Blue Ridge Community and Technical College

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

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Governing Board of
Blue Ridge Community and Technical College:

We have audited the statements of net assets of Blue Ridge 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 the respective financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College as of June 30, 2008 and 2007, and the changes in net assets and cash flows of the College for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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 Discussion and Analysis on pages 3 to 8 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the College's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

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

Deloitte & Touche LLP

October 21, 2008

The Blue Ridge Community and Technical College

Management Discussion and Analysis (Unaudited)

Fiscal Year 2008

About The Blue Ridge Community and Technical College

The Blue Ridge Community and Technical College (the "College") is a state-supported institution within the West Virginia System of Higher Education Policy. Until July 1, 2005, the College was a component of Shepherd University (the "University"). The University operated two components, the baccalaureate component and the community and technical college component. The community college component became The Community and Technical College of Shepherd at the beginning of fiscal year 2006. At that time, it became a separate financial reporting entity. The College became The Blue Ridge Community and Technical College at the beginning of fiscal year 2007. The new institution, for fiscal years 2008, 2007, and 2006, was under the authority of the West Virginia Council for Community and Technical College Education.

The College offers associate degrees, workforce development programs, and collaborative programs in government, business and industry sectors. The College achieved separate accreditation during fiscal year 2006, and became a complete separate entity for financial reporting purposes on July 1, 2005.

Overview of the Financial Statements and Financial Analysis

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

Statement 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 Statement of Net Assets presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities). The difference between current and noncurrent assets and liabilities will be discussed in the footnotes to the financial statements.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors, employees, lenders and others. Finally, the Statement of Net Assets provides a snapshot picture of the net assets (assets minus liabilities) and their availability for expenditure by the College.

Net assets are divided into three major categories. The first category, invested in capital assets-net of related debt, provides equity in property, plant, and equipment owned by the College. The second asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The College does not currently have nonexpendable restricted assets. The corpus of nonexpendable restricted resources is available only for investment purposes. Expendable restricted net assets are available for expenditure by the College but must be spent for purposes as determined by donors and/ or external entities that have placed time or purpose restrictions on the use of the assets. The third category is unrestricted net assets. Unrestricted assets are available to the College for any lawful purpose of the College.

The Condensed Statements of Net Assets
As of June 30, 2008, 2007, and 2006
(In thousands of dollars)

	2008	2007	2006
Assets:			
Cash	$ 4,525	$ 2,770	$ 2,146
Other Current Assets	132	186	368
Noncurrent Assets	4,361	826	792
Total Assets	9,018	3,782	3,306
Liabilities:			
Current Liabilities	2,128	814	736
Noncurrent Liabilities	459	532	595
Total Liabilities	2,587	1,346	1,331
Net Assets	$ 6,431	$ 2,436	$ 1,975

The liquidity of the College is strong as cash exceeds total current and noncurrent liabilities. The College's quick ratio (cash to current liabilities) is 2.1, 3.4 and 2.9 as of June 30, 2008, 2007 and 2006. The working capital ratios are even higher.

Approximately 50% of the assets as of June 30, 2008 were held in cash and cash equivalents at June 30, 2008. This compares to 73% in cash and cash equivalents at June 30, 2007. Accounts receivable totaled $122,000 at June 30, 2008. Noncurrent assets include approximately $2,995,000 of appropriations due from Primary Government (which is new in fiscal year 2008), approximately $798,000 for building improvements, and approximately $1,275,000 for equipment, net of depreciation of approximately $707,000.

Current liabilities include accounts payable of approximately $212,000, accrued payroll of $142,000, accrued annual leave of $197,000, and deferred revenues of $1,393,000 at June 30, 2008. Liabilities include approximately $318,000 for debt owed to the Commission, $300,000 debt owed to Berkeley Business Park Associates, L.C. (which is new in fiscal year 2008), and approximately $24,000 for accrued other postemployment benefits (OPEB). The OPEB liability is new in fiscal year 2008, as the college adopted GASB No. 45.

