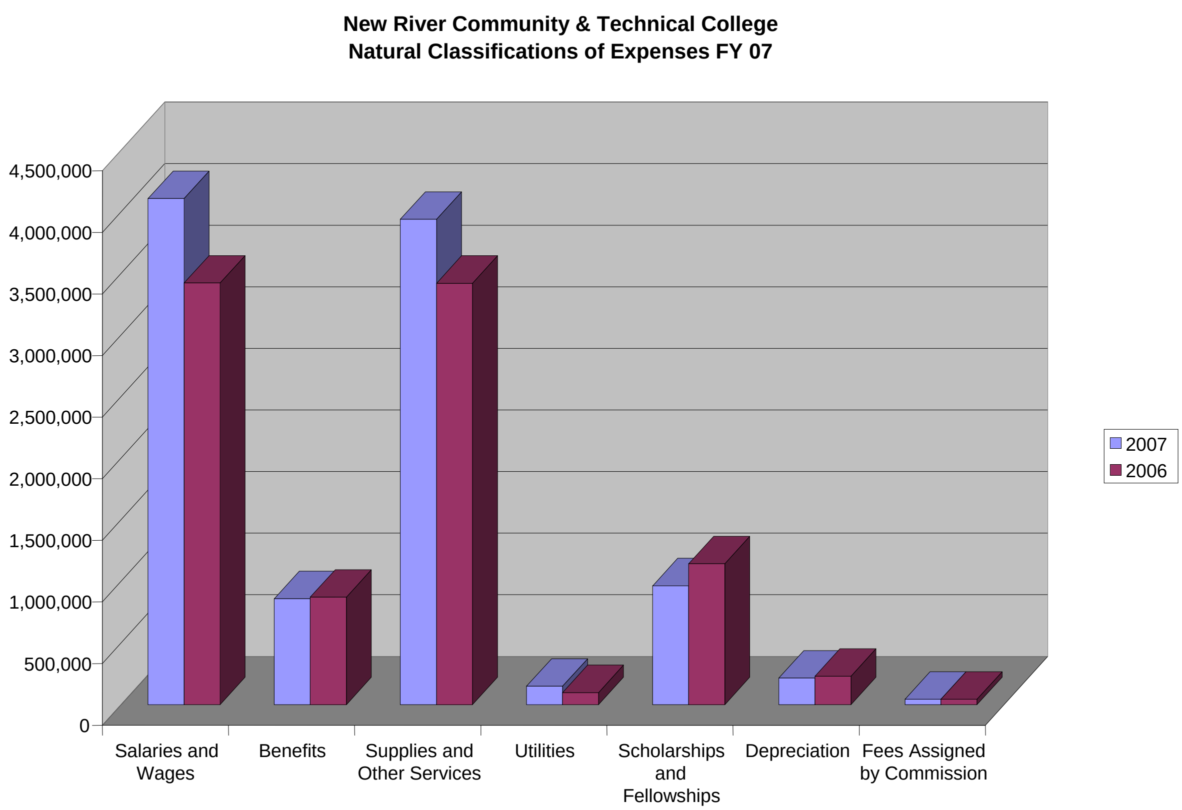
For the year ended June 30, 2007, the decrease in net assets for the College was $.2 million. Depreciation expense was $.2 million.

Operating Expenses
Years Ended June 30, 2007 and 2006
(in millions)

NATURAL CLASSIFICATION OF EXPENSES	2007	2006
Instruction	$ 3.9	$ 3.4
Academic support	1.2	1.0
Student services	.8	.9
Operation and maintenance of plant	1.0	.7
Institutional support	2.2	1.8
Student financial aid	1.0	1.2
Depreciation	.2	.2
Total	$ 10.3	$ 9.2



FUNCTIONAL CLASSIFICATION OF EXPENSES	2007	2006
Salaries and wages	$ 4.1	$ 3.4
Benefits	.9	.9
Supplies and other services	3.9	3.4
Utilities	.1	.1
Scholarships and fellowships	1.0	1.1
Depreciation	.2	.2
Fees assessed by Commission	.1	.1
Total	$ 10.3	$ 9.2



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 section deals with operating cash flows and shows the net cash used in the operating activities. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with the cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital assets and related items and related funding received. The fourth section reflects the cash flows from investing activities and shows interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating loss reflected in the Statement of Revenues, Expenses and Changes in Net Assets. Cash and cash equivalents remained relatively the same for the year ended June 30, 2007, and increased by $1.9 million for FY2006.

