

Southern West Virginia  
Community and Technical College  
Financial Statements

Years Ended June 30, 2007 and 2006  
and  
Independent Auditors' Reports

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI)	5 - 12
FINANCIAL STATEMENTS	
Statements of Net Assets	13
Component Unit - Statement of Financial Position	14
Statements of Revenues, Expenses and Changes in Net Assets	15
Component Unit - Statement of Activities and Changes in Net Assets	16
Statements of Cash Flows	17
Notes to Financial Statements	18 - 49
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 <i>GOVERNMENT AUDITING STANDARDS</i>	50



## INDEPENDENT AUDITORS' REPORT

To the Governing Board  
Southern West Virginia Community and Technical College  
Mt. Gay, West Virginia

We have audited the accompanying basic financial statements of the business-type activity of Southern West Virginia Community and Technical College (the College), as of June 30, 2007 and 2006 and the discretely presented component unit of the College as of June 30, 2007, and for the years 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 Southern West Virginia 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 opinions, insofar as it relates to the discretely presented financial statements of The Southern West Virginia Community College Foundation, Inc., is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

In our opinion, based on our audits and 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 activities 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 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 8, 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.

*Suttle & Stalmaker, PLLC*

Charleston, West Virginia  
October 8, 2007

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT DISCUSSION & ANALYSIS  
JUNE 30, 2007

### **Overview of the Financial Statements and Financial Analysis**

Southern West Virginia Community & Technical College (“the College”) presents its financial statements for the fiscal years ended June 30, 2007, and June 30, 2006. The emphasis of discussions about these statements will be on current year data. 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. This discussion and analysis of the College’s financial statements provides an overview of its financial activities for the year and is required supplemental information. Since this analysis is designed to focus on current activities, resulting change and currently known facts, please read it in conjunction with the College’s basic financial statements and the footnotes to these financial statements. Responsibility for the completeness and fairness of this information rests with the College.

The Governmental Accounting Standards Board (GASB) establishes standards for the presentation format of college and university financial statements. The current format places emphasis on the overall economic resources of the College.

As of July 1, 2006, the Southern West Virginia 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.

### **Statements of Net Assets**

The Statement of Net Assets presents the assets, liabilities, and net assets of the College as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the College. The Statement of Net Assets presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Assets (Assets minus Liabilities). The difference between current and noncurrent assets and liabilities is 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 and lending institutions. The Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for College expenditures.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT DISCUSSION & ANALYSIS  
JUNE 30, 2007

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the College's equity in property, plant and equipment owned by the College. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The College does not currently have nonexpendable restricted net assets since all funds of this nature would be directed to the Southern West Virginia Community College Foundation, Incorporated. The corpus of nonexpendable restricted resources is only available 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 final category is unrestricted net assets. Unrestricted assets are available to the College for any lawful purpose of the College.

Statements of Net Assets  
June 30  
(in thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Assets</b>			
Current assets	\$ 3,442	\$ 4,754	\$ 5,918
Other non-current assets	111	279	88
Capital assets, net	<u>25,668</u>	<u>18,262</u>	<u>15,700</u>
Total assets	<u>29,221</u>	<u>23,295</u>	<u>21,706</u>
<b>Liabilities</b>			
Current liabilities	2,992	1,657	1,902
Noncurrent liabilities	<u>1,328</u>	<u>1,278</u>	<u>1,304</u>
Total liabilities	<u>4,320</u>	<u>2,935</u>	<u>3,206</u>
<b>Net assets (deficit)</b>			
Invested in capital assets, net	25,668	18,262	15,700
Restricted - expendable	7	1,335	1,437
Unrestricted (deficiency)	<u>(774)</u>	<u>763</u>	<u>1,363</u>
Total net assets	<u>\$ 24,901</u>	<u>\$ 20,360</u>	<u>\$ 18,500</u>

Total net assets of the College increased by \$4.54 million from June 30, 2006 to June 30, 2007. Total net assets increased by \$1.86 million from June 30, 2005 to June 30, 2006. These changes are related to a number of changes as described below:

- June 30, 2007 current assets decreased by \$1.31 million. This decrease is primarily due to a decrease in cash and bonds proceeds from the Commission which was a result of the construction on the Allied Health/Technology building.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT DISCUSSION & ANALYSIS  
JUNE 30, 2007

- The fiscal year 2007 increase of \$7.41 million of net assets invested in capital is comprised of several components. Gross capital assets increased by \$8.33 million. This increase was primarily due to the construction of the Allied Health/Technology building. Offsetting the \$8.33 million gross capital assets increase is depreciation in the amount of approximately \$920 thousand.
- The unrestricted net assets decreased to a deficiency of \$774 thousand as of June 30, 2007. This deficiency was primarily the result of costs related to the construction of the new Allied Health Technology building.
- The current ratio for fiscal year 2007 is 1.2 times compared to 2.9 for the 2006 fiscal year. The current ratio measures the ability to meet short-term obligations. The current ratio is the most widely-used measure of liquidity. Typically, current ratios range from about 1 to almost 4 to 1.

Capital Assets, Net  
June 30,  
(in thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	(2006 to 2007) Increase (Decrease)	(2006 to 2007) Percent Change
Capital Assets					
Land and Improvements	\$ 1,288	\$ 1,288	\$ 1,288	\$ -	-
Construction in Progress	-	1,442	979	(1,442)	-100.00%
Buildings	28,889	19,960	17,434	8,929	44.73%
Equipment	5,368	4,576	4,210	792	17.31%
Library Holdings	<u>3,778</u>	<u>3,775</u>	<u>3,745</u>	<u>3</u>	<u>.08%</u>
Total	39,323	31,041	27,656	8,282	26.68%
Less: Accum Depreciation	<u>(13,655)</u>	<u>(12,779)</u>	<u>(11,956)</u>	<u>(876)</u>	<u>6.85%</u>
Net Capital Assets	<u>\$ 25,668</u>	<u>\$ 18,262</u>	<u>\$ 15,700</u>	<u>\$ 7,406</u>	<u>40.55%</u>

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

The difference in total net assets as presented on the Statement of Net Assets is based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the College, both operating and nonoperating, and the expenses paid by the College, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the College.