Statement of Revenues, Expenses, and Changes in Net Assets

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

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

Condensed Statements of
Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2008, 2007, and 2006
(In thousands of dollars)

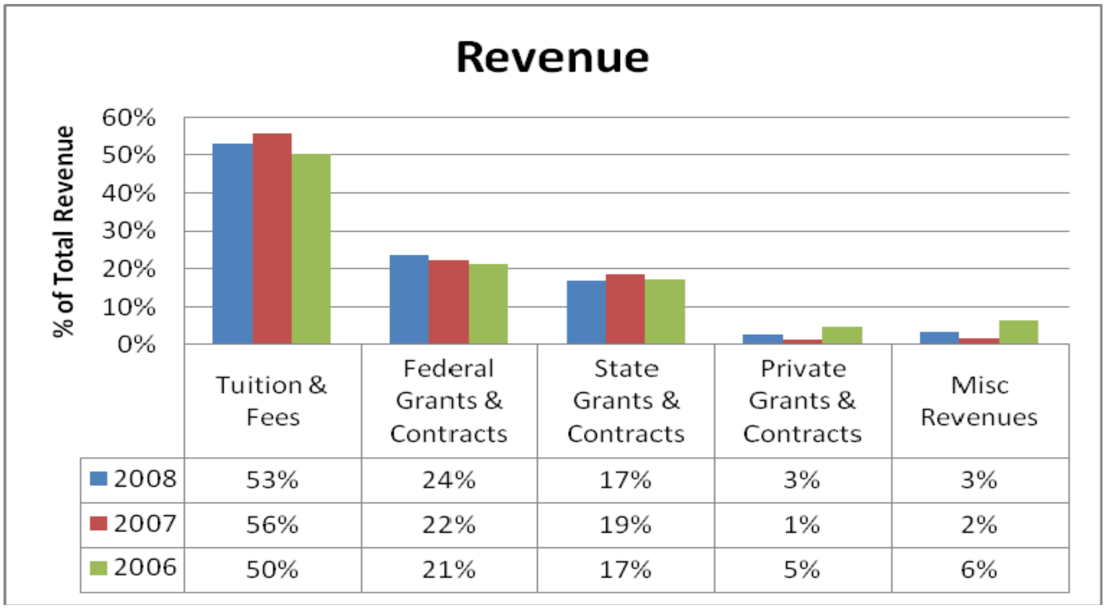
	2008	2007	2006
Operating Revenues	$ 4,413	$ 3,378	$ 3,369
Operating Expenses	6,659	5,551	5,249
Operating Loss	(2,246)	(2,173)	(1,880)
Nonoperating Revenues - Net	6,067	2,634	2,396
Increase in Net Assets	3,821	461	516
Capital Grants and Gifts	-	-	9
Increase in Net Assets Before Transfers And Cumulative Effect	3,821	461	525
Transfer of Net Assets from Shepherd University	-	-	1,450
Cumulative Effect for OPEB	174	-	-
Increase in Net Assets	3,995	461	1,975
Net Assets - Beginning of Year	2,436	1,975	-
Net Assets - End of Year	$ 6,431	$ 2,436	$ 1,975

Operating Revenues:

Over half of the operating revenue for the College is from tuition and fee assessments. Federal grants and contracts revenues are primarily received for student financial aid. State grants and contract revenues provide funding for student financial aid as well as workforce development activities. This is the scenario for both fiscal years 2008 and 2007.