Cash Flows
Years Ended June 30, 2007 and 2006
(in thousands)

	2007	2006
Cash provided by (used in)		
Operating activities	$ (4,449)	$ (3,353)
Non capital financing activities	4,430	5,246
Capital and related financing activities	(109)	(53)
Investing activities	119	75
Increase (decrease) in cash and cash equivalents	(9)	1,915
Cash and cash equivalents, beginning of year	1,915	-
Cash and cash equivalents, end of year	$ 1,906	$ 1,915

Capital Asset and Debt Administration

The debt service obligation for the College amounted to $84,247 as of June 30, 2007 and $101,884 as of June 30, 2006.

In FY2007, construction in progress for the Greenbrier County Library project increased by $180,909. This represents the total obligation from the College from designated bond funds of $1,058,476. The College also purchased $74,753 in equipment, primarily vehicles, and $12,065 for library books.

In FY2006 capital asset transfers to the College from Bluefield State College occurred with the largest transfers being the properties and buildings in Lewisburg and Nicholas County. The following is a brief summary of capital assets for the College as a whole:

- The land addition included transfers of property from the Greenbrier County Commission and the Salisbury Farm property from the Higher Education Policy Commission.

- Construction in progress of $877,567 was for the Greenbrier County Library project, which is a joint project with Greenbrier County, the City of Lewisburg, and the College.

- Land improvements and buildings relate also to the transfers from the Greenbrier County Commission and Higher Education Policy Commission.

- Equipment purchases were $17,498 for the purchase of one vehicle.

- Library book purchases were $13,058.

Economic Outlook

It is anticipated New River Community and Technical College will be recommended for reaffirmation for seven year period from the Higher Learning Commission following an institutional visitation in September 2007.

New River's enrollment skyrocketed the Fall of 2007 with an unprecedented 2,250 enrollment, a 33 percent increase from Fall 2006. The College has expanded its operations to include the Erma Byrd Center, a public higher education facility located outside of Beckley.

The New River Community and Technical College Foundation expanded to include a chapter on each of the four campuses of New River. The Foundation's primary purpose is to support the College and provide scholarships for students.

Contacting the College's Financial Management

This financial report is designed to provide a general overview of the College's finances. Questions concerning any of the information provided in this report should be addressed to the Vice President of Financial and Administrative Affairs, 219 Rock Street, Bluefield, WV 24701.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENT OF NET ASSETS
JUNE 30, 2007 AND 2006

	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,905,943	$ 1,915,039
Accounts receivable, net of allowance of $85,886	73,664	53,958
Due from Commission	6,942	448,260
Due from Bluefield State College	112,505	209,187
Due from Other State Agencies	9,237	58,902
Total current assets	2,108,291	2,685,346
Noncurrent assets		
Capital assets - net	8,658,155	8,605,459
Total noncurrent assets	8,658,155	8,605,459
Total assets	10,766,446	11,290,805
LIABILITIES		
Current liabilities		
Accounts payable	265,177	555,301
Accrued liabilities	401,529	275,489
Due to the Commission	86	-
Due to Bluefield State College	180,992	203,237
Deferred revenue	871	5,314
Compensated absences - current portion	139,585	118,045
Debt service obligation payable to the Commission - current portion	17,785	17,637
Total current liabilities	1,006,025	1,175,023
Noncurrent liabilities		
Due to Bluefield State College	273,086	445,377
Compensated absences	389,028	383,610
Debt service obligation payable to the Commission	66,462	84,247
Total noncurrent liabilities	728,576	913,234
Total liabilities	1,734,601	2,088,257
NET ASSETS		
Invested in capital assets - net of related debt	8,573,908	8,503,575
Restricted for:		
Expendable:		
Scholarships	180	180
Other	64,928	156,668
Total restricted	65,108	156,848
Unrestricted	392,829	542,125
Total net assets	$ 9,031,845	$ 9,202,548

GREENBRIER COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006

	2006
ASSETS	
Cash and cash equivalents	$ 80,349
Investments	807,182
Total assets	$ 887,531
NET ASSETS	
Unrestricted	$ -
Temporarily restricted	99,908
Permanently restricted	787,623
Total net assets	887,531
Total liabilities and net assets	$ 887,531