Operating revenues are received for providing goods and services to the various 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 nonoperating revenues. For example state appropriations are nonoperating because they are provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT DISCUSSION & ANALYSIS  
JUNE 30, 2007

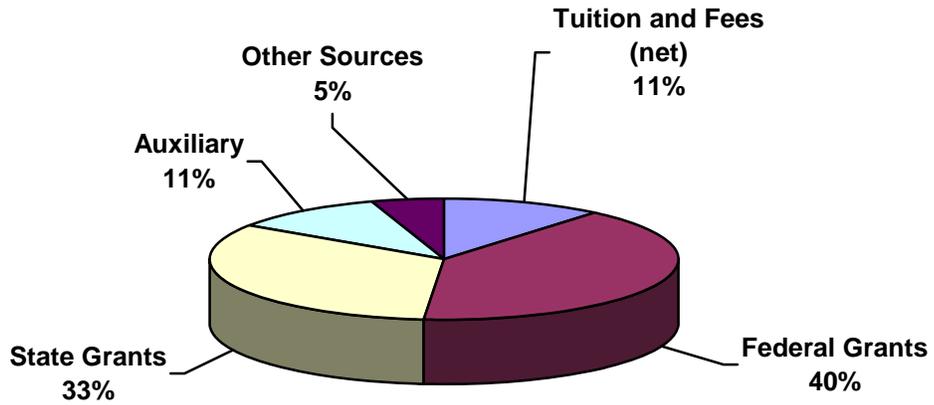
Statements of Revenues, Expenses, and Changes in Net Assets  
Years Ended June 30,  
(in thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating revenues	\$ 9,657	\$ 9,878	\$ 9,482
Operating expenses	<u>19,747</u>	<u>19,031</u>	<u>19,341</u>
Operating loss	(10,090)	(9,153)	(9,859)
Nonoperating revenues	8,201	8,097	7,993
Bond Proceeds from Commission	6,430	2,885	2,140
Capital Project Proceeds from Commission	-	31	31
Capital Grants and Gifts	<u>-</u>	<u>-</u>	<u>135</u>
Increase (decrease) in Net Assets	<u>\$ 4,541</u>	<u>\$ 1,860</u>	<u>\$ 440</u>

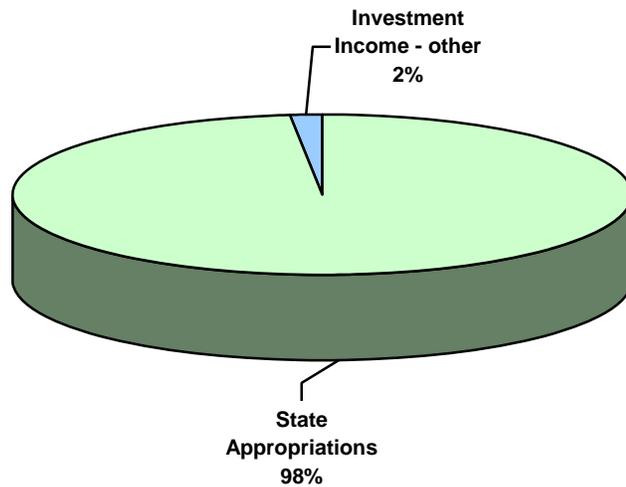
A review of the individual revenue and expense categories and those items that contributed to the overall increases in Net Assets reveals the following explanations:

- For fiscal year 2007, tuition and fees contributed approximately 11% of the total operating revenues for the year. In fiscal year 2006, tuition and fees accounted for approximately 10% of the total operating revenues.
- For fiscal year 2007 grant and contract revenues decreased by \$170 thousand for a 2% decrease. As a percentage of operating revenue, grant and contract revenue accounted for nearly 73% in fiscal year 2007, and 73% for fiscal year 2006. From year to year, the number of grants awarded can vary significantly.
- In fiscal year 2007 other revenues increased by \$3.5 million increase representing bond proceeds received from the Commission.
- The total cost of benefits increased by 2% for fiscal year 2007 over fiscal year 2006 reflecting premium increases by the Public Employees Insurance Agency (PEIA).
- In fiscal year 2007 non-operating revenues increased by \$104 thousand or approximately 1%. Investment income decreased by \$16 thousand or 13%. The College participates in the investment pool managed by the state.

### REVENUE BY SOURCE Operating Revenues



### REVENUE BY SOURCE Nonoperating Revenues

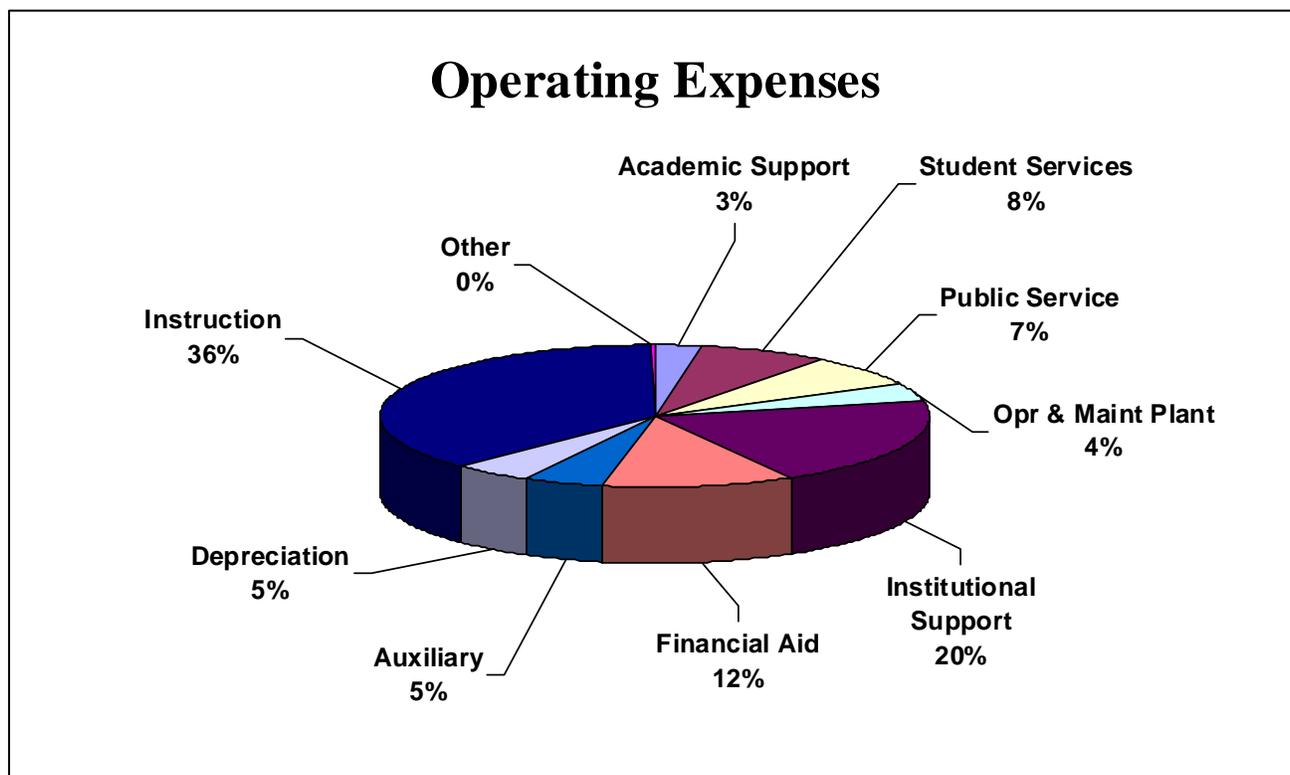


SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT DISCUSSION & ANALYSIS  
JUNE 30, 2007