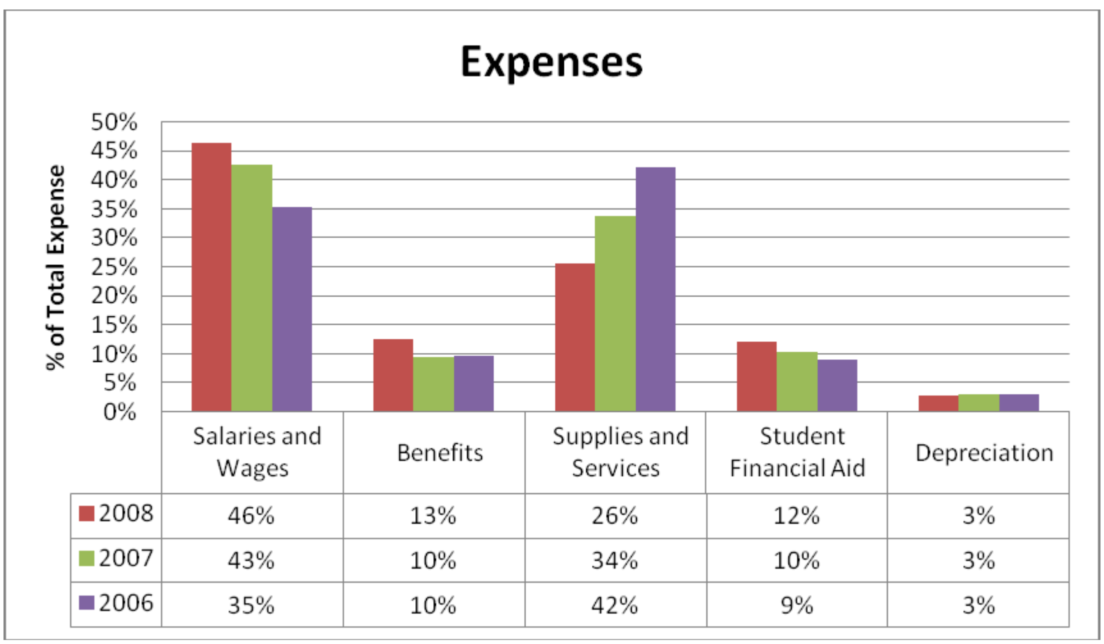
- Student tuition and fees for fiscal year 2008 increased by more than $500,000 over fiscal year 2007, and fiscal year 2007 increased by $187,000 over fiscal year 2006. These increases were a result of tuition and fee increases of 29% and 11%, and student FTE increases of 8% and 30% for fiscal year 2008 and 2007, respectively.

- Federal grants increased in fiscal year 2008 by approximately $322,000 as a result of an increase in students who qualify for the federal Pell grant.



Operating Expenses:

Over half of the fiscal year 2008 and 2007 operating expenses were incurred for personnel services and benefits. Supplies and other expenses included approximately $483,000 and $1,140,000 paid to the University for administrative and academic support in 2007 and 2006. However, the College discontinued its contract for these services on December 31, 2006 from the University and is now performed by employees of the College. Overall supplies and other services decreased in fiscal 2008 by approximately $163,000.



Nonoperating Revenues (Expenses):

The net nonoperating revenues in fiscal year 2008 increased by approximately $3,430,000 from fiscal year 2007, as compared to an increase of approximately $240,000 from fiscal year 2007 over fiscal year 2006. The primary reason for the fiscal 2008 increase was the $3,000,000 appropriation received from the State for the future purchase of land for a building.

Statement of Cash Flows

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

Condensed Statements of Cash Flows
For the Years Ended June 30, 2008, 2007, and 2006
(In thousands of dollars)

Cash Provided by (Used in):	2008	2007	2006
Operating Activities	$ (715)	$ (1,724)	$ (1,667)
Noncapital Financing Activities	2,878	2,531	4,012
Capital and Related Financing Activities	(554)	(320)	(276)
Investing Activities	146	137	77
Increase in Cash and Cash Equivalents	1,755	624	2,146
Cash and Cash Equivalents - Beginning of Year	2,770	2,146	-
Cash and Cash Equivalents - End of Year	$ 4,525	$ 2,770	$ 2,146

The most significant improvement in fiscal year 2008 cash flows was the reduction in cash used in operations. Additionally, cash flows increased as a result of the increase in deferred revenue at June 30, 2008 of approximately $961,000.

Capital Assets

2008:
Approximately $323,000 was incurred for building improvements in fiscal year 2008. These additions were made primarily for leasehold improvements of additional classroom and office space at the new Berkeley

Business Park location. Equipment purchases made during the year totaled approximately $360,000. These expenditures were primarily for additions and upgrades to classroom computer labs.

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

Capital Debt

The College owes a portion of the debt incurred by the Commission for construction of educational facilities at state institutions of higher learning. The current and noncurrent portion of the debt owed by the College to the Commission was approximately $88,000 and $230,000, respectively, as of June 30, 2008.

The College owes Berkeley Business Park Associates, L.C. for the construction of leasehold improvements made for the new classroom and office space located at its location. The current and noncurrent portion of the amount owed by the College was approximately $95,000 and $205,000, respectively, as of June 30, 2008. This debt was used to fund the majority of fiscal year 2008 capital purchases.

Economic Outlook

The College is located in an area that is experiencing significant growth in its population. The economy in West Virginia is growing. Increases in the global demand for energy are having a positive impact on coal production and pricing. These increases have generated additional tax revenues for the State. Although, the number of high school graduates in the state continues to decline, the College is well positioned in the eastern region of the State to attract students and increase enrollments.

