Eastern West Virginia Community and Technical College

Financial Statements as of and for the Years Ended June 30, 2008 and 2007, and Independent Auditors' Reports

EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

TABLE OF CONTENTS

Deloitte.

Deloitte & Touche LLP
2500 One PPG Place
Pittsburgh, PA 15222-5401
USA

Tel: +1 412 338 7200
Fax: +1 412 338 7380
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of net assets of Eastern West Virginia Community and Technical College (the "College") as of June 30, 2008 and 2007, and the related statements of revenues, expenses, and changes in net assets, and of cash flows for the years then ended. These financial statements are the responsibility of the management of the College. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the College at June 30, 2008 and 2007, and the 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.

As discussed in Note 2 to the financial statements, during the year ended June 30, 2008, the College adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The Management's Discussion and Analysis (MD&A) on pages 3 to 9 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the College's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2008, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Deloitte & Touche LLP

October 21, 2008

Overview of the Financial Statements and Financial Analysis

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

The following discussion and analysis of the College's financial statements provides an overview of its financial activities during the fiscal years ended June 30, 2008 and June 30, 2007 with the primary focus on 2008. This discussion and analysis is required supplementary information. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

Statement of Net Assets

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

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

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

Condensed Statement of Net Assets

	June 30, 2008	June 30, 2007	June 30, 2006
Assets:			
Current assets	$2,125,460	$ 1,203,724	$ 920,659
Noncurrent assets	5,469,407	1,627,653	903,693
Total Assets	7,594,867	2,831,377	1,824,352
Liabilities:			
Current liabilities	1,483,880	548,010	376,882
Noncurrent liabilities	29,794	122,186	96,541
Total Liabilities	1,513,674	670,196	473,423
Net Assets:			
Invested in capital assets	5,354,080	1,527,156	836,196
Restricted – expendable	116,506	90,981	68,154
Unrestricted	610,607	543,044	446,579
Total Net Assets	**$6,081,193**	**$2,161,181**	**$1,350,929**

Financial Highlights:

- *Assets*

  Current assets as of June 30, 2008 increased $921,736 from June 30, 2007. Cash increased by $317,199 in part due to increase tuition and grant funding. Accounts receivable increased by $676,134 primarily due to a $680,959 increase in due from Council/Commission, which relate to capital project proceeds not received as of June 30, 2008, including $296,813 related to retainage payables. Current assets as of June 30, 2007 reflect an increase of $283,065 from June 30, 2006. Cash, as of June 20, 2007, increased by $334,782 from June 30, 2006 in part due to several vacant positions.

  Noncurrent assets increased by $3,841,754 as of June 30, 2008 from June 30, 2007 at which time reflected an increase of $723,960 in comparison to June 30, 2006. The increase from 2007 to 2008 and 2006 to 2007 is due to the construction-in-process of a new facility for the College. At the close of fiscal years 2008 and 2007, the College was in the construction phase for an institution-owned facility that is tentatively scheduled to open in the spring of 2009.

- *Liabilities*

  Current liabilities as of June 30, 2008 increased by $935,870 from the previous year as compared to a increase of $171,128 from June 30, 2006 to June 30, 2007. Accounts payable reflects a increase of $434,010 from June 30, 2007 to June 30, 2008, as it includes construction-related items of $478,867 June 30, 2008 versus only $56,347 at June 30, 2007. Deferred revenue increased by $192,717 from June 30, 2007 and June 30, 2008 due to acquiring additional grant funding and increase of $181,880 from June 30, 2006 to June 30, 2007 was also due to increased grant funding.

Noncurrent or longterm liabilities represent accrued compensated absences and other post employment benefits liability (OPEB). Included in compensated absences are employees' balances of annual leave which are in excess of one year's annual leave rate for June 30, 2008 and 2007 and sick leave for those employees hired before July 1, 2002 as of June 30, 2007. The total noncurrent balance decreased by $92,392 from June 30, 2007 to June 30, 2008 as the OPEB liability, which was the result of adopting GASB Statement No. 45, was less than the previous liability recorded under GASB Statement No. 16. The change from June 30, 2006 to June 30, 2007 reflects a increase of $25,645 which reflects a shift in the experience level of the College's staff.

- *Net Assets*

  Investment in capital assets reports an increase of $3,826,924 in fixed assets (net of depreciation) between June 30, 2007 and June 30, 2008. The comparison of June 30, 2006 to June 30, 2007 reflects an increase of $690,960 in fixed assets (net of depreciation), as described in the above highlighted "Noncurrent Assets" section.

  Restricted net assets shows an increase of $25,525 and $22,827 between 2008 and 2007 and 2007 and 2006, respectively. This is the result of the increase in collections of education and general tuition and fees capital fee that is expendable but restricted for capital projects, and that management has chosen not to utilize to date.

  Unrestricted net assets increased by $67,563 as of June 30, 2008 in comparison to June 30, 2007 and increased by $96,465 as of June 30, 2007 in comparison to June 30, 2006.

  In total, net assets as of June 30, 2008 increased by $3,920,012 from June 30, 2007 as compared to a increase of $810,252 between June 30, 2007 and June 30, 2006, primarily as a result of the transfers from the Commission.