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Operating revenues		
Student tuition and fees (net of scholarship allowance of $2,561,539 and $2,403,077, respectively)	$ 1,423,652	$ 1,441,314
Contracts and grants		
Federal	2,306,863	2,589,003
State	920,617	972,714
Private	5,000	10,000
Sales and services of educational activities	228,521	192,213
Miscellaneous - net	494,612	384,284
Total operating revenues	5,379,265	5,589,528
Operating expenses		
Salaries and wages	4,106,072	3,421,558
Benefits	860,147	872,134
Supplies and other services	3,937,616	3,396,765
Utilities	149,176	96,980
Student financial aid - scholarships and fellowships	963,906	1,143,946
Depreciation	214,891	230,729
Assessments by the Policy Commission for operations	44,023	43,874
Total operating expenses	10,275,831	9,205,986
Operating loss	(4,896,566)	(3,616,458)
Nonoperating revenues (expenses)		
State appropriations	4,429,955	4,144,905
Investment income	119,292	74,891
Assessments by the Commission for debt service	(4,293)	(4,815)
Net nonoperating revenues	4,544,954	4,214,981
Income (loss) before other revenues, expenses, gains or losses	(351,612)	598,523
Gift from the Greenbrier Building Commission	-	1,877,000
Bond Proceeds from the Policy Commission	180,909	877,567
Increase (decrease) in net assets before transfers	(170,703)	3,353,090
Transfer of net assets from Policy Commission	-	316,250
Transfer of net assets from Bluefield State College	-	5,533,208
Increase (decrease) in net assets	(170,703)	9,202,548
Net assets, beginning of year	9,202,548	-
Net assets, end of year	$ 9,031,845	$ 9,202,548

The Accompanying Notes Are An Integral
Part Of These Financial Statements

GREENBRIER COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2006

	2006
UNRESTRICTED NET ASSETS	
Unrestricted revenues	
Contributions and grants	$ 2,684
Investment income	8,704
TOTAL UNRESTRICTED REVENUES	11,388
Net assets released from restrictions	
Restrictions satisfied by payments	14,403
TOTAL UNRESTRICTED REVENUES AND OTHER SUPPORT	25,791
Expenses	
Program services	
Scholarships	31,236
Supporting services	
Management and general	4,625
Fundraising	6,389
	42,250
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(16,459)
TEMPORARILY RESTRICTED NET ASSETS	
Contributions and grants	16,500
Realized and unrealized gains	8,816
Net assets released from restrictions	
Restrictions satisfied by payments	(14,403)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	10,913
PERMANENTLY RESTRICTED NET ASSETS	
Contributions	45,775
Realized and unrealized gains	46,972
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	92,747
INCREASE IN NET ASSETS	87,201
NET ASSETS AT BEGINNING OF YEAR	800,330
NET ASSETS AT END OF YEAR	$ 887,531

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Cash flows from operating activities		
Student tuition and fees	$ 1,486,010	$ 1,549,897
Contracts and grants	3,385,473	3,032,624
Payments to and on behalf of employees	(4,774,415)	(4,292,444)
Payments to suppliers	(4,119,589)	(2,945,302)
Payments to utilities	(148,380)	(97,731)
Payments for scholarships and fellowships	(963,906)	(1,143,946)
Sales and service of educational activities	729,236	587,510
Fees assessed by Commission	(44,023)	(43,874)
Net cash provided (used) in operating activities	(4,449,594)	(3,353,266)
Cash flows from noncapital financing activities		
State appropriations	4,429,955	4,144,905
William D. Ford direct lending receipts	3,410,214	3,701,832
William D. Ford direct lending payments	(3,410,214)	(3,701,832)
Transfer of cash from Bluefield State College	-	1,101,296
Net cash provided (used) in noncapital financing activities	4,429,955	5,246,201
Cash flows from capital financing activities		
Purchases of capital assets	(267,728)	(908,123)
Payments to Commission for debt service	(21,930)	(22,231)
Bond funds transferred from Commission	180,909	877,567
Net cash provided (used) in capital financing activities	(108,749)	(52,787)
Cash flows from investing activities		
Interest on investments	119,292	74,891
Net cash provided (used) in investing activities	119,292	74,891
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,096)	1,915,039
Cash and cash equivalents - beginning of year	1,915,039	-
Cash and cash equivalents - end of year	$ 1,905,943	$ 1,915,039
Reconciliation of net operating loss to net cash used in operating activities		
Operating loss	$ (4,896,566)	$ (3,616,458)
Adjustments to reconcile net operating loss to net cash used in operating activities		
Depreciation expense	214,891	230,729
Loss on disposal of equipment	140	-
Changes in assets and liabilities:		
Accounts receivables - net	(19,706)	61,460
Prepaid expenses	-	5,385
Accounts payable	(290,038)	494,495
Accrued liabilities	126,040	17,264
Compensated absences	26,958	120,528
Deferred revenue	(4,443)	(2,600)
Due to/from Other State Agencies	393,130	(664,069)
Net cash used in operating activities	$ (4,449,594)	$ (3,353,266)
Noncash transactions		
Transfer of capital assets from Greenbrier Building Commission	$ -	$ 1,877,000
Transfer of net assets from Policy Commission	$ -	$ 316,250
Transfer of net assets from Bluefield State College	$ -	$ 4,431,913

NOTE 1 - ORGANIZATION

New River Community and Technical College (the "College") is governed by the New River Community and Technical College Board of Governors (the "Board"). The Board was established by Senate Bill 653 ("S.B. 653").