The enrollment for the fall term of 2008 was 12% over the fall term of 2007. This follows an 11% increase from the fall term of 2007 over the fall term of 2006.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE

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

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$4,524,977	$2,769,673
Due from the Council/Commission	9,378	11,338
Accounts receivable — net	122,442	174,997
Total current assets	4,656,797	2,956,008
NONCURRENT ASSETS:		
Appropriation due from Primary Government	2,994,226	
Capital assets — net	1,366,772	825,516
Total noncurrent assets	4,360,998	825,516
TOTAL	$9,017,795	$3,781,524
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 211,232	$ 93,815
Accrued liabilities	142,424	116,344
Due to State agencies	1,636	636
Compensated absences — current portion	196,807	86,168
Amount due to Berkeley Business Park Associates, L.C. — current portion	94,577	
Debt obligation due to Commission — current portion	88,155	84,988
Deferred revenue	1,393,060	431,985
Total current liabilities	2,127,891	813,936
NONCURRENT LIABILITIES:		
Other postemployment benefits liability	24,009	
Compensated absences		214,071
Amount due to Berkeley Business Park Associates, L.C.	205,636	
Debt obligation due to Commission	229,450	317,606
Total noncurrent liabilities	459,095	531,677
Total liabilities	2,586,986	1,345,613
NET ASSETS:		
Invested in capital assets — net of related debt	701,114	422,922
Restricted for — expendable — other	157,153	139,843
Unrestricted	5,572,542	1,873,146
Total net assets	6,430,809	2,435,911
TOTAL	$9,017,795	$3,781,524

See notes to financial statements.

BLUE RIDGE 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 — net of scholarship allowance of $541,616 and $387,263 in 2008 and 2007, respectively	$ 2,399,516	$ 1,886,884
Contracts and grants:		
Federal	1,072,956	750,689
State	761,681	633,240
Private	126,816	46,207
Sales and services of educational activities	14,986	26,092
Other operating revenues	36,453	34,642
Total operating revenues	4,412,408	3,377,754
OPERATING EXPENSES:		
Salaries and wages	3,071,204	2,376,442
Benefits	848,398	532,601
Supplies and other services	1,711,589	1,874,946
Student financial aid — scholarships and fellowships	815,084	572,639
Depreciation	185,735	172,894
Fees assessed by the Commission for operations	26,509	22,187
Total operating expenses	6,658,519	5,551,709
OPERATING LOSS	(2,246,111)	(2,173,955)
NONOPERATING REVENUES (EXPENSES):		
State appropriations	5,871,929	2,531,131
Payments on behalf of Blue Ridge Community and Technical College	94,512	
Investment income	143,188	145,077
Interest on indebtedness	(2,600)	
Fees assessed by the Commission	(39,815)	(41,842)
Net nonoperating revenues	6,067,214	2,634,366
NET INCREASE IN NET ASSETS BEFORE CUMULATIVE EFFECT	3,821,103	460,411
CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE (Note 2)	173,795	
NET INCREASE IN NET ASSETS	3,994,898	460,411
NET ASSETS — Beginning of year	2,435,911	1,975,500
NET ASSETS — End of year	$ 6,430,809	$ 2,435,911

See notes to financial statements.

BLUE RIDGE 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	$ 2,434,619	$ 2,464,443
Contracts and grants	2,922,527	1,549,456
Payments to and on behalf of employees	(3,704,638)	(2,839,480)
Payments to suppliers	(1,577,060)	(1,976,886)
Payments for scholarships and fellowships	(815,084)	(959,902)
Auxiliary enterprise charges	14,986	26,092
Fees retained by Commission	(26,509)	(22,187)
Other receipts — net	36,453	34,642
Net cash used in operating activities	(714,706)	(1,723,822)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	2,877,703	2,531,131
Federal student loan program — direct lending receipts	2,810,736	1,986,545
Federal student loan program — direct lending payments	(2,810,736)	(1,986,545)
Net cash provided by noncapital financing activities	2,877,703	2,531,131
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of capital assets	(414,502)	(194,290)
Principal paid on debt	(96,674)	(84,284)
Interest paid on debt	(2,600)	
Debt service assessed by the Commission for debt service and reserves	(39,815)	(41,842)
Cash used in capital financing activities	(553,591)	(320,416)
CASH FLOWS FROM INVESTING ACTIVITY — Interest on investments	145,898	137,239
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,755,304	624,132
CASH AND CASH EQUIVALENTS — Beginning of year	2,769,673	2,145,541
CASH AND CASH EQUIVALENTS — End of year	$ 4,524,977	$ 2,769,673