Statement of Revenues, Expenses, and Changes in Net Assets

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

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

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

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

	FY 2008	FY 2007	FY 2006
Operating revenues	$ 618,972	$ 503,885	$496,489
Operating expenses	2,846,660	2,607,155	2,736,195
Operating loss	(2,227,688)	(2,103,300)	(2,239,706)
Nonoperating revenues	2,157,788	2,068,680	2,034,109
Capital projects and bond proceeds	3,860,213	844,872	442,883
Donated equipment	34,561	–	–
Increase in net assets before cumulative effect	3,824,874	810,252	237,646
Cumulative effect for OPEB	95,138	–	–
Increase in net assets	3,920,012	810,252	237,646
Net assets—beginning of year	2,161,181	1,350,929	1,113,283
Net assets—end of year	$ 6,081,193	$ 2,161,181	$1,350,929

Financial Highlights:

Operating revenues increased by $115,087 in fiscal year 2008 as compared to fiscal year 2007. Tuition and fee revenue increased by $78,237 due to increased enrollment as the College continues to grow. Revenue from grants and contracts reflected an increase of $45,047 during this period. Grants and contracts are cyclical by nature and cannot be relied upon for sustained revenue from one year to the next.

Operating expenses in fiscal year 2008 increased by $239,505 from fiscal year 2007 as compared to a decrease of $129,040 from fiscal year 2006 to fiscal year 2007. The increase in 2008 is increase payroll wages, benefits, other services and utilities. The decrease in 2007 is the result of a decrease in salary and wages, supplies and other services and utilities expenses. Payroll increased in 2008 by $121,592 as a result of no vacant positions during most of 2008. Salary and wages decreased by $42,631 in fiscal 2007 as compared to fiscal 2006 due to unfilled positions.

The increase in supplies and other services of $186,941 is a result of full staffing, implementation of new programs and promotional strategies. The decrease in supplies and other services of $61,736 in fiscal year 2007 as compared to fiscal year 2006 occurred as a result of increased efficiency and cost cutting measures.
Depreciation reflected a $69,863 decrease in fiscal 2008 as compared to fiscal 2007 and a decrease of $62,770 in fiscal year 2007 as compared to fiscal year 2006.

Nonoperating revenue increased by $89,108 in fiscal year 2008 as compared to fiscal year 2007. This resulted from a $30,618 increase in State appropriations and a $1,948 increase in investment income from the previous year, as the College had higher invested balances, which more than offset reduced rates of return. Fiscal year 2007 as compared to fiscal year 2006 resulted in a $34,571 increase in nonoperating revenue. The College participates in the investment pool managed by the State. These factors remained stable in 2008 and 2007.

Other revenues increased by $3,049,902 in fiscal year 2008 from fiscal year 2007 as compared to an increase of $401,989 in fiscal year 2007 from fiscal 2006. The increases in 2008 and 2007 are both due to the start of the new facility project which increased the draw downs of funds from bond proceeds to fund the project.

Statement of Cash Flows

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

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

Condensed Statements of Cash Flows

	FY 2008	FY 2007	FY 2006
Cash provided by (used in):			
Operating activities	$(1,783,072)	$(1,715,384)	$(2,160,133)
Noncapital financing activities	2,133,164	2,089,624	1,973,432
Capital and related financing activities	(84,416)	(85,320)	9,942
Investing activities	51,523	45,862	28,239
Increase (decrease) in cash	317,199	334,782	(148,520)
Cash and cash equivalents— beginning of year	922,547	587,765	736,285
Cash and cash equivalents— end of year	$1,239,746	$ 922,547	$ 587,765

Financial Highlights:

Cash used in operating activities decreased by $67,688 in fiscal year 2008 from the previous year. An increase of $60,775 in cash flows from tuition and fees is a result of an increase in the tuition rate and increased enrollment. Cash flow from grants and contracts saw an increase of $54,433 from fiscal 2007 to fiscal 2008 due to an increase in grants and contracts received by the College. Cash flows for payments to and on behalf of employees increased by $120,663 in fiscal year 2008 as compared to fiscal year 2007. Fiscal year 2008 also experienced an increase of $88,342 in cash flows for payments to suppliers over fiscal year 2007. Both of the increases (payments to and on behalf of employees and payments to suppliers) are reflective of the increases in the "salary and wages" and "benefits" and "supplies and other services" expenses as discussed in the "Statement of Revenues and Expenses and Changes in Net Assets" section.

Cash provided by noncapital financing activities increased by $43,540 in fiscal year 2008 as compared to fiscal year 2007 as a result of an increase in state appropriations. Fiscal year 2007 noncapital financing activities reflected an increase in cash flows of $116,192 over fiscal year 2006.

Cash used in capital financing decreased in fiscal year 2008 from fiscal year 2007 by $904. The use of cash in both years is primarily due to the construction payments for the new building in excess of the amounts received for capital projects and other capital purchases.

Cash provided by investing activities increased in fiscal year 2008 from fiscal year 2007 by $5,661. Fiscal year 2007 resulted in an increase of $17,623 in cash provided by investing activities over fiscal year 2006.

Overall current cash increased by $317,199 in fiscal year 2008 as compared to an overall cash increase of $334,782 in fiscal year 2007.