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

S.B. 653 also created the West Virginia Higher Education Policy Commission (the "Commission"), which is responsible for developing, gaining consensus around and overseeing the implementation and development of a higher education public policy agenda. 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's Public Policy agenda as it relates to community and technical college education. Senate Bill 401 required the transfer of certain net assets from Bluefield State College to its separately governed community and technical college after the community and technical college received its independent accreditation. The College received its accreditation on February 8, 2005. Effective July 1, 2005, $5,533,208 was transferred in accordance with Senate Bill 401.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the College have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"), including Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,* and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Reporting Entity* -** The College is an operating unit of the West Virginia Higher Education Fund and represents separate funds of the State of West Virginia (the "State") that are not included in the State's general fund. The College is a separate entity, which along with all State institutions of higher education, the Commission (which includes West Virginia Network for Educational Telecomputing), and West Virginia Council for Community and Technical Education form the Higher Education Fund of the State. The Higher Education Fund is considered a component unit of the State, and its financial statements are discretely presented in the State's comprehensive annual financial report.

The accompanying financial statements present all funds under the authority of the College. The basic criteria 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.

The College follows GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, an amendment to GASB Statement No. 14. As a result, the Greenbrier Community College Foundation, Inc. (Foundation) was originally not included because the economic resources held by the Foundation were not significant to that inclusion. Beginning with the year ended June 30, 2007, the resources held by the Foundation became significant and are now included. As a result, the audited financial statements of the Foundation are presented here as a discrete component unit with the College financial statements for the fiscal year ended June 30, 2007. The Foundation's audited financial statements were as of and for the year ended December 31, 2006. The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organization. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein as required by GASB No. 39.

***Financial Statement Presentation* -** GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, as amended by GASB Statements No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and 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 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:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ***Invested in capital assets-net of related debt -*** This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

- ***Restricted net assets, expendable -*** This includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

  The West Virginia State Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees and Other Money Collected as State Institutions of Higher Education* of the West Virginia State Code. House Bill 101 passed in March 2004 simplified the tuition and fee structure and removed the restrictions but included designations associated with auxiliary and capital items. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the 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.

- ***Unrestricted net assets -*** Unrestricted net assets include resources that are not subject to externally imposed stipulations. Such resources are derived from tuition and fees (not restricted as to use), state appropriations, sales and services of educational activities and auxiliary enterprises. Unrestricted net assets are used for transactions related to the educational and general operations of the College and may be designated for specific purposes by action of the Board of Governors.

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. All intercompany accounts and transactions have been eliminated.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalent balances on deposit with the State of West Virginia Treasurer's Office (the "State Treasurer") are pooled by the State Treasurer with other 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 Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. 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 and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

The BTI maintains the Consolidated 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 multiparticipant variable net asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual report. A copy of this annual report can be obtained from the following address: 1900 Kanawha Boulevard East, Room E-122, Charleston, West Virginia 25305 or http://www.wvbti.com.

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government obligations); corporate debt obligations, including commercial paper, which meet certain ratings; certain money market funds; repurchase agreements; reverse repurchase agreements; asset-backed securities; certificates of deposit; state and local government securities (SLGS); and other investments. Other investments consist primarily of investments in accordance with the Linked Deposit Program, a program using financial institutions in West Virginia to obtain certificates of deposit, loans approved by the legislature and any other program investments authorized by the legislature.

***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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Capital Assets* -** Capital assets include property, plant 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 20 to 50 years for buildings, 20 years for land improvements, 7 years for library books and 3 to 10 years for furniture and equipment. The College's capitalization threshold is $5,000. There was no interest capitalized during 2006.

***Deferred Revenue* -** Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as deferred revenue, including items such as orientation fees and room and board. 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 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 certain 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 certain classes of 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 3-1/3 years of teaching service extend health insurance for one year of single coverage and five years extend health insurance for one year of family coverage. Faculty will continue to receive credit toward insurance premiums upon retirement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 expenses 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 medical malpractice 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 a third-party insurer, the College has obtained health, life, prescription drug coverage, and coverage for job related injuries for its employees. In exchange for payment of premiums to PEIA and the third-party insurer, the College has transferred its risks related to health, life, prescription drug coverage, and job related injuries.