(Continued)

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE

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

	2008	2007
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (2,246,111)	$ (2,173,955)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	185,734	172,894
Bad debt expense	16,703	
Expenses paid on behalf of the College	94,512	
Changes in assets and liabilities:		
Accounts receivables — net	35,853	163,583
Due from the Commission/Council	(750)	7,643
Amount due from the State		19,070
Accounts payable	116,826	(100,402)
Accrued liabilities	26,080	23,057
Compensated absences	70,363	46,506
Accrued other postemployment benefits liability	24,009	
Due to other State agencies	1,000	(1,538)
Deferred revenue	961,075	119,320
Net cash used in operating activities	$ (714,706)	$ (1,723,822)
NONCASH TRANSACTIONS:		
Cumulative effect of adoption of accounting principle	$ 173,795	$ -
Capital assets additions in accounts payable	$ 22,550	$ 21,960
Capital assets additions in due to Berkeley Business Park Associates, L.C.	$ 311,898	$ -
State appropriations in due from Primary Government	$ 2,994,226	$ -

See notes to financial statements. (Concluded)

1. ORGANIZATION

Blue Ridge Community and Technical College (the "College") is governed by Blue Ridge Technical College Board of Governors (the "Board"). The Board was established by Senate Bill 448 ("S.B. 448").

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The accompanying financial statements present all funds under the authority of the College. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities.

Financial Statement Presentation — GASB Statement No. 35, as amended by GASB Statement No. 37, *Basic Financial Statements — and Management's Discussion and Analysis for State and Local Governments: Omnibus — and 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 accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

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

The West Virginia State Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees and Other Money Collected at State Institutions of Higher Education,* of the West Virginia State Code. House Bill No. 101 passed in March 2004, simplified the tuition and fee restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of the College. These restrictions are subject to change by future actions of the West Virginia State Legislature.

Restricted Net Assets — Nonexpendable — This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College does not have any restricted nonexpendable net assets at June 30, 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 Treasurer's Office (the "State Treasurer") are pooled by the State Treasurer with other available funds of the State for investment purposes and is overseen and managed by the West Virginia Board of Treasury Investments (BTI). The BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, and by provisions of bond indentures and trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments for External Investment Pools*. The BTI was established by the West Virginia State Legislature and is subject to oversight by the West Virginia State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal, or, on the first day of each month for the WV Short Term Bond Pool (formerly Enhanced Yield Pool), and accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

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

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

Noncurrent Due from Primary Government — An appropriation due from primary government, that is (1) externally restricted to make debt service payments, long-term loans to students or to maintain sinking or reserve funds, (2) to purchase capital or other noncurrent assets or (3) held for permanently restricted net assets, is classified as a noncurrent asset in the statements of net assets.

Capital Assets — Capital assets include leasehold improvements and equipment. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15–50 years for buildings and infrastructure, 20 years for land improvements and library books, and 3–10 years for furniture and equipment. Leasehold improvements are amortized over the period of the lease, which extends through 2015. The College capitalizes all purchases of library books and uses a capitalization threshold of $1,000 for other capital assets. The financial statements reflect all adjustments required by GASB Statement No. 42, *Accounting and Financial Reporting for Impairments 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. Financial aid and other deposits are separately classified as deposits.

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, West Virginia 25305-0710 or http://www.wvpeia.com.

These statements require entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

The College's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1½ sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired July 1, 2001, or later, will no longer receive sick leave credit toward insurance premiums when they retire. This liability is now provided for under the multiple employer cost-sharing plan approved 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 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 statements of revenues, expenses, and changes in net assets.

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

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

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

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

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

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

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

Use of Restricted Net Assets — The College has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Generally, the College attempts to utilize restricted net assets first when practicable. The College did not have any designated net assets as of June 30, 2008 and 2007.

Federal Financial Assistance Programs — The College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through universities like the College. Direct student loan receivables are not included in the College's statements of net assets as the loans are repayable directly to the U.S. Department of Education. In 2008 and 2007, the College received and disbursed approximately $2,800,000 and $2,000,000, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net assets.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2008 and 2007, the College received and disbursed approximately $1,075,000 and $750,000, respectively, under these federal student aid programs.