Capital Activity

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

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

As of June 30, 2008, the College has awarded the contract for the construction of its first Classroom/Laboratory/General Support building that is being funded through the 2004 Revenue Bond. A ten-year Campus Facility Master Plan, and a five-year Capital Expenditure Plan were developed and approved by the West Virginia Community and Technical College Council. The building is targeted for completion in the Spring of 2009.

Economic Outlook

Despite some financial challenges facing Eastern in the fiscal year 2008 the institution was able to sustain its financial position and its operations during fiscal year 2008. It went through a thorough evaluation and performance audit in April, 2008 by a team of experienced higher education administrators sent by the Higher Learning Commission. The team examined financial audits, budget expenditures, cash flow analysis and a multitude of planning documents and determined that the College has the existing financial capacity to implement its mission. As a relatively new institution Eastern requires investments in new programs to promote enrollment increases. The goal of expanding program offerings will not only increase the much needed services to the community but will generate an increase in tuition which results in providing a consistent funding stream to support the cost of new programs.

It is important that Eastern develop long-range plans commensurate with budget development. In years past senior administration developed the budget however, starting in fiscal year 2009 input from departments were solicited. Departments will be given their own budgets and expected to be good money managers and learn to live within the limitations of their respective budget.

Eastern was a recipient of a $220,000 Technical Development Grant in 2007 and has implemented the program in Automotive Technology in 2008. The Grant has helped expand services to students as well as providing start up costs for supplies and equipment. The budget for fiscal year 2010 should free the college from the expense of rent in the amount of approximately $200,000 as a result of the completion of a new facility. The new facility is entirely funded through the West Virginia Higher Education Facilities 2004 Series B Revenue Bonds. The project will provide the College with a long-term fixed asset that will stop the pattern of declining total assets and should generate increased tuition and fee revenues.

EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2008 AND 2007

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,239,746	$ 922,547
Appropriations due from Primary Government	40,312	111,909
Accounts receivable — net	845,402	169,268
Total current assets	2,125,460	1,203,724
NONCURRENT ASSETS:		
Cash and cash equivalents	115,327	88,424
Capital assets — net	5,354,080	1,539,229
Total noncurrent assets	5,469,407	1,627,653
TOTAL ASSETS	$ 7,594,867	$ 2,831,377
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 599,048	$ 165,038
Retainages payable	296,813	12,073
Amount due to the Commission	1,543	1,579
Accrued liabilities and deposits	64,210	46,160
Compensated absences — current portion	70,330	63,941
Deferred revenue	451,936	259,219
Total current liabilities	1,483,880	548,010
NONCURRENT LIABILITIES:		
Compensated absences	20,630	122,186
Other postemployment benefits liability	9,164	
Total noncurrent liabilities	29,794	122,186
TOTAL LIABILITIES	1,513,674	670,196
NET ASSETS:		
Invested in capital assets	5,354,080	1,527,156
Restricted — expendable for capital projects	116,506	90,981
Unrestricted	610,607	543,044
Total net assets	6,081,193	2,161,181
TOTAL	$ 7,594,867	$ 2,831,377

See notes to financial statements.

EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
OPERATING REVENUES:		
Student tuition and fees	$ 460,477	$ 382,240
Contracts and grants:		
State	127,944	79,701
Private	13,820	17,016
Miscellaneous — net	16,731	24,898
Total operating revenues	618,972	503,855
OPERATING EXPENSES:		
Salaries and wages	1,336,062	1,293,907
Benefits	433,191	319,397
Supplies and other services	706,050	519,109
Rent	218,180	252,430
Utilities	21,195	19,682
Depreciation	124,754	194,617
Fees assessed by the Commission for operations	7,228	8,013
Total operating expenses	2,846,660	2,607,155
OPERATING LOSS	(2,227,688)	(2,103,300)
NONOPERATING REVENUES:		
State appropriations	2,021,567	1,990,949
Payments on behalf of Eastern West Virginia Community and Technology College	46,542	
Contributions	40,000	30,000
Investment income	49,679	47,731
Total nonoperating revenues	2,157,788	2,068,680
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(69,900)	(34,620)
CAPITAL PROJECTS AND BOND PROCEEDS FROM THE COMMISSION	3,860,213	844,872
DONATED EQUIPMENT	34,561	
INCREASE IN NET ASSETS BEFORE CUMULATIVE EFFECT	3,824,874	810,252
CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE (Note 2)	95,138	
INCREASE IN NET ASSETS	3,920,012	810,252
NET ASSETS — Beginning of year	2,161,181	1,350,929
NET ASSETS — End of year	$ 6,081,193	$ 2,161,181

See notes to financial statements.

EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 444,164	$ 383,389
Contracts and grants	333,030	278,597
Payments to and on behalf of employees	(1,696,875)	(1,576,212)
Payments to suppliers	(605,891)	(517,549)
Payments to utilities	(239,306)	(272,171)
Sales and service of educational activities	(42,814)	(8,395)
Fees retained by the Commission	(7,228)	(8,013)
Other receipts — net	31,848	4,970
Net cash used in operating activities	(1,783,072)	(1,715,384)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	2,093,164	2,059,624
Contributions	40,000	30,000
Cash provided by noncapital financing activities	2,133,164	2,089,624
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital project proceeds from the Commission	3,180,542	856,656
Purchases of capital assets	(3,238,055)	(921,049)
Deposits to noncurrent cash and cash equivalents	(26,903)	(20,927)
Net cash used in capital financing activities	(84,416)	(85,320)
CASH FLOWS FROM INVESTING ACTIVITIES — Interest on investments	51,523	45,862
INCREASE IN CASH AND CASH EQUIVALENTS	317,199	334,782
CASH AND CASH EQUIVALENTS — Beginning of year	922,547	587,765
CASH AND CASH EQUIVALENTS — End of year	$ 1,239,746	$ 922,547
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (2,227,688)	$ (2,103,300)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	124,754	194,617
Bad debt recovery	(4,296)	
Expenses paid on behalf of Eastern West Virginia Community and Technical College	46,542	
Changes in assets and liabilities:		
Accounts receivable	5,989	(26,872)
Accounts payable/amounts due	51,725	(5,048)
Accrued liabilities and deposits	18,050	5,828
Other postemployment benefits liability	9,164	
Compensated absences	(29)	37,511
Deferred revenue	192,717	181,880
NET CASH USED IN OPERATING ACTIVITIES	$ (1,783,072)	$ (1,715,384)
NONCASH TRANSACTIONS:		
Capital assets additions included in accounts payable/retainages payable	$ 775,680	$ 120,764
Cumulative effect of adoption of accounting principle	$ 95,138	
Donated equipment	$ 34,561	
Capital project proceeds from Commission included in due from Council/Commission	$ 788,362	

See notes to financial statements.

1. ORGANIZATION

Eastern West Virginia Community and Technical College (the "College") is governed by the Eastern West Virginia Community and Technical College Board of Governors (the "Board"). The Board was established by Senate Bill 653.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including GASB Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments,* and GASB Statement No. 35*, Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities* (an Amendment of GASB Statement No. 34). The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

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

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

The accompanying financial statements present all funds under the authority of the College. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities. A related foundation and another affiliate of the College are not part of the College reporting entity and are not included in the accompanying financial statements 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 these entities under GASB Statement No. 14, *The Financial Reporting Entity*.

Financial Statement Presentation — GASB Statement No. 35, as amended by GASB Statement No. 37, *Basic Financial Statements — and Management's Discussion and Analysis for State and Local Governments: Omnibus — an amendment of GASB Statements No. 21 and No. 34*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a combined basis to focus on the College as a whole. Net assets are classified into four categories according to external donor restrictions or availability of assets for satisfaction of College obligations. The College's net assets are classified as follows:

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

Restricted Net Assets — Expendable — This includes resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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

Restricted Net Assets — Nonexpendable — This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College does not have any restricted nonexpendable net assets at June 30, 2008 or 2007.

Unrestricted Net Assets — Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the Board to meet current expenses for any purpose.

Basis of Accounting — For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been prepared on the accrual basis of accounting with a flow of economic resources measurement focus. Revenues are reported when earned and expenditures when materials or services are received.

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

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the "State Treasurer") are pooled by the State Treasurer with other available funds of the State for investment purposes 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 approximate fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments for External Investment Pools*. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or on the first day of each month for the WV Short-Term Bond Pool (formerly Enhanced Yield Pool) and, accordingly, are presented as cash and cash equivalents in the accompanying combined, financial statements.

The BTI maintains the Consolidated Fund investment fund which consists of seven investment pools and participant-directed accounts, three of which the College may invest in. These pools have been structured as multi-participant variable asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual report. A copy of those annual reports can be obtained from the following address: 1900 Kanawha Blvd., E. Room E-122, Charleston, WV 25305 or http://wvbti.com.

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

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

Capital Assets — Capital assets include construction in progress, furniture and equipment, and books and materials that are part of a catalogued library. Capital assets are stated at cost at the date of acquisition or construction or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally years for library books and 3 to 10 years for furniture and equipment. The College's capitalization threshold is $1,000. The financial statements reflect all adjustments required by GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* as of June 30, 2008 and 2007.

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

Compensated Absences and Other Postemployment Benefits — The College accounts for compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*.

Effective July 1, 2007, the College adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement provided standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. Effective July 1, 2007, the College was required to participate in this multiple-employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State. Details regarding this plan can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, WV 25305-0710 or http://www.wvpeia.com.

These statements require entities to accrue for employees' rights to receive compensation for vacation leave or other postretirement benefits as such benefits are earned and payment becomes probable.

The College's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1-1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired on July 1, 2001, or later will no longer receive sick leave credit toward insurance premiums when they retire. This liability is now provided for under the multiple employer cost-sharing plan sponsored by the State.

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally 3-1/3 years of teaching service extend health insurance for one year of single coverage and five years of teaching service extend health insurance for one year of family coverage.

For the year ended June 30, 2007, 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 identified the accrued sick leave benefit earned to date by each employee, determined the cost of that benefit by reference to the benefit provisions and the current cost experienced by the College for such coverage, and estimated the probability of the payment of that benefit to employees upon retirement.

The estimated expense and expense incurred for the vacation leave or OPEB 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 and property and casualty coverage to the College and its employees. Such coverage may be provided to the College by BRIM through self-insurance programs maintained by BRIM or policies underwritten by BRIM that may involve experience-related premiums or adjustments to BRIM.