West Virginia has a single private insurance company, BrickStreet Insurance, which provides workers' compensation coverage to all employers in the state. Other private insurance companies can begin to offer coverage to private-sector employers beginning July 1, 2008 and to government employers July 1, 2012. Nearly every employer in the State, who has a payroll must have coverage. The cost of all coverage is paid by the employers. BrickStreet retains the risk related to the compensation of injured employees under the program.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenues **-** The College has classified its revenues as either operating or nonoperating 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 Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, such as state appropriations and investment income.

- ***Other Revenue*** **-** Other revenues consist primarily of capital grants and gifts.

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

Federal Financial Assistance Programs **-** The College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through universities like the College. Direct student loan receivables are not included in the College's statement of net assets as the loans are repayable directly to the U.S. Department of Education. In 2007 and 2006, respectively the College received and disbursed approximately $3,400,000 and $3,700,000, 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, respectively the College received and disbursed approximately $2,300,000 and $2,600,000, under these federal student aid programs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 governmental instrumentality under federal income tax laws and regulations of the Internal Revenue Service as described in Section 115 of the Internal Revenue Code.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***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 GASB* -** 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. Effective July 1, 2007, the College is required to participate in the multiple employer cost sharing plan sponsored by the State of West Virginia. 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. No liability related to this plan exists for the College at June 30, 2007. The College has not yet determined the effect that the adoption of GASB Statement No. 45 may have on the financial statements.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 pensions 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*, 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.

NOTE 3 - CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents was as follows at June 30:

	2007	2006
Cash on deposit with the State Treasurer	$ 1,772,587	$ 1,914,089
Cash in Bank	131,806	-
Cash on hand	1,550	950
	$ 1,905,943	$ 1,915,039

Cash held by the State Treasurer and cash in bank include for years ended June 30, 2007 and 2006 respectively, $198,302 and $151,167 of restricted cash for specific purposes by West Virginia State Code, grant resources and loan funds.

Bank balances are insured by federal deposit insurance up to $100,000 per financial institution. Balances in these accounts sometimes exceed the federal deposit insurance limits; however, management believes the banks to be creditworthy and believes that credit risk associated with these deposits is minimal. At June 30, 2007 and 2006 respectively, total bank balances exceeded federal deposit insurance by approximately $51,497 and $0.

Cash on deposit with the State Treasurer is comprised of the following investment pools and are subject to the following BTI policies and limits.

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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 College 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):

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

	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	-	0.00
	Aa3	A	23,002	1.11	-	0.00
	Aa2	AA	15,000	0.72	-	0.00
	Aa2	A	27,000	1.30	-	0.00
	Aa1	AA	77,023	3.71	-	0.00
	Aa	AA	-	0.00	55,063	3.16
	Aa	A	-	0.00	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	-	0.00	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%

At June 30, 2007 and 2006, the College's ownership represents .07% and .07%, 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):

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

	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	0.00	109	0.06
Repurchase agreements (underlying securities):						
U.S. Treasury notes	Aaa	AAA	51,400	22.39	-	0.00
U.S. Treasury strips	Aaa	AAA	-	0.00	15,602	8.56
U.S. agency bonds	Aaa	AAA	-	0.00	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 .02% and .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):

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

	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. agency notes	Aaa	AAA	20,485	8.95	-	-
			20,485	8.95	1,346	0.51
			$ 228,920	100.00%	$ 265,384	100.00%

At June 30, 2007 and 2006, the College's ownership represents .04% and .23%, 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 for the various asset types in the Cash Liquidity Pool:

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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 weighted average maturity 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 weighted average maturities 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 weighted average maturities 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

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30, 2007 and 2006:

	2007	2006
Student tuition and fees, net of allowance for doubtful accounts of $85,886 in 2007 and 2006	$ 73,664	$ 53,958
Grants and contracts receivable	9,237	46,479
Due from the Commission	6,942	448,260
Due from Bluefield State College	112,505	209,187
Due from other agencies	-	12,423
	$ 202,348	$ 770,307

NOTE 5 - CAPITAL ASSETS

The following is a summary of capital asset transactions for the College for the year ended June 30:

	2007			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 824,000	$ -	$ -	$ 824,000
Construction in progress	877,567	180,909	-	1,058,476
Total capital assets not being depreciated	$ 1,701,567	$ 180,909	$ -	$ 1,882,476
Other capital assets:				
Land improvements	$ 97,937	$ -	$ -	$ 97,937
Buildings	7,218,181	-	-	7,218,181
Equipment	601,763	74,753	30,088	646,428
Library books	304,449	12,065	-	316,514
Total other capital assets	8,222,330	86,818	30,088	8,279,060
Less accumulated depreciation for:				
Land improvements	9,587	6,529	-	16,116
Buildings	596,409	146,977	-	743,386
Equipment	444,938	50,369	29,948	465,359
Library books	267,504	11,016	-	278,520
Total accumulated depreciation	1,318,438	214,891	29,948	1,503,381
Other capital assets - net	$ 6,903,892	$ (128,073)	$ 140	$ 6,775,679
Capital asset summary:				
Capital assets not being depreciated	$ 1,701,567	$ 180,909	$ -	$ 1,882,476
Other capital assets	8,222,330	86,818	30,088	8,279,060
Total cost of capital assets	9,923,897	267,727	30,088	10,161,536
Less accumulated depreciation	1,318,438	214,891	29,948	1,503,381
Capital assets - net	$ 8,605,459	$ 52,836	$ 140	$ 8,658,155

NOTE 5 - CAPITAL ASSETS (Continued)

	2006			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ -	$ 824,000	$ -	$ 824,000
Construction in progress	-	877,567	-	877,567
Total capital assets not being depreciated	$ -	$ 1,701,567	$ -	$ 1,701,567
Other capital assets:				
Land improvements	$ -	$ 97,937	$ -	$ 97,937
Buildings	-	7,218,181	-	7,218,181
Equipment	-	601,763	-	601,763
Library books	-	304,449	-	304,449
Total other capital assets	-	8,222,330	-	8,222,330
Less accumulated depreciation for:				
Land improvements	-	9,587	-	9,587
Buildings	-	596,409	-	596,409
Equipment	-	444,938	-	444,938
Library books	-	267,504	-	267,504
Total accumulated depreciation	-	1,318,438	-	1,318,438
Other capital assets - net	$ -	$ 6,903,892	$ -	$ 6,903,892
Capital asset summary:				
Capital assets not being depreciated	$ -	$ 1,701,567	$ -	$ 1,701,567
Other capital assets	-	8,222,330	-	8,222,330
Total cost of capital assets	-	9,923,897	-	9,923,897
Less accumulated depreciation	-	1,318,438	-	1,318,438
Capital assets - net	$ -	$ 8,605,459	$ -	$ 8,605,459

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

At June 30, 2007, the College had no outstanding contractual commitments for property, plant and equipment expenditures.

NOTE 6 - LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the College for the year ended June 30:

	2007				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 501,655	$ 26,958	$ -	$ 528,613	$ 139,585
Debt obligation due Commission	101,884	-	17,637	84,247	17,785
Due to Bluefield State College	648,614	9,701	204,237	454,078	180,992
Total noncurrent liabilities	$ 1,252,153	$ 36,659	$ 221,874	$ 1,066,938	$ 338,362

	2006				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ -	$ 501,655	$ -	$ 501,655	$ 118,045
Debt obligation due Commission	-	119,300	17,416	101,884	17,637
Due to Bluefield State College	-	821,905	173,291	648,614	203,237
Total noncurrent liabilities	$ -	$ 1,442,860	$ 190,707	$ 1,252,153	$ 338,919

NOTE 7 - COMPENSATED ABSENCES

The composition of the compensated absence liability was as follows at June 30:

	2007	2006
Health or life insurance benefits	$ 332,911	$ 330,546
Accrued vacation leave	195,702	171,109
	$ 528,613	$ 501,655

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 $10,640 and $11,447, respectively. As of June 30, 2007 and 2006, there were 4 retirees receiving these benefits.

NOTE 8 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

The College is a State institution of higher education. It receives a State appropriation in partial support of its operations. In addition, the College is subject to the legislative and administrative mandates of State government. Those mandates affect all aspects of the College's operations, its tuition and fee structure, its personnel policies and its administrative practices.

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

The Commission assesses each public institution of higher education for funds to meet the payment of debt service on these various bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as a capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission. During 2006, the College assumed $119,300 in additional debt obligation from the Commission, including amounts from Glenville State College for the Nicholas County Campus. During 2007, the College paid $17,637 to the Commission against the debt obligation. The amount due to Commission at June 30, 2007 is $84,247.