Operating Expenses  
Years Ended June 30,  
(in thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	(2006 to 2007) Increase (Decrease)	(2006 to 2007) Percent Change
Operating expense					
Instruction	\$ 7,366	\$ 5,508	\$ 4,747	\$ 1,858	33.73%
Academic support	527	498	462	29	5.82%
Student services	1,503	1,335	1,161	168	12.58%
Public service	1,449	1,916	2,269	(467)	(24.37)%
Operations& maintenance plant	785	1,797	1,769	(1,012)	(56.32)%
Institutional support	3,942	3,737	5,196	205	5.49%
Financial aid	2,293	2,356	1,946	(63)	(2.67)%
Auxiliary	920	925	833	(5)	(0.54)%
Depreciation	920	915	916	5	0.55%
Other	42	44	42	(2)	(4.55)%
<b>Total</b>	<u>\$ 19,747</u>	<u>\$ 19,031</u>	<u>\$ 19,341</u>	<u>\$ 716</u>	3.76%

The following is a graphic illustration of fiscal year 2007 operating expenses:



Operating expenses for fiscal year 2007 increased approximately \$716,000.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT DISCUSSION & ANALYSIS  
JUNE 30, 2007

**Statements of Cash Flows**

The final statement presented by the College is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the College during the year. The statement is divided into five 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 nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

Statements of Cash Flows  
Years Ended June 30,  
(in thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash provided (used) by:			
Operating activities	\$ (7,369)	\$ (8,200)	\$ (8,920)
Noncapital financing activities	8,053	7,933	7,914
Capital and related financing Activities	(1,721)	(735)	424
Investing activities	<u>129</u>	<u>146</u>	<u>103</u>
Net change in cash	(908)	(856)	(479)
Cash, beginning of year	<u>3,324</u>	<u>4,180</u>	<u>4,659</u>
 Cash, end of year	 <u>\$ 2,416</u>	 <u>\$ 3,324</u>	 <u>\$ 4,180</u>

**Capital Asset and Debt Administration**

Capital assets net increase of \$7.41 million was predominantly a result of the Allied Health/Technology Building construction. The College has no long term debt related to capital assets due to effective use of external resources and conservative spending.

Readers interested in more detailed information regarding capital assets and debt administration should review the accompanying notes 5 and 6 to the financial statements.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT DISCUSSION & ANALYSIS  
JUNE 30, 2007

**Economic Outlook**

During the 2000 Legislative Session the governance of higher education in the state was changed. Effective July 1, 2001, Higher Education Policy Commission (Commission) was established at the state level and the institutional Board of Advisors was replaced by the institutional Board of Governors. The 2006 Legislature created the Council for Community and Technical College Education, removing governance of the College from the Commission. It is anticipated that this change will have a positive impact on the College in the future. The economic outlook for West Virginia continues to be negative for several more years, leaving the College vulnerable to spending freezes if there is a significant downturn in the state's economy.

Although the economic forecasts for the State of West Virginia and the number of high school graduates in the state continues to decline, the College attracts and maintains non-traditional students to replace losses of traditional college age students. Also, emphasis is placed on dual credit course offerings in high schools. The College continues to offer incentives to faculty to develop modular and web based courses as alternate methods of course delivery. Improved physical plant and favorable comparison of fee structures with peer institutions indicate that the College should be able to remain competitive for new and returning students.

Very positive things are happening at the College. In fiscal year 2005 the Higher Education Policy Commission sold approximately \$165 million in bonds which will be repaid from excess Lottery Funds. The College's share of the Bond sale was \$9.6 million of which \$9.6 million has been expended to date. The largest project with the bond proceeds was the construction of the Technology and Allied Health Center. These funds also allow the College to proceed with much needed deferred maintenance. A complete detail of the planned use of the \$9.6 million is as follows:

Williamson Campus	\$ 865,000
Logan Downtown Annex Building	160,420
Technology and Allied Health Center	6,996,920
Logan Building Renovations	77,660
Lincoln County Building Costs	<u>1,500,000</u>
 Total	 <u>\$ 9,600,000</u>

**Requests for Information**

The financial report is designed to provide an overview of the finances of the College for those with an interest in this organization. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Southern West Virginia Community and Technical College at Post Office Box 2900, Mount Gay, West Virginia 25637.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
STATEMENTS OF NET ASSETS  
JUNE 30, 2007 AND 2006

13

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 2,416,369	\$ 3,324,057
Accounts receivable - net	516,525	600,551
Due from State Agencies - net	-	332,521
Due from Community Technical Council (CTC)	-	5,209
Due from the Commission	8,550	10,866
Due from Federal Government	34,880	28,343
Inventories	<u>465,468</u>	<u>452,742</u>
Total current assets	<u>3,441,792</u>	<u>4,754,289</u>
Noncurrent assets		
Cash and cash equivalents	111,551	279,108
Investment in capital assets-net	<u>25,667,866</u>	<u>18,262,384</u>
Total noncurrent assets	<u>25,779,417</u>	<u>18,541,492</u>
 Total assets	 <u>29,221,209</u>	 <u>23,295,781</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	887,005	535,630
Due to the Commission	112,968	62,386
Due to other State Agencies	30,450	-
Due to other governments	5,105	-
Accrued liabilities	607,169	599,254
Compensated absences-current portion	400,176	407,821
Deferred revenue	<u>948,805</u>	<u>52,733</u>
Total current liabilities	<u>2,991,678</u>	<u>1,657,824</u>
Noncurrent liabilities		
Compensated absences	<u>1,328,355</u>	<u>1,277,683</u>
Total noncurrent liabilities	<u>1,328,355</u>	<u>1,277,683</u>
 Total liabilities	 <u>4,320,033</u>	 <u>2,935,507</u>
<b>NET ASSETS (DEFICIT)</b>		
Invested in capital assets-net of related debt	<u>25,667,866</u>	<u>18,262,384</u>
Restricted for expendable:		
Sponsored projects	-	1,327,051
Loans	<u>7,285</u>	<u>7,528</u>
Total restricted net assets	<u>7,285</u>	<u>1,334,579</u>
Unrestricted (deficiency)	<u>(773,975)</u>	<u>763,311</u>
 Total net assets	 <u>\$ 24,901,176</u>	 <u>\$ 20,360,274</u>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

14

**SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2006**

**ASSETS**

Cash and cash equivalents	\$ 912,897
Certificates of deposit	15,778
Investments at estimated market value	1,140,283
Interest receivable	16,191
Prepaid insurance	1,579
Receivable from related party	12,803
Unconditional promises to give, less allowance for uncollectible promises	1,007,628
Fixed assets, net	27,735
Other assets	<u>5,000</u>
<b>Total assets</b>	<b><u><u>\$ 3,139,894</u></u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 1,000
Payable to related party	544,315
Obligations under capital leases	<u>30,352</u>
<b>Total liabilities</b>	<b><u>575,667</u></b>

**NET ASSETS**

Unrestricted	37,982
Temporarily restricted	2,511,245
Permanently restricted	<u>15,000</u>
<b>Total net assets</b>	<b><u>2,564,227</u></b>
<b>Total liabilities and net assets</b>	<b><u><u>\$ 3,139,894</u></u></b>