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

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and College Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

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

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

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

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

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

Recent Statements Issued by the GASB — 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. 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 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 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 as of June 30, 2008 and 2007, are held as follows:

	2008	2007
State treasurer	$4,342,354	$2,674,971
In bank	182,623	94,702
	$4,524,977	$2,769,673

The combined carrying amount of cash in the bank was $182,623 and $94,702, as compared with the combined bank balance of $204,396 and $117,077 at June 30, 2008 and 2007, respectively. The difference is primarily caused by outstanding checks. The bank balances were covered by federal depository insurance or were collateralized by securities held by the State's agent.

Amounts with the State Treasurer as of June 30, 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. 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 ownership represents 0.17 %.

The following table provides information on the credit ratings of the WV Money Market Pool's investments at June 30, 2008 (in thousands):

	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 — nonegotiable 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, 2008, the College's ownership was .12% 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 ownership represents .02%.

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

	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, 2008 the College's ownership was .04% 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	100.00 %	$228,920	100.00 %

*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 .09% and .06%, respectively, of these amounts held by the BTI.

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

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

	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 of one corporate issue.

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

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

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

	2008	2007
Student tuition and fees — net of allowance for doubtful account of $64,985 and $52,571 in 2008 and 2007, respectively	$ 66,349	$ 111,026
Grants and contracts receivable	56,093	63,971
	$ 122,442	$ 174,997

5. CAPITAL ASSETS

Summary of capital assets transactions for the College as of June 30, 2008 and 2007, is as follows:

	2008				
	Beginning Balance	Transfers	Additions	Reductions	Ending Balance
Capital assets not being depreciated — construction in progress	$ 42,625	$(42,625)	$ -	$ -	$ -
Other capital assets:					
Leasehold improvements	$ 390,515	$ 42,625	$365,283	$ -	$ 798,423
Library			1,492		1,492
Equipment	913,341		360,215		1,273,556
Total other capital assets	1,303,856	42,625	726,990	-	2,073,471
Less accumulated depreciation for:					
Leasehold improvements	86,226		36,337		122,563
Library			140		140
Equipment	434,739		149,257		583,996
Total accumulated depreciation	520,965	-	185,734	-	706,699
Other capital assets — net	$ 782,891	$ 42,625	$541,256	$ -	$1,366,772
Capital asset summary:					
Capital assets not being depreciated	$ 42,625	$(42,625)	$ -	$ -	$ -
Other capital assets	1,303,856	42,625	726,990		2,073,471
Total cost of capital assets	1,346,481		726,990		2,073,471
Less accumulated depreciation	520,965		185,734		706,699
Capital assets — net	$ 825,516	$ -	$541,256	$ -	$1,366,772

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

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

6. LONG-TERM LIABILITIES

Summary of long-term obligation transactions for the College for the years ended June 30, 2008 and 2007, is as follows:

	2008				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term liabilities:					
Accrued compensated absences	$300,239	$ -	$103,432	$196,807	$196,807
OPEB liability		24,009		24,009	
Due to Berkeley Business Park Associates, L.C.		311,898	11,685	300,213	94,577
Debt obligation due Commission	402,594		84,989	317,605	88,155
Total long-term liabilities	$702,833	$335,907	$200,106	$838,634	

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

7. COMPENSATED ABSENCES LIABILITY AND OTHER POSTEMPLOYMENT BENEFITS

Composition of the compensated absence liability at June 30, 2008 and 2007, is as follows:

	2008	2007
Health or life insurance benefits	$ -	$ 173,795
Accrued vacation leave	196,807	126,444
	$ 196,807	$ 300,239

For the year ended June 30, 2007, the cost of health and life insurance benefits paid by the College is 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 amount paid by the College for extended health or life insurance coverage retirement benefits totaled approximately $4,752. As of June 30, 2007, there were two 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 $24,009. For the year ended June 30, 2008, the College recorded a cumulative effect of the adoption of this accounting principle of $173,795, 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 $215,776 and $97,255, respectively, during 2008. As of the year ended June 30, 2008, there were two retirees receiving these benefits.

8. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

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

The Municipal Bond Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for the Municipal Bond Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission, effective as of June 30, 2002.