During the year ended June 30, 2005, the West Virginia Higher Education Policy Commission issued $167 million of 2004 series B Revenue Bonds to fund capital projects at various higher education institutions in the State of West Virginia. The College has been approved for $3.1 million of the bond proceeds for capital projects from this bond issuance. The planned capital projects include the purchase of the Nicholas County Campus ($1.3 million) and Lewisburg campus assistance with construction of a new library building in co-operation with the Greenbrier County library ($1 million). State lottery funds will be used to repay the debt, although College revenues are pledged if lottery funds prove insufficient. As of June 30, 2006, the College has drawn approximately $1 million of these bonds to pay for capital projects. In addition, $1.3 million for the Nicholas County Campus was previously drawn by Bluefield State College and was included in the beginning net asset transfer.

NOTE 9 - UNRESTRICTED NET ASSETS

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

	2007	2006
Designated for repair and replacement of property	$ 343,272	$ 292,915
Undesignated	49,557	249,210
Total unrestricted net assets	$ 392,829	$ 542,125

NOTE 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 the new Educators Money 401(a) basic retirement plan. New hires have a choice of either plan. As of June 30, 2007, there were no employees enrolled in the new Educators Money 401(a) basic retirement plan.

The STRS is a cost sharing, multiple employer defined benefit public employee retirement system. Employer and employee contribution rates are established annually by the 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 years 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' salaries out of the last 15 years) multiplied by the number of years of service.

NOTE 10 - RETIREMENT PLANS (Continued)

Total contributions to the STRS for the years ended June 30, 2007 and 2006 respectively, were $33,036 and $32,228 which consisted of $23,597 and $23,020 from the College, and $9,439 and $9,208 from the covered employees in 2007 and 2006, respectively.

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

The TIAA-CREF is a defined contribution benefit plan in which benefits are based solely upon amounts contributed plus investment earnings. Employees who elect to participate in this plan are required to make a contribution equal to 6% of total annual compensation. The College matches the employees' 6% contribution. Contributions are immediately and fully vested. In addition, employees may elect to make additional contributions to TIAA-CREF which are not matched by the College.

Total contributions to the TIAA-CREF for the years ended June 30, 2007 and 2006 respectively, were $331,346 and $275,804 which consisted of equal contributions of $165,673 and $137,902 from both the College and covered employees.

Total contributions to Great West for the years ended June 30, 2007 and 2006 respectively, were $4,536 and $1,864, which consisted of equal contributions of $2,268 and $932, from both the College and covered employees.

The College's total payroll for the years ended June 30, 2007 and 2006 respectively, were $3,959,599 and $3,408,476. Total covered employees' salaries in STRS, TIAA-CREF and Great West were $2,956,332 and $2,451,830.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 11 - LEASES

The College leases various branch campus facilities in the State reported as operating leases. Rental payments for these facilities were $253,824 and $191,824 for the year ended June 30, 2007 and 2006. Following is a schedule of future minimum lease payments for the term of these operating leases.

Year Ending June 30	Rental Payments
2008	$ 224,548
2009	92,266
	$ 316,814

NOTE 12 - FOUNDATION

The Foundation is a separate nonprofit organization incorporated in the State of West Virginia and has as its purpose "…to aid, strengthen and further in every proper and useful way, the work and services of the College and its affiliated nonprofit organizations…" Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy and maintains fiscal accountability over funds administered by the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented with the College's financial statements in accordance with GASB Statement No. 39 because they are not significant. Complete financial statements for the Foundation can be obtained from the President of the Greenbrier Community College Foundation, Inc.

Gifts, grants, pledges and bequests to the Foundation totaled $64,959 and $123,376 for the years ended December 31, 2006 and 2005, respectively.

NOTE 13 - CONTINGENCIES

The nature of the educational industry is such that, from time to time, claims will be presented against colleges on account of alleged negligence, acts of discrimination, breach of contract or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system. In the opinion of management, all known claims are covered by insurance or are such that an award against the College would not seriously impact the financial 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.

The College owns various buildings which are known to contain asbestos. The College is not required by Federal, state or local law to remove the asbestos from its buildings. The College is required under Federal Environmental, Health and Safety Regulations to manage the presence of asbestos in its buildings in a safe condition. The College addresses its responsibility to manage the presence of asbestos in its buildings on a case by case basis. Significant problems of dangerous asbestos conditions are abated as the condition becomes known. The College also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing or operating with the asbestos in a safe condition.

NOTE 14 - COMPONENT UNIT DISCLOSURES

The following are the notes taken directly from the Foundation's financial statements starting on the following page.