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2007 AND 2006

15

	<u>2007</u>	<u>2006</u>
Operating revenues		
Student tuition and fees (net of scholarship allowance of \$2,011,432 and \$2,061,172)	\$ 1,071,527	\$ 966,665
Contracts and grants:		
Federal	3,887,767	3,948,450
State	3,185,197	3,293,656
Private	-	870
Auxiliary enterprise revenue (net of scholarship allowance of \$161,976 and \$264,655)	1,016,348	934,862
Miscellaneous-net	<u>496,618</u>	<u>733,244</u>
Total operating revenues	<u>9,657,457</u>	<u>9,877,747</u>
 Operating expenses		
Salaries and wages	9,093,674	9,061,848
Benefits	2,662,216	2,605,307
Supplies and other services	4,329,443	3,720,035
Utilities	423,583	520,662
Student financial aid-scholarships and fellowships	2,275,886	2,164,237
Depreciation	920,347	914,975
Fees assessed by the Commission for operations	<u>41,924</u>	<u>43,632</u>
Total operating expenses	<u>19,747,073</u>	<u>19,030,696</u>
 Operating loss	<u>(10,089,616)</u>	<u>(9,152,949)</u>
 Nonoperating revenues (expenses)		
State appropriations	8,053,214	7,932,842
Investment income	129,498	145,952
Other non-operating	<u>18,179</u>	<u>18,036</u>
Net nonoperating revenues	<u>8,200,891</u>	<u>8,096,830</u>
 Income (loss) before other revenues, expenses, gains or losses	<u>(1,888,725)</u>	<u>(1,056,119)</u>
 Bond/capital proceeds from the Commission	6,429,627	2,884,624
Capital projects proceeds from the Commission	<u>-</u>	<u>31,200</u>
Total other revenues	<u>6,429,627</u>	<u>2,915,824</u>
 Increase in net assets	4,540,902	1,859,705
 Net assets, beginning of year	<u>20,360,274</u>	<u>18,500,569</u>
 Net assets, end of year	<u>\$ 24,901,176</u>	<u>\$ 20,360,274</u>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

**SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2006**

16

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES, INVESTMENT INCOME, AND OTHER SUPPORT</b>				
Contributions	\$ -	\$ 2,246,530	\$ 10,000	\$ 2,256,530
Interest and dividend income	242	70,852	-	71,094
Gain (loss) on investment	829	(21,341)	-	(20,512)
Net assets released from restriction	219,283	(219,283)	-	-
<b>Total revenues, investment income, and other support</b>	<u>220,354</u>	<u>2,076,758</u>	<u>10,000</u>	<u>2,307,112</u>
<b>EXPENSES</b>				
Program services:				
Scholarships	67,388	-	-	67,388
Educational development	4,688	-	-	4,688
Total program services	<u>72,076</u>	<u>-</u>	<u>-</u>	<u>72,076</u>
Administrative and general	64,577	-	-	64,577
Fundraising	89,799	-	-	89,799
<b>Total expenses</b>	<u>226,452</u>	<u>-</u>	<u>-</u>	<u>226,452</u>
<b>CHANGE IN NET ASSETS</b>	(6,098)	2,076,758	10,000	2,080,660
<b>NET ASSETS, BEGINNING OF YEAR, AS RESTATED</b>	<u>44,080</u>	<u>434,487</u>	<u>5,000</u>	<u>483,567</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 37,982</u>	<u>\$ 2,511,245</u>	<u>\$ 15,000</u>	<u>\$ 2,564,227</u>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Cash received from student tuition and fees	\$ 1,135,711	\$ 994,585
Cash received from contracts and grants	8,403,315	7,009,802
Payments to and on behalf of employees	(11,704,948)	(11,596,119)
Payments to suppliers	(3,929,767)	(3,593,293)
Payments to utilities	(450,570)	(514,480)
Payments for scholarships and fellowships	(2,275,886)	(2,164,237)
Auxiliary enterprise charges-net	1,016,347	1,134,862
Fees assessed by Commission	(41,924)	(43,631)
Other receipts (payments)-net	<u>478,440</u>	<u>572,758</u>
Net cash used in operating activities	<u>(7,369,282)</u>	<u>(8,199,753)</u>
Cash flows from noncapital financing activities		
State appropriations	<u>8,053,214</u>	<u>7,932,842</u>
Net cash provided by noncapital financing activities	<u>8,053,214</u>	<u>7,932,842</u>
Cash flows from capital financing activities		
Bond Proceeds from the Commission	6,429,627	3,516,577
Purchases of capital assets	(7,983,188)	(4,473,460)
Capital project proceeds from the Commission	-	31,200
Increase (decrease) in noncurrent cash and cash equivalents	<u>(167,557)</u>	<u>191,042</u>
Net cash used in capital financing activities	<u>(1,721,118)</u>	<u>(734,641)</u>
Cash flows from investing activities		
Interest on investments	<u>129,498</u>	<u>145,952</u>
Net cash provided by investing activities	<u>129,498</u>	<u>145,952</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(907,688)	(855,600)
Cash and cash equivalents - beginning of year	<u>3,324,057</u>	<u>4,179,657</u>
Cash and cash equivalents - end of year	<u>\$ 2,416,369</u>	<u>\$ 3,324,057</u>
Reconciliation of net operating loss to net cash used in operating activities		
Operating loss	\$ (10,089,616)	\$ (9,152,949)
Adjustments to reconcile net operating loss to net cash used in operating activities		
Depreciation expense	920,347	914,975
Changes in assets and liabilities		
Accounts receivable-net	94,646	(756)
Inventories	(12,726)	(114,988)
Accounts payable	345,931	(350,002)
Due from Commission	2,316	638,793
Due from other State Agencies	337,730	(186,311)
Due to Commission	56,058	(13,673)
Due to other State Agencies	30,450	(2,505)
Due to other governments	5,105	(3,706)
Due from Federal Government	(6,537)	(28,343)
Accrued liabilities	7,915	101,572
Compensated absences	43,027	(30,536)
Deferred revenues	<u>896,072</u>	<u>28,676</u>
Net cash used in operating activities	<u>\$ (7,369,282)</u>	<u>\$ (8,199,753)</u>

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 1 - ORGANIZATION

Southern West Virginia Community and Technical College (the “College”) is governed by the Southern West Virginia 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 institutions 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 responsibility of developing, overseeing and advancing the State's public policy agenda as it relates to community and technical college education.

NOTE 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 Statement 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.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

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 a separate fund of the State of West Virginia (the "State") that is not included in the State's general fund. The College is a separate entity which, along with all State institutions of higher education, the West Virginia Council of Community and Technical Colleges, and the Commission (which includes West Virginia Network for Educational Telecomputing), 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 College. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities. A related Southern Alumni Association (Alumni Association) of the College is not part of the College's reporting entity and is not included in the accompanying financial statements as the College has no ability to designate management, cannot significantly influence operations of these entities and is not accountable for the fiscal matters of the Alumni Association under GASB Statement No. 14, *The Financial Reporting Entity*.