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

In addition, through its participation in PEIA and third-party insurers, the College has obtained health, life, prescription drug coverage, and coverage for job-related injuries for its employees. In exchange for payment of premiums to PEIA and the third-party insurer, the College has transferred its risks related to health, life, prescription drug coverage, and job-related injuries.

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

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

Nonoperating Revenues — Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB 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 attempts to utilize restricted net assets first when practicable, except the College has not utilized the restricted net assets for capital projects.

Federal Financial Assistance Programs — The College has never made loans to students under the Federal Direct Student Loan Program or Stafford Loan Program.

The College also did not distribute any other student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. Pell funds distributed for years ended June 30, 2008 and 2007, were made through Southern West Virginia Community and Technical College.

Scholarship Allowances — Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements of revenues, expenses, and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the student's behalf. The College did not provide any scholarships for 2008 or 2007.

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

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

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

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

The GASB has issued GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, effective for fiscal years beginning after June 15, 2008. This statement requires endowments to report their land and other real estate investments at fair value. It also requires changes in fair value to be reported as investment income, disclosure of the methods and significant assumptions employed to determine fair value, and disclosure of other information that is currently presented for other investments reported at fair value. The College has not yet determined the effect that the adoption of GASB Statement No. 52 may have on its financial statements.

The GASB has issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal years beginning after June 15, 2009. This statement requires governmental entities to measure most derivative instruments at fair value as assets or liabilities. It also improves disclosure requirements surrounding the entity's derivative instrument activity, its objectives for entering into the derivative instrument, and the instrument's significant terms and risks. The College has not yet determined the effect that the adoption of GASB Statement No. 53 may have on its financial statements.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2008 and 2007, was held as follows:

2008	Current	Noncurrent	Total
State Treasurer	$ 1,239,446	$ 115,327	$ 1,354,773
Cash on hand	300		300
	$ 1,239,746	$ 115,327	$ 1,355,073

2007	Current	Noncurrent	Total
State Treasurer	$ 922,247	$ 88,424	$ 1,010,671
Cash on hand	300		300
	$ 922,547	$ 88,424	$ 1,010,971

Amounts held by the State Treasurer include $115,327 and $88,424 of restricted cash for purposes specified by West Virginia State Code as of June 30, 2008 and 2007, respectively.

Amounts with the State Treasurer as of June 30, 2008 and 2007, are comprised of the following investment pools:

The BTI has adopted an investment policy in accordance with the "Uniform Prudent Investor Act." The "prudent investor rule" guides those with responsibility for investing the money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The BTI's investment policy to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. Due to the short-term nature of BTI's Consolidated Fund, the BTI believes that it is imperative to review and adjust the investment policy in reaction to interest rate market fluctuations/trends on a regular basis and has adopted a formal review schedule. Investment policies have been established for each investment pool and account of the BTI's Consolidated Fund. Of the BTI's Consolidated Fund pools and accounts which the College may invest in, three are subject to credit risk: WV Money Market Pool (formerly Cash Liquidity Pool), WV Government Money Market Pool (formerly Government Money Market Pool), and WV Short-Term Bond Pool (formerly Enhanced Yield Pool).

WV Money Market (formerly Cash Liquidity Pool)

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the year ended June 30, 2008, the WV Money Market Pool has been rated AAAm by Standard & Poor's (S&P). A fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated in the current year, specific information on the credit ratings of the underlying investments of the pool have not been provided for the year ended June 30, 2008, although the underlying investments are similar securities with similar ratings as 2007. For the year ended June 30, 2007, this pool was not rated for credit risk by any organization.

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

At June 30, 2008, the WV Money Market Pool investments had a total carrying value of $2,358,470,000, of which the College's ownership represents .05 %.

The following table provides information on the credit ratings of the WV Money Market Pool's investments (in thousands) at June 30, 2007:

	Credit Rating *		2007	
Security Type	**Moody's**	**S&P**	**Carrying Value**	**Percent of Pool Assets**
Investments:				
Commercial paper	P1	A-1	$ 1,015,926	48.89 %
Corporate bonds and notes	Aaa	AAA	98,999	4.76
	Aa3	AA	20,001	0.96
	Aa3	A	23,002	1.11
	Aa2	AA	15,000	0.72
	Aa2	A	27,000	1.30
	Aa1	AA	77,023	3.71
			261,025	12.56
U.S. agency bonds	Aaa	AAA	46,994	2.26
U.S. Treasury bills	Aaa	AAA	358,725	17.27
Negotiable certificates of deposit	P1	A-1	76,500	3.68
U.S. agency discount notes	P1	A-1	21,655	1.04
Money market funds	Aaa	AAA	185	0.01
Repurchase agreements (underlying securities): U.S. agency notes	Aaa	AAA	246,821	11.88
Deposits — nonnegotiable certificates of deposit	NR	NR	50,000	2.41
			$ 2,077,831	100.00 %

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

At June 30, 2007, the College's ownership was .05% of these amounts held by the BTI.

WV Government Money Market Pool (formerly Government Money Market Pool)

Credit Risk — For the year ended June 30, 2008, the WV Government Market Pool has been rated AAAm by Standard & Poor's. A fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated in the current year, specific information on the credit ratings of the underlying investments of the pool have not been provided for the year ended June 30, 2008, although the underlying investments are similar securities with similar ratings as 2007. For the year ended June 30, 2007, this pool was not rated for credit risk by any organization.