GREENBRIER COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Greenbrier Community College Foundation, Inc. is a nonprofit, non-stock corporation organized under the laws of the State of West Virginia and is exempt from income taxes under Section 501c(3) of the Internal Revenue Code. The Foundation provides scholarships to students, undertakes capital improvement projects, and participates in other educational projects.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Promises To Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor me reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions me recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recognition of Donor Restricted Contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

GREENBRIER COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit and Market Risk

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents. Cash equivalents are maintained at high quality financial institutions and credit exposure is limited at anyone institution. The Organization has not experienced any losses on its cash equivalents.

Functional Allocation of Expenses

Costs of providing various programs and other activities have been summarized on a functional basis in the statement of support and revenue, expenses and changes in fund balances. Accordingly, certain costs have been allocated among the programs and supporting services using estimated percentages established by management.

NOTE 2 - INVESTMENTS

The Foundation has contracted with the Greater Kanawha Valley Foundation to manage investments. At December 31, 2006 investments of $807,182 at fair market value and carrying value were invested with The Greater Kanawha Valley Foundation. Substantially all of the funds held at The Greater Kanawha Valley Foundation were invested in collective funds at December 31, 2006.

NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2006 temporarily restricted net assets are only available for the purpose of providing scholarships.

NOTE 4 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets of $787,623 at December 31, 2006 were restricted to investments in perpetuity, the income from which is expendable to support student scholarships.

NOTE 5 - CONTRIBUTED SERVICES

During the year, the Organization received the services of many individuals, businesses, and organizations. This included the donation of their time, use of their facilities and equipment, and supplies. Contributed services received that create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are reported as support and expense in the period the services are performed. No amount was recorded for the year ended December 31, 2006.

NOTE 6 - CONCENTRATION OF CREDIT RISK

The Foundation maintains one bank account. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000. Cash exceeded federally insured limits during the year ended December 31, 2006.

NOTE 15 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

This table represents operating expenses within both natural and functional classifications for the year ended June 30:

2007

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by Commission	Total
Instruction	$ 2,479,478	$ 471,118	$ 942,116	$ 2,280	$ -	$ -	$ -	$ 3,894,992
Public service	-	-	1,597	-	-	-	-	1,597
Academic support	651,070	142,784	362,856	963	-	-	-	1,157,673
Student services	339,490	89,832	410,505	566	-	-	-	840,393
General institutional support	448,992	100,959	1,622,766	1,089	-	-	-	2,173,806
Operations and maintenance of plant	187,042	55,454	597,776	144,278	-	-	-	984,550
Student financial aid	-	-	-	-	963,906	-	-	963,906
Depreciation	-	-	-	-	-	214,891	-	214,891
Other	-	-	-	-	-	-	44,023	44,023
Total	$ 4,106,072	$ 860,147	$ 3,937,616	$ 149,176	$ 963,906	$ 214,891	$ 44,023	$ 10,275,831

2006

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by Commission	Total
Instruction	$ 2,215,608	$ 511,998	$ 681,958	$ -	$ -	$ -	$ -	$ 3,409,564
Public service	326	37	4,969	-	-	-	-	5,332
Academic support	435,088	98,065	478,746	-	-	-	-	1,011,899
Student services	281,367	103,846	493,657	678	-	-	-	879,548
General institutional support	334,200	103,025	1,303,153	34,670	-	-	-	1,775,048
Operations and maintenance of plant	154,969	55,163	434,282	61,632	-	-	-	706,046
Student financial aid	-	-	-	-	1,143,946	-	-	1,143,946
Depreciation	-	-	-	-	-	230,729	-	230,729
Other	-	-	-	-	-	-	43,874	43,874
Total	$ 3,421,558	$ 872,134	$ 3,396,765	$ 96,980	$ 1,143,946	$ 230,729	$ 43,874	$ 9,205,986

Suttle & Stalnaker
CERTIFIED PUBLIC ACCOUNTANTS

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
New River Community and Technical College
Beckley, West Virginia

We have audited the financial statements of New River Community and Technical College (the "College") as of and for the year ended June 30, 2007, and have issued our report thereon dated December 26, 2007, which states reliance on other auditors for the discretely presented component unit. 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. The financial statements of the Greenbrier Community College Foundation, Inc. were not audited in accordance with *Governmental Auditing Standards.*

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 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 functions, 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.

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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 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*.

We noted other matters that we have reported to management of the College in a separate letter dated December 26, 2007.

This report is intended for the information and use of the College's management, the Members of the College's Governing Board, the West Virginia Higher Education Policy Commission, the West Virginia Council for Community and Technical College Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
December 26, 2007