As of July 1, 2003, the College adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment to GASB Statement No. 14. As a result, the Southern West Virginia Community College Foundation, Inc. (Foundation) was originally not included because the economic resources held by the Foundation was 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.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*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:

- *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 investment 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 2005 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. The College does not have any restricted nonexpendable net assets at June 30, 2007 or 2006.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Unrestricted net assets* - Unrestricted net assets represent resources derived from student tuition and fees, state appropriations and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the Board of Governors to meet current expenses for any purpose. These resources also include resources of auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

*Basis of Accounting* - For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's 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 statement of net assets, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the "State Treasurer") are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments ("BTI"). These funds are transferred to the BTI and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia code, policies set by the BTI, and by provisions of bond indentures and trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

22

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 that annual report can be obtained from the following address: 1900 Kanawha Blvd., E. Room E-122 Charleston, West Virginia, 25305 or <http://www.wvbt.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.

*Appropriations Due from Primary Government* - For financial reporting purposes, appropriations due from the State are presented separate from cash and cash equivalents, as amounts are not specific deposits with the State Treasurer but are obligations of the State.

*Allowance for Doubtful Accounts* - It is the College's policy to provide for future losses on uncollectible accounts, contracts, grants, and receivables based on an evaluation of the underlying account, contract and grant 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.

*Inventories* - Inventories are stated at the lower-of-cost or market, cost being determined on the first-in, first-out method.

*Noncurrent Cash and Cash Equivalents* - Cash, that is (1) externally restricted to make debt service payments, long-term loans to students or to maintain sinking or reserve funds, and (2) to purchase capital or other noncurrent assets is classified as a noncurrent asset in the statement of net assets.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

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 50 years for buildings and infrastructure, 20 years for land improvements, 7 years for library holdings, and 5 to 10 years for furniture and equipment. The College's capitalization threshold is \$5,000. There was no interest capitalized during 2007 and 2006.

*Deferred Revenue* - Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as deferred revenue. Deferred revenue at the College primarily consists of summer tuition collected in advance. 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 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 3 1/3 years of teaching service extends 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.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statement 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 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.

*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.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

*Federal Financial Assistance Programs* - The College distributes 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 \$3,231,000 and \$3,430,000 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 statement of revenues, expenses and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the student's behalf.

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers ("NACUBO"). Certain aid such as loans and funds provided to students as awarded by third parties are 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.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*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 statement 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 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, 2007. 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.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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:

	<u>2007</u>	<u>2006</u>
Cash on deposit with the State Treasurer/BTI	\$ 2,368,062	\$ 3,271,670
Cash in bank	155,158	327,045
Cash on hand	<u>4,700</u>	<u>4,450</u>
	<u>\$ 2,527,920</u>	<u>\$ 3,603,165</u>

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

28

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Cash held by the State Treasurer includes \$920,685 and \$1,327,360 of restricted cash primarily for operating grants as of June 30, 2007 and 2006, respectively.

The combined carrying amount of cash in the bank and on hand at June 30, 2007 and 2006 was \$159,858 and \$331,495, respectively, as compared with the combined bank balance of \$183,152 and \$334,023, respectively. The difference is primarily caused by items in transit and outstanding checks. The bank balances were covered by federal depository insurance or were collateralized by securities held by the State's agent.

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

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.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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):

Security Type	Credit Rating *		2007		2006	
	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
			<u>261,025</u>	<u>12.56</u>	<u>129,055</u>	<u>7.41</u>
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	<u>246,821</u>	<u>11.88</u>	<u>29,339</u>	<u>1.69</u>
			<u>246,821</u>	<u>11.88</u>	<u>102,339</u>	<u>5.88</u>
Deposits:						
Nonnegotiable certificates of deposit	NR	NR	<u>50,000</u>	<u>2.41</u>	<u>23,800</u>	<u>1.37</u>
			<u>\$ 2,077,831</u>	<u>100.00%</u>	<u>\$1,741,802</u>	<u>100.00%</u>

At June 30, 2007 and 2006, the College's ownership represents .09% and 0.11%, respectively, of these amounts held by the BTI.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

**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):

<u>Security Type</u>	<u>Credit Rating</u>		<u>2007</u>		<u>2006</u>	
	<u>Moody's</u>	<u>S&amp;P</u>	<u>Carrying Value</u>	<u>Percent of Pool Assets</u>	<u>Carrying Value</u>	<u>Percent of Pool Assets</u>
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
			<u>51,400</u>	<u>22.39</u>	<u>19,900</u>	<u>10.92</u>
			<u>\$229,551</u>	<u>100.00%</u>	<u>\$182,174</u>	<u>100.00%</u>

At June 30, 2007 and 2006, the College's ownership represents 0.03% and 0.03%, 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):

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

<u>Security Type</u>	<u>Credit Rating</u>		<u>2007</u>		<u>2006</u>	
	<u>Moody's</u>	<u>S&amp;P</u>	<u>Carrying Value</u>	<u>Percent of Pool Assets</u>	<u>Carrying Value</u>	<u>Percent of Pool Assets</u>
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	-	-	<u>46,847</u>	<u>17.65</u>
			<u>52,620</u>	<u>22.98</u>	<u>71,793</u>	<u>27.05</u>
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	<u>20,485</u>	<u>8.95</u>	<u>-</u>	<u>-</u>
			<u>20,485</u>	<u>8.95</u>	<u>1,346</u>	<u>0.51</u>
			<u>\$ 228,920</u>	<u>100.00%</u>	<u>\$ 265,384</u>	<u>100.00%</u>

At June 30, 2007 and 2006, the College's ownership represents .05% and .38%, 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.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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:

Security Type	2007		2006	
	Carrying Value (In Thousands)	WAM (Days)	Carrying Value (In Thousands)	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	<u>185</u>	1	<u>758</u>	1
	<u>\$ 2,077,831</u>	48	<u>\$ 1,741,802</u>	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		2006	
	Carrying Value (In Thousands)	WAM (Days)	Carrying Value (In Thousands)	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	<u>9</u>	1	<u>109</u>	1
	<u>\$ 229,551</u>	49	<u>\$ 182,174</u>	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:

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Security Type	2007		2006	
	Carrying Value (In Thousands)	WAM (Days)	Carrying Value (In Thousands)	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	<u>11,741</u>	814	<u>-</u>	-
	<u>\$ 228,920</u>	700	<u>\$ 265,384</u>	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.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

**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:

	<u>2007</u>	<u>2006</u>
Student tuition and fees - net of allowance for doubtful accounts of \$249,074 and \$194,913	\$ 189,602	\$ 229,080
Due from Foundation	250,305	277,605
Grants and contracts receivable:		
Due from the Commission	8,550	10,866
Due from other agencies - net of allowance for doubtful accounts of \$297,495 and \$0	-	337,730
Due from Federal Government	34,880	28,343
Other accounts receivable	<u>76,618</u>	<u>93,866</u>
	<u>\$ 559,955</u>	<u>\$ 977,490</u>