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2008, the WV Government Money Market Pool investments had a total carrying value of $187,064,000, of which the College's ownership represents .01%.

The following table provides information on the credit ratings of the WV Government Money Market Pool's investments (in thousands) at June 30, 2007:

	Credit Rating		2007	
Security Type	**Moody's**	**S&P**	**Carrying Value**	**Percent of Pool Assets**
U.S. agency bonds	Aaa	AAA	$ 67,620	29.46 %
U.S. Treasury bills	Aaa	AAA	36,379	15.85
U.S. agency discount notes	P1	A-1	74,143	32.30
Money market funds	Aaa	AAA	9	
Repurchase agreements (underlying securities): U.S. Treasury notes	Aaa	AAA	51,400	22.39
			$ 229,551	100.00 %

At June 30, 2007, the College's ownership was .02% of these amounts held by the BTI.

WV Short-Term Bond Pool (formerly Enhanced Yield Pool)

Credit Risk — The BTI limits the exposure to credit risk in the WV Short-Term Bond Pool by requiring all corporate bonds to be rated A (A- in 2007) by Standards & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standards & Poor's and P1 by Moody's. The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

	Credit Rating*		2008		2007	
Security Type	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Corporate asset-backed securities	P1	A-1	$ -	- %	$ 42,122	18.40 %
	Aaa	AAA	48,663	13.75		
	Aaa	NR	2,179	0.62		
	NR	AAA	1,135	0.32		
	AA3	AA	192	0.06		
			52,169	14.75	42,122	18.40
Commercial paper	P1	A-1	7,971	2.25		
Corporate bonds and notes	Aaa	AAA	13,146	3.72	1,667	0.73
	Aa1	AA	12,613	3.56	6,431	2.81
	Aa2	AA	20,860	5.89	950	0.41
	Aa2	A	1,061	0.30	2,177	0.95
	Aa3	AA	11,488	3.25	7,857	3.43
	Aa3	A	4,548	1.28	3,905	1.70
	A1	AA	4,305	1.22	3,034	1.32
	A1	A	8,361	2.36	10,706	4.68
	A2	AA	847	0.24	747	0.33
	A2	A	26,585	7.51	8,188	3.58
	A3	A	10,917	3.08	6,958	3.04
	Baa1	AA-	593	0.17		
	Baa1	A-	2,028	0.57		
	Baa3	BB+	645	0.18		
			117,977	33.33	52,620	22.98
U.S. agency bonds	Aaa	AAA	71,840	20.29	46,075	20.13
U.S. Treasury notes**	Aaa	AAA	81,875	23.13	55,877	24.41
U.S. agency mortgage-backed securities***	Aaa	AAA	5,345	1.51	11,741	5.13
Repurchase agreements (underlying securities): U.S. agency notes	Aaa	AAA	16,782	4.74	20,485	8.95
			$353,959	100 %	$228,920	100 %

*NR = Not Rated
**U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.
***U.S. agency mortgage-backed securities are issued by the Government National Mortgage Association and are explicitly guaranteed by the United States government and are not subject to credit risk.

At June 30, 2008 and 2007, the College's ownership represents .03% and .02%, respectively, of these amounts held by the BTI.

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

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

	2008		2007	
Security Type	**Carrying Value (In thousands)**	**WAM (Days)**	**Carrying Value (In thousands)**	**WAM (Days)**
Repurchase agreements	$ 371,163	1	$ 246,821	2
U.S. Treasury bills	406,426	31	358,725	30
Commercial paper	658,879	29	1,015,926	52
Certificates of deposit	147,001	95	126,500	76
U.S. agency discount notes	212,924	84	21,655	113
Corporate notes	158,000	21	261,025	58
U.S. agency bonds/notes	254,019	111	46,994	156
Money market funds	150,058	1	185	1
	$2,358,470	40	$2,077,831	48

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

	2008		2007	
Security Type	**Carrying Value (In thousands)**	**WAM (Days)**	**Carrying Value (In thousands)**	**WAM (Days)**
Repurchase agreements	$ 53,400	1	$ 51,400	2
U.S. Treasury bills	29,929	58	36,379	29
U.S. agency discount notes	43,249	77	74,143	106
U.S. agency bonds/notes	60,420	84	67,620	60
Money market funds	66	1	9	1
	$ 187,064	54	$ 229,551	49

The overall weighted average maturity of the investments of the WV Short-Term Bond Pool cannot exceed 731 days. Maximum maturity of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the WV Short Term Bond Pool:

	2008		2007	
Security Type	**Carrying Value (In thousands)**	**WAM (Days)**	**Carrying Value (In thousands)**	**WAM (Days)**
Repurchase agreements	$ 16,782	1	$ 20,485	2
U.S. Treasury bonds/notes	81,875	744	55,877	1,092
Corporate notes	117,997	675	52,620	557
Corporate asset-backed securities	52,169	341	42,122	421
U.S. agency bonds/notes	71,840	1,231	46,075	927
U.S. agency mortgage-backed securities	5,345	570	11,741	814
Commercial paper	7,971	50		
	$ 353,979	707	$ 228,920	700

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 or one corporate issue.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. Securities lending collateral that is reported on the BTI's Statement of Fiduciary Net Assets is invested in the lending agent's money market fund in the BTI's name. In all transactions, the BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

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

Deposits — Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. None of the above pools contain nonnegotiable certificates of deposit. The BTI does not have a deposit policy for custodial credit risk.