For the years ended June 30, 2008 and 2007, debt service assessed is as follows:

	2008	2007
Principal	$ 84,988	$ 84,284
Interest	18,512	20,513
Other	21,303	21,329
	$ 124,803	$ 126,126

9. LEASES AND AMOUNT DUE TO BERKELEY BUSINESS PARK ASSOCIATES, L.C.

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

Future annual scheduled lease payments on operating leases, exclusive of amount due to Berkeley Business Park Associates, L.C., for years subsequent to June 30, 2008, are as follows:

Years Ending June 30	Berkeley Co Commission	Berkeley Business Park	Total
2009	$ 166,477	$ 111,448	$ 277,925
2010	168,974	111,448	280,422
2011	171,508	111,718	283,226
2012	174,081	113,345	287,426
2013	176,692	115,004	291,696
2014–2018	361,376	580,199	941,575
Total	$ 1,219,108	$ 1,143,162	$ 2,362,270

Total lease expense for the years ended June 30, 2008 and 2007, was $164,238 and $150,000, respectively.

In March 2008, the College entered into a lease agreement with Berkeley Business Park Associates, L.C., to lease a portion of a building within Berkeley Business Park. The College has recorded leasehold improvements of $311,898 in conjunction with this lease. Total payments for these leasehold improvements are $362,338, which include interest payments based on an implicit interest rate of approximately 10%. Remaining total payments for these leasehold improvements is $352,273.

10. RETIREMENT PLANS

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

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

Total contributions to the Educators Money for the year ended June 30, 2008, were $2,328, which consisted of $1,164 from both the Commission and from covered employees. Total contributions to the Educators Money for the year ended June 30, 2007, were $1,688, which consisted of $844 from both the Commission and from covered employees.

The STRS is a cost-sharing, public employee retirement system. Employer and employee contribution rates are established annually by the West Virginia State Legislature. The contractual maximum contribution rate is 15%. The College accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for the years ended June 30, 2008 and 2007. Required employee contributions were at the rate of 6% of total annual salary for the year ended June 30, 2008 and 2007. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest five years' salary out of the last 15 years) multiplied by the number of years of service.

Total contributions to the STRS for the years ended June 30, 2008 and 2007, was $13,454 and $12,151, respectively, which consisted of $9,610 and $8,679 from the College in 2008 and 2007, respectively, and $3,844 and $3,472 from the covered employees in 2008 and 2007, respectively.

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

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

Total contributions to the TIAA-CREF for the years ended June 30, 2008 and 2007, was $298,572 and $220,428, respectively, which consisted of equal contributions from the College and covered employees in 2008 and 2007, of $149,286 and $110,214, respectively.

The College's total payroll for the years ended June 30, 2008 and 2007, was $3,110,641 and $2,362,323, respectively, and total covered employees' salaries in the STRS, TIAA-CREF and Educators Money were $64,067, $2,488,104, and $19,404 and $57,861, $1,836,900, and $14,067 in 2008 and 2007, respectively.

11. RELATED-PARTY TRANSACTIONS

During both fiscal years 2008 and 2007, the College received $0 for educational services provided to Shepherd University. In addition, at June 30, 2008 and 2007, the College paid $0 and $483,416, respectively, for administrative and academic support and student services provided by Shepherd University and the amount is included in supplies and other services line in the statements of revenues, expenses, and changes in net assets.

12. CONTINGENCIES

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

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

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.

13. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2008 and 2007, the following table represents operating expenses within both natural and functional classifications:

	2008						
	Salaries and Wages	Benefits	Supplies and Other Services	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	Total
Instruction	$2,010,476	$509,802	$ 796,113	$ -	$ -	$ -	$3,316,391
Public service	19,721	785	30,741				51,247
Academic support	13,537	8,490	38,265				60,292
Student services	320,578	103,386	273,620				697,584
General institutional support	656,368	209,572	487,479				1,353,419
Operations and maintenance of plant	50,524	16,363	85,371				152,258
Student financial aid				815,084			815,084
Depreciation					185,735		185,735
Other						26,509	26,509
Total	$3,071,204	$848,398	$1,711,589	$815,084	$185,735	$26,509	$6,658,519

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

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

To the Governing Board of
Blue Ridge Community and Technical College:

We have audited the financial statements of Blue Ridge 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 function, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Deloitte & Touche LLP

October 21, 2008