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 5 - CAPITAL ASSETS

The following is a summation of capital asset transactions for the College for the years ended June 30:

	2007			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated				
Land	\$ 1,288,470	\$ -	\$ -	\$ 1,288,470
Construction in progress	<u>1,442,463</u>	<u>-</u>	<u>(1,442,463)</u>	<u>-</u>
Total capital assets not being depreciated	<u>\$ 2,730,933</u>	<u>\$ -</u>	<u>\$ (1,442,463)</u>	<u>\$ 1,288,470</u>
Other capital assets				
Buildings	\$ 19,960,347	\$ 8,928,596	\$ -	\$ 28,888,943
Equipment	4,575,600	793,460	-	5,369,060
Library holdings	<u>3,774,812</u>	<u>46,236</u>	<u>(42,920)</u>	<u>3,778,128</u>
Total other capital assets	<u>28,310,759</u>	<u>9,768,292</u>	<u>(42,920)</u>	<u>38,036,131</u>
Less accumulated depreciation for				
Buildings	(6,144,104)	(404,426)	-	(6,548,530)
Equipment	(3,110,122)	(425,672)	-	(3,535,794)
Library holdings	<u>(3,525,082)</u>	<u>(90,249)</u>	<u>42,920</u>	<u>(3,572,411)</u>
Total accumulated depreciation	<u>(12,779,308)</u>	<u>(920,347)</u>	<u>42,920</u>	<u>(13,656,735)</u>
Other capital assets-net	<u>\$ 15,531,451</u>	<u>\$ 8,847,945</u>	<u>\$ -</u>	<u>\$ 24,379,396</u>
Capital asset summary				
Capital assets not being depreciated	\$ 2,730,933	\$ -	\$ (1,442,463)	\$ 1,288,470
Other capital assets	<u>28,310,759</u>	<u>9,768,292</u>	<u>(42,920)</u>	<u>38,036,131</u>
Total cost of capital assets	31,041,692	9,768,292	(1,485,383)	39,324,601
Less accumulated depreciation	<u>(12,779,308)</u>	<u>(920,347)</u>	<u>42,920</u>	<u>(13,656,735)</u>
Capital assets-net	<u>\$ 18,262,384</u>	<u>\$ 8,847,945</u>	<u>\$ (1,442,463)</u>	<u>\$ 25,667,866</u>

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 5 - CAPITAL ASSETS (Continued)

	2006			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated				
Land	\$ 1,288,470	\$ -	\$ -	\$ 1,288,470
Construction in progress	<u>978,533</u>	<u>1,158,864</u>	<u>(694,934)</u>	<u>1,442,463</u>
Total capital assets not being depreciated	<u>\$ 2,267,003</u>	<u>\$ 1,158,864</u>	<u>\$ (694,934)</u>	<u>\$ 2,730,933</u>
Other capital assets				
Buildings	\$ 17,433,597	\$ 2,526,750	\$ -	\$ 19,960,347
Equipment	4,209,522	428,072	(61,994)	4,575,600
Library holdings	<u>3,745,287</u>	<u>58,705</u>	<u>(29,180)</u>	<u>3,774,812</u>
Total other capital assets	<u>25,388,406</u>	<u>3,013,527</u>	<u>(91,174)</u>	<u>28,310,759</u>
Less accumulated depreciation for				
Buildings	(5,738,120)	(405,984)	-	(6,144,104)
Equipment	(2,764,102)	(408,014)	61,994	(3,110,122)
Library holdings	<u>(3,453,285)</u>	<u>(100,977)</u>	<u>29,180</u>	<u>(3,525,082)</u>
Total accumulated depreciation	<u>(11,955,507)</u>	<u>(914,975)</u>	<u>91,174</u>	<u>(12,779,308)</u>
Other capital assets-net	<u>\$ 13,432,899</u>	<u>\$ 2,098,552</u>	<u>\$ -</u>	<u>\$ 15,531,451</u>
Capital asset summary				
Capital assets not being depreciated	\$ 2,267,003	\$ 1,158,864	\$ (694,934)	\$ 2,730,933
Other capital assets	<u>25,388,406</u>	<u>3,013,527</u>	<u>(91,174)</u>	<u>28,310,759</u>
Total cost of capital assets	27,655,409	4,172,391	(786,108)	31,041,692
Less accumulated depreciation	<u>(11,955,507)</u>	<u>(914,975)</u>	<u>91,174</u>	<u>(12,779,308)</u>
Capital assets-net	<u>\$ 15,699,902</u>	<u>\$ 3,257,416</u>	<u>\$ (694,934)</u>	<u>\$ 18,262,384</u>

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.

Title for certain real property is with the Commission.

At June 30, 2007, the College had outstanding contractual commitments of \$427,754 for property, plant, and equipment expenditures.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 6 - LONG-TERM LIABILITIES

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

	2007					
	Beginning			Ending	Current	Noncurrent
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Portion</u>	<u>Portion</u>
Compensated absences	\$ 1,685,504	\$ 43,027	\$ -	\$ 1,728,531	\$ 400,176	\$ 1,328,355
Total noncurrent liabilities	<u>\$ 1,685,504</u>	<u>\$ 43,027</u>	<u>\$ -</u>	<u>\$ 1,728,531</u>	<u>\$ 400,176</u>	<u>\$ 1,328,355</u>
	2006					
	Beginning			Ending	Current	Noncurrent
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Portion</u>	<u>Portion</u>
Compensated absences	\$ 1,716,040	\$ -	\$ 30,536	\$ 1,685,504	\$ 407,821	\$ 1,277,683
Total noncurrent liabilities	<u>\$ 1,716,040</u>	<u>\$ -</u>	<u>\$ 30,536</u>	<u>\$ 1,685,504</u>	<u>\$ 407,821</u>	<u>\$ 1,277,683</u>

NOTE 7 - OPERATING LEASE OBLIGATIONS

The College leases various equipment, automobiles, and buildings, under operating lease agreements. Aggregate payment for operating leases amounted to \$50,743 and \$50,743 for the years ended June 30, 2007 and 2006, respectively. Future minimum rental commitments are as follows as of June 30, 2007:

<u>Year Ending June 30</u>	<u>Operating Leases</u>
2008	\$ 40,407
2009	33,692
2010	<u>18,975</u>
Total	<u>\$ 93,074</u>

The College entered into an agreement to lease a branch facility from the Boone County Board of Education. The agreement provides for rent payments of \$1 per year continuing for 40 years beginning on April 1, 1998. The facility was constructed with \$807,380 of funds provided by the College with the balance of \$1 million provided by the Boone County Board of Education through the West Virginia School Building Authority.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 8 - COMPENSATED ABSENCES

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

	<u>2007</u>	<u>2006</u>
Current:		
Health or life insurance benefits	\$ 74,834	\$ 66,250
Accrued vacation leave	<u>325,342</u>	<u>341,571</u>
	<u>400,176</u>	<u>407,821</u>
Non Current		
Health or life insurance benefits	1,176,750	1,131,892
Accrued vacation leave	<u>151,605</u>	<u>145,791</u>
	<u>1,328,355</u>	<u>1,277,683</u>
Total	<u>\$ 1,728,531</u>	<u>\$ 1,685,504</u>

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 \$59,618 and \$60,544, respectively. There were 24 and 21 retirees eligible for these benefits as of June 30, 2007 and 2006, respectively.