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2008 and 2007, were as follows:

	2008	**2007**
Student tuition and fees — net of allowance for doubtful accounts of $55,225 and $59,521 in 2008 and 2007, respectively	$ 47,120	$ 31,815
Due from Commission/Council	794,112	113,153
Due from New River Community and Technical College		17,280
Accrued interest receivable	2,618	4,462
Other accounts receivable	1,552	2,558
	$ 845,402	$ 169,268

5. CAPITAL ASSETS

The following is a summary of capital asset transactions for the College for the years ended June 30, 2008 and 2007:

	2008			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 50,000	$ -	$ -	$ 50,000
Construction in progress	1,227,840	3,863,569		5,091,409
Total capital assets not being depreciated	$1,277,840	$3,863,569	$ -	$5,141,409
Other capital assets:				
Equipment	$1,710,392	$ 76,036	$ -	$1,786,428
Library books	6,477			6,477
Total other capital assets	1,716,869	76,036		1,792,905
Less accumulated depreciation for:				
Equipment	1,449,826	123,955		1,573,781
Library books	5,654	799		6,453
Total accumulated depreciation	1,455,480	124,754		1,580,234
Other capital assets — net	$ 261,389	$ (48,718)	$ -	$ 212,671
Capital asset summary:				
Capital assets not being depreciated	$1,277,840	$3,863,569	$ -	$5,141,409
Other capital assets	1,716,869	76,036		1,792,905
Total cost of capital assets	2,994,709	3,939,605		6,934,314
Less accumulated depreciation	1,455,480	124,754		1,580,234
Capital assets — net	$1,539,229	$3,814,851	$ -	$5,354,080

	2007			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ -	$ 50,000	$ -	$ 50,000
Construction in progress	449,443	778,397		1,227,840
Total capital assets not being depreciated	$ 449,443	$ 828,397	$ -	$1,277,840
Other capital assets:				
Equipment	$1,641,139	$ 69,253	$ -	$1,710,392
Library books	6,477			6,477
Total other capital assets	1,647,616	69,253		1,716,869
Less accumulated depreciation for:				
Equipment	1,256,133	193,693		1,449,826
Library books	4,730	924		5,654
Total accumulated depreciation	1,260,863	194,617		1,455,480
Other capital assets — net	$ 386,753	$(125,364)	$ -	$ 261,389
Capital asset summary:				
Capital assets not being depreciated	$ 449,443	$ 828,397	$ -	$1,277,840
Other capital assets	1,647,616	69,253		1,716,869
Total cost of capital assets	2,097,059	897,650		2,994,709
Less accumulated depreciation	1,260,863	194,617		1,455,480
Capital assets — net	$ 836,196	$ 703,033	$ -	$1,539,229

As of June 30, 2008, the College had outstanding construction commitments of approximately $790,000.

6. LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the College for the years ended June 30, 2008 and 2007:

	2008				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued compensated absences	$ 186,127	$ -	$ 95,167	$ 90,960	$ 70,330
OPEB liability		9,164		9,164	
Total long-term liabilities	$ 186,127	$ 9,164	$ 95,167	$ 100,124	

	2007				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued compensated absences	$ 148,616	$ 37,511	$ -	$ 186,127	$ 63,941

7. LEASE OBLIGATIONS

Future minimum payments under operating leases, which consist primarily of office space, with initial or remaining terms of one year or more, as of June 30, 2008, are as follows:

Years Ending June 30	
2009	$ 235,358
2010	31,728
2011	31,728
	$ 298,814

Lease agreements related to the building were renewed in July 2006 for a three-year lease period. However, the College will utilize the option of terminating these leases with a 30-day notice to the lessor upon the completion of the new building. The College does not have any noncancelable leases.

Total rent expense for operating leases amounted to $219,908 and $252,430 for the years ended June 30, 2008 and 2007, respectively.

8. COMPENSATED ABSENCES LIABILITY AND OTHER POSTEMPLOYMENT BENEFITS

At June 30, 2008 and 2007, the composition of the compensated absence liability was as follows:

	2008	2007
Health or life insurance benefits	$ -	$ 95,138
Accrued vacation leave	90,960	90,989
	$ 90,960	$ 186,127

For the year ended June 30, 2007, the cost of health and life insurance benefits paid by the College was based on a combination of years of service and age in accordance with GASB Statement No. 16. For the year ended June 30, 2007, the College made no payments for extended health or life insurance coverage retirement benefits, as there were no retirees currently eligible for these benefits.

For the year ended June 30, 2008, with the adoption of GASB Statement No. 45, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial-determined amounts. At June 30, 2008, the noncurrent liability related to OPEB costs was $9,164. For the year ended June 30, 2008, the College recorded a cumulative effect of the adoption of this accounting principle of $95,138, an amount equal to the June 30, 2007 liability for the extended health or life insurance benefit previously recorded in accordance with GASB Statement No. 16. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $100,511 and $44,806, respectively, during 2008. As of the year ended June 30, 2008, there was one retiree receiving these benefits.

9. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

The State has chartered the Commission with the responsibility to construct or renovate, finance, and maintain various academic and other facilities of the State's universities and colleges. As of June 30, 2008 and 2007, the College has construction in progress, which is being funded as noted below.

During the year ended June 30, 2005, the Commission issued $167 million of 2004 Series B 30-year Revenue Bonds to fund capital projects at various higher education institutions in the State. The College has been approved to receive $8 million of these funds. State lottery funds will be used to repay the debt, although College revenues are pledged if lottery funds prove insufficient. The College has recognized approximately $5,200,000 from these committed funds through June 30, 2008.

10. UNRESTRICTED NET ASSETS

The College's unrestricted net assets as of June 30, 2008 and 2007, include certain designated net assets as follows:

	2008	2007
Designated for auxiliaries	$ -	$ 22,546
Undesignated	610,607	520,498
Total unrestricted net assets	$ 610,607	$ 543,044

11. RETIREMENT PLANS

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

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the Educators Money 401(a) basic retirement plan ("Educators Money"). New hires have the choice of either plan. As of June 30, 2008, no employees were enrolled in Educators Money.

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

Total contributions to the TIAA-CREF for the years ended June 30, 2008, 2007, and 2006, were $134,096, $118,994, and $116,996, respectively, which consisted of contributions of $67,048, $59,497, and $58,498 for 2008, 2007, and 2006, respectively, from both the College and covered employees.

The College's total payroll for the years ended June 30, 2008 and 2007, was $1,398,163 and $1,332,436, respectively; total covered employees' salaries in TIAA-CREF were $1,128,027 in 2008 and $994,861 in 2007.

12. FOUNDATION (UNAUDITED)

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

The Foundation's net assets totaled approximately $28,490 and $30,070 at June 30, 2008 and 2007, respectively. The net assets include amounts which are restricted by donors to use for specific projects or departments of the College and its affiliated organizations. Contributions to the Foundation, which are not reflected in the accompanying financial statements, totaled approximately $170 and $3,260 for the years ended June 30, 2008 and 2007, respectively. No contributions were made to the College during either the year ended June 30, 2008 or 2007.

13. AFFILIATED ORGANIZATION (UNAUDITED)

The College has an affiliation agreement with Eastern Workforce Opportunity Regional Center and Services ("Eastern WORCS"). Although Eastern WORCS has been created "…to foster and support applied research and workforce development…" at the College, it is a separate nonprofit organization incorporated in the State of West Virginia. Oversight of Eastern WORCS is the responsibility of a separate and independently elected Board of Directors. Accordingly, the financial statements of Eastern WORCS are not included in the accompanying financial statements under GASB Statement No. 14, and they are not included in the College's accompanying financial statements under GASB Statement No. 39 because the economic resources held by Eastern WORCS do not entirely or almost entirely benefit the College. No contributions were made to the College during either the year ended 2008 or 2007.

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 seriously impact the financial position of the College.

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

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities that have been recorded in the financial statements as of June 30, 2008 or 2007.

15. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The following tables represent operating expenses within both natural and functional classifications for the years ended June 30, 2008 and 2007:

2008

	Salaries and Wages	Benefits	Supplies and Other Services	Rent	Utilities	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 270,834	$ 33,219	$158,727	$ -	$ -	$ -	$ -	$ 462,780
Public service	104,786	29,132	67,915	23,993				225,826
Academic support	400,947	93,608	101,277					595,832
Student services	166,600	43,856	63,876					274,332
General institutional support	265,671	209,504	266,015					741,190
Operations and maintenance of plant	127,224	23,872	48,180	194,187	21,195			414,658
Auxiliary			60					60
Depreciation						124,754		124,754
Other							7,228	7,228
Total	$1,336,062	$433,191	$706,050	$218,180	$21,195	$124,754	$7,228	$2,846,660

2007

	Salaries and Wages	Benefits	Supplies and Other Services	Rent	Utilities	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 274,461	$ 28,790	$114,477	$ 1,000	$ -	$ -	$ -	$ 418,728
Public service	50,072	17,081	35,157	41,130				143,440
Academic support	347,014	87,264	27,703					461,981
Student services	257,043	57,764	57,387					372,194
General institutional support	365,317	128,498	228,492					722,307
Operations and maintenance of plant			48,046	210,300	19,682			278,028
Depreciation						194,617		194,617
Other			7,847				8,013	15,860
Total	$1,293,907	$319,397	$519,109	$252,430	$19,682	$194,617	$8,013	$2,607,155

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Deloitte & Touche LLP
2500 One PPG Place
Pittsburgh, PA 15222-5401
USA
Tel: +1 412 338 7200
Fax: +1 412 338 7380
www.deloitte.com

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

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

We have audited the financial statements of Eastern West Virginia Community and Technical College (the "College") as of and for the year ended June 30, 2008, and have issued our report thereon dated October 21, 2008. 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 the 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 Eastern West Virginia Community and Technical College Governing Board, managements of the College and the West Virginia Higher Education Policy Commission, the West Virginia Council for Community and Technical College Education and the State of West Virginia and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

October 21, 2008