NOTE 9 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

The State has chartered the Commission with the responsibility to construct or renovate, finance and maintain various academic and other facilities of the State's universities and colleges, 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, College Systems, and the Commission (the "Boards"). These obligations administered by the Commission are the direct and total responsibility of the Commission, as successor to the former Boards.

NOTE 10 - UNRESTRICTED NET ASSETS

The College did not have any designated net assets as of June 30, 2007 or 2006.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 11 - 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 Educators Money 401(a) basic retirement plan. New hires have the choice of either plan. As of June 30, 2007, there were no employees enrolled in the Educators Money 401(a) basic retirement plan.

The STRS is a cost sharing, 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 years ended June 30, 2007, 2006, and 2005. Required employee contributions were at the rate of 6% of total annual salary for years ended June 30, 2007, 2006, and 2005. Participants in the STRS may retire with full benefits upon reaching age 60 with 5 years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest 5 years' 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, 2006 and 2005 were \$340,233, \$337,475 and \$334,895, respectively, which consisted of \$243,024, \$241,054, and \$239,211 from the College in 2007, 2006 and 2005, respectively, and \$97,209, \$96,421 and \$96,648 from the covered employees in 2007, 2006 and 2005, 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.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 11 - RETIREMENT PLANS (Continued)

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, 2006 and 2005 were \$804,853, \$772,559 and \$751,336, respectively, which consisted of equal contributions from the College and covered employees in 2007, 2006 and 2005 of \$402,427, \$386,279, and \$375,668, respectively.

The College's total payroll for the years ended June 30, 2007, 2006, and 2005 were \$9,093,674, \$9,061,848 and \$8,789,365, respectively; total covered employees' salaries in the STRS and TIAA-CREF were \$1,620,155 and \$6,707,109 in 2007, respectively; \$1,607,013 and \$6,437,996 in 2006, respectively; and \$1,594,735 and \$6,261,134 in 2005, respectively.

NOTE 12 - FOUNDATION

The Foundation is a separate nonprofit organization incorporated in the State and has as its purpose "to support, encourage and assist in the development and growth of the College, ...to render service and assistance to the College, and through it to the citizens of the State of West Virginia..." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy and maintains fiscal accountability over funds administered by the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is therefore discretely presented with the College's financial statements in accordance with GASB Statement No. 39.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 12 - FOUNDATION (Continued)

The Foundation's net assets totaled \$2,564,227 and \$484,567 (restated) at December 31, 2006 and 2005, respectively. The net assets include amounts which are restricted by donors to use for specific projects or departments of the College. During the years ended June 30, 2007 and 2006, the Foundation made \$177,892 and \$242,608, respectively, in contributions to the College. As of June 30, 2007 and 2006, the College had accounts receivable of \$250,305 and \$277,605 due from the Foundation. Complete financial statements for the Foundation can be obtained from the Southern West Virginia Community College Foundation.

NOTE 13 - AFFILIATED ORGANIZATION

The College has a separately incorporated affiliated organization, the Southern Alumni Association. Oversight responsibility for this entity rests with an independent board and management not otherwise affiliated with the College. The financial statements of this organization are not included in the College's accompanying financial statements under GASB Statement No. 39 because they are not significant.

NOTE 14 - 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 impact seriously on the financial status of the institution.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The College's management believes disallowances, if any, will not have a significant financial impact on the College's financial position.

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 14 - CONTINGENCIES (Continued)

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 15 - COMMITMENTS

During the year ended June 30, 2005, the West Virginia Higher Education Policy Commission issued \$167,260,000 of 2004 Series B Revenue Bonds (Higher Education Facilities). The College has been approved for \$9,600,000 of the bond proceeds for construction of the new Technology and Allied Health Building, a wing on the new Lincoln County Consolidated High School, and renovation of other existing buildings throughout the College. As of June 30, 2007, the College has drawn \$9,600,000 of these bonds to pay for capital projects. State Lottery funds will be used to repay the debt, although College revenues are pledged if Lottery funds prove insufficient.

NOTE 16 COMPONENT UNIT DISCLOSURES

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** - Southern West Virginia Community College Foundation, Inc. (the "Foundation") was incorporated in September 1971 as a tax-exempt, not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code for the purpose of collecting donations from individuals, corporations, and foundations to be distributed as scholarships to persons attending what is now known as Southern West Virginia Community and Technical College (the "College"), and to be used for other purposes benefiting the College. The Foundation is classified as other than a private foundation by the Internal Revenue Service and is exempt from income taxes.

**Basis of Accounting and Financial Statement Presentation** - The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principals ("U.S. GAAP"). The accompanying financial statements of the Foundation present information regarding its net assets and activities in the following three categories:

*Unrestricted* - Net assets are under the discretionary control of the Board of Directors (the "Board") and include amounts designated by the Board for specified purposes.

*Temporarily Restricted* - Net assets are restricted by the donor for a specific purpose (generally scholarships or educational development programs) or use in a future time period. The income on these net assets is either temporarily restricted or unrestricted based on the intentions of the donor.

*Permanently Restricted* - Net assets are subject to the donor's restriction that the principal remain invested in perpetuity. The income on these net assets generally is used for scholarships or educational development programs.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents** - Cash and cash equivalents include cash in checking accounts and short-term investments with an original maturity of three months or less.

**Investments** - Investments are reported at fair value.

**Unconditional Promises to Give** - Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promise to give and are recorded at the present value of the net realizable value, using the federal prime rate plus two percent as applicable to the years in which the promises are received to discount the amounts. The majority of the promises to give are received from local individual and business contributors as a result of the VISION 2020 campaign.

An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end.

**Contributions** - Contributions and grants, including bequests, special gifts, and other donations, are recorded as revenue when received or, if by pledge, when an unconditional pledge is made. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Noncash bequests, gifts, and donations, if any, would be recorded at the fair market value of the asset at the date of donation.

**Program Services Expenses** - All scholarships and other program services distributions are approved by the Board. Unconditional grants to the College are recognized when approved. Grants approved by the Board that are payable upon performance of specified conditions by the grantee (if any) are recognized in the statement of activities and change in net assets when the specified conditions are satisfied.

**SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.** 45  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**NOTE 2 - INVESTMENTS**

The cost and estimated fair values of investments at December 31, 2006, are as follows:

	<u>Estimated Fair Value</u>	<u>Cost</u>
U.S. government obligations	\$ 1,006,752	\$ 998,896
Equity securities	<u>133,531</u>	<u>114,562</u>
Total	<u>\$ 1,140,283</u>	<u>\$ 1,113,458</u>

**NOTE 3 - PROMISES TO GIVE**

Unconditional promises to give at December 31, 2006, are as follows:

Receivable in less than one year	\$ 293,541
Receivable in one to five years	<u>843,700</u>
Total unconditional promises to give	1,137,241
Less discounts to net present value	(129,613)
Less allowance for uncollectible promises	<u>-</u>
Net unconditional promises to give	<u>\$ 1,007,628</u>

The discount rates used on long-term promises to give was 8.25% in 2006.

**NOTE 4 - RELATED PARTY TRANSACTIONS**

The Foundation scholarships are awarded by the College. The College awarded \$67,388 in scholarships to students on behalf of the Foundation in 2006. The College also presented the faculty of the College with educational awards totaling \$3,000 in 2006.

Each of these transactions was recorded as a payable on the Foundation's financial statements. At December 31, 2006, the Foundation's total related party payable to the College for scholarships and faculty educational awards was \$318,815.

The Foundation also received a non-interest bearing advance from the College to aid in the payment of a contractor that specializes in fundraising. At December 31, 2006, the aggregate amount received by the Foundation and owed to the College was \$225,500.

**SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.** 46  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**NOTE 4 - RELATED PARTY TRANSACTIONS (CONTINUED)**

Scholarships totaling \$12,803 were awarded on behalf of the Foundation in 2005 with the understanding that the College would reimburse the Foundation at a later date.

Contributed services received from the College and from unrelated volunteers have not been recorded, as the value of the services cannot be determined.

**NOTE 5 - LONG-TERM LIABILITIES**

The College and the Foundation have agreed upon a repayment schedule for the amounts owed to the College as described in Note 4. The \$318,815 balance due as of December 31, 2006, is to be repaid in annual installments of \$40,000 per year until liquidated. No interest is to be charged on the unpaid balance.

**NOTE 6 - NET ASSETS**

Temporary and permanent restrictions on net assets at December 31, 2006, are for scholarships and educational development.

Net assets were released from restriction for the following purposes during the year ended December 31, 2006:

Scholarships	\$ 67,388
Educational development	4,688
Fundraising	89,799
Other	<u>57,408</u>
Total	<u>\$ 219,283</u>

**NOTE 7 - CAPITAL LEASE OBLIGATION**

The Foundation is the lessee of computer software under a capital lease expiring in the fiscal year ending December 31, 2008. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is shown as depreciation expense in the fiscal year ended December 31, 2006.

SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC. 47  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2006

**NOTE 7 - CAPITAL LEASE OBLIGATION (CONTINUED)**

Depreciation on assets under capital leases charged to expense in 2006 was \$13,867.

The following is a summary of property held under capital leases:

Software	\$ 41,602
Less accumulated depreciation	<u>(13,867)</u>
Net	<u>\$ 27,735</u>

Minimum future lease payments under capital leases as of December 31, 2006 are as follows:

<u>Year Ended</u>	<u>Amount</u>
2007	\$ 17,010
2008	<u>17,010</u>
Total minimum lease payments	34,020
Less amount representing interest	<u>(3,668)</u>
Present value of net minimum lease payment	<u>\$ 30,352</u>

Implied interest rate on capitalized lease is 8.25% and is imputed based on the Foundation's borrowing rate at the inception of the lease. Interest expense recognized on this implied rate is \$1,834 in 2006.

SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC. 48  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2006

**NOTE 8 - PRIOR PERIOD ADJUSTMENTS**

Net assets at the beginning of 2006 have been adjusted to record the effect of the following transactions that occurred in prior years, but had not been recorded on the Foundation's books:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Net assets, as previously stated	\$ 44,080	\$ 390,244	\$ 5,000
Promises to give not recorded	<u>-</u>	<u>44,243</u>	<u>-</u>
Net assets, as restated	<u>\$ 44,080</u>	<u>\$ 434,487</u>	<u>\$ 5,000</u>

SOUTHERN WEST VIRGINIA  
COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006

**NOTE 17 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS**

These tables represent operating expenses within both natural and functional classifications for the years ended June 30:

	2007							
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	Total
Instruction	\$ 4,147,079	\$ 1,184,597	\$ 1,965,524	\$ 83	\$ 69,178	\$ -	\$ -	\$ 7,366,461
Public service	836,469	239,956	346,331	311	25,793	-	-	1,448,860
Academic support	274,752	78,544	173,682	-	-	-	-	526,978
Student services	944,669	280,517	277,977	-	-	-	-	1,503,163
General institutional support	2,192,305	671,333	1,073,007	1,400	3,828	-	-	3,941,873
Operations and maintenance of plant	514,345	169,451	(321,086)	421,789	-	-	-	784,499
Student financial aid	27,251	58	88,570	-	2,177,087	-	-	2,292,966
Auxiliary enterprises	156,804	37,760	725,438	-	-	-	-	920,002
Depreciation	-	-	-	-	-	920,347	-	920,347
Other	-	-	-	-	-	-	41,924	41,924
<b>Total</b>	<b>\$ 9,093,674</b>	<b>\$ 2,662,216</b>	<b>\$ 4,329,443</b>	<b>\$ 423,583</b>	<b>\$ 2,275,886</b>	<b>\$ 920,347</b>	<b>\$ 41,924</b>	<b>\$ 19,747,073</b>

	2006							
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	Total
Instruction	\$ 3,878,264	\$ 1,122,407	\$ 485,496	\$ 832	\$ 20,964	\$ -	\$ -	\$ 5,507,963
Public service	1,154,265	289,975	462,147	(1,004)	10,594	-	-	1,915,977
Academic support	310,331	91,273	95,781	165	-	-	-	497,550
Student services	834,250	260,031	239,843	-	400	-	-	1,334,524
General institutional support	2,213,413	627,651	1,277,396	(176,603)	(204,471)	-	-	3,737,386
Operations and maintenance of plant	493,698	171,002	435,015	697,272	-	-	-	1,796,987
Student financial aid	20,105	178	(788)	-	2,336,750	-	-	2,356,245
Auxiliary enterprises	157,522	42,790	725,145	-	-	-	-	925,457
Depreciation	-	-	-	-	-	914,975	-	914,975
Other	-	-	-	-	-	-	43,632	43,632
<b>Total</b>	<b>\$ 9,061,848</b>	<b>\$ 2,605,307</b>	<b>\$ 3,720,035</b>	<b>\$ 520,662</b>	<b>\$ 2,164,237</b>	<b>\$ 914,975</b>	<b>\$ 43,632</b>	<b>\$ 19,030,696</b>



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  
Southern West Virginia Community and Technical College  
Mt. Gay, West Virginia

We have audited the financial statements of Southern West Virginia Community and Technical College (the College) as of and for the year ended June 30, 2007, and have issued our report thereon dated October 8, 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.

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.

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*.

This report is intended solely 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, 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.



Charleston, West Virginia  
October 8, 2007