

**New River Community and Technical College**

Financial Statements

Years Ended June 30, 2008 and 2007

and

Independent Auditors' Reports

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the business-type activity of New River Community and Technical College (the "College"), as of for the years then ended June 30, 2008 and 2007 and the discretely presented component unit of the College as of June 30, 2008 and December 31, 2006, and for the eighteen months ended June 30, 2008 and the year ended December 31, 2006 which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on the respective financial statements based on our audits. We did not audit the discretely presented financial statements of the Greenbrier Community College Foundation, Inc., DBA New River Community & Technical College Foundation, Inc. (a component unit of the College) for the eighteen months ended June 30, 2008 and for the year ended December 31, 2006. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the discretely presented financial statements of the Greenbrier Community College Foundation, Inc., DBA New River Community & Technical College Foundation, Inc., is based solely on the report of the other auditors.

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

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In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and the discretely presented component unit of the College as of June 30, 2008 and 2007 (December 31, 2006 for the Greenbrier County Commission), and the respective changes in net assets and cash flows for the periods 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 Post Employment Benefits Other Than Pensions*.

The management's discussion and analysis on pages 5 through 11 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the College's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information, and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2009, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Charleston, West Virginia  
February 16, 2009

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2008 and 2007

Our discussion and analysis of New River Community and Technical College's (the College) financial performance provides an overview of the College's financial activities during the years ended June 30, 2008, 2007 and 2006. Since this discussion and analysis is designed to focus on current activities, resulting changes, and currently known facts, please refer to the College's basic financial statements on pages 12 to 17 and the notes to financial statements on pages 18 to 49.

### **Financial Highlights**

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

- The College's assets exceeded its liabilities by \$9.3 million for FY2008, \$9.0 million for FY2007 and \$9.2 million for FY2006.
- Income (loss) before asset transfers and other special items was (\$0.1) million in FY2008, (\$0.4 million) in FY2007, and \$0.6 million in FY2006.
- A change in the sick leave calculation now known as OPEB, (Other Post Employment Benefits) occurred in FY 2008, resulted in a net change of \$332,912 increase in net assets.
- Other revenues and expenses included transfers of properties of \$1.9 million from the Greenbrier Building Commission in 2006; transfer of assets from the Higher Education Policy Commission of \$0.3 million in 2006; and bond proceeds of \$0.2 million in 2007 and \$0.9 million in 2006; and transfer of net assets from Bluefield State College of \$5.5 million in FY2006.

### **Overview of the Financial Statements**

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

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

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2008 and 2007

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

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

**Financial Analysis of the College**

For FY2008, 2007 and 2006 of the College's net assets of \$9.3 million, \$9.0 million and \$9.2 million, of which capital assets were 91%, 96% and 93%, respectively, a reduction of 5% from FY2007 to FY2008. These capital assets are utilized to provide educational and related services to students and the communities and are not available for future spending. For FY2008, unrestricted net assets are available to meet the College's obligations. The unrestricted net assets were \$.4 million (4%) of the total net assets for both FY2008 and FY2007. The unrestricted net assets represents the amount not restricted via plant operations, auxiliaries, grant and loan funds, and state code restrictions.

**Net Assets**  
**June 30, 2008, 2007 and 2006**  
**(in millions)**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cash	\$ 2.1	\$ 1.9	\$ 1.9
Other current assets	<u>.5</u>	<u>.2</u>	<u>.8</u>
Total current assets	<u>2.6</u>	<u>2.1</u>	<u>2.7</u>
Capital assets	<u>8.5</u>	<u>8.6</u>	<u>8.6</u>
Total noncurrent assets	<u>8.5</u>	<u>8.6</u>	<u>8.6</u>
Total assets	<u>11.1</u>	<u>10.7</u>	<u>11.3</u>
Current liabilities	1.4	1.0	1.2
Noncurrent liabilities	<u>.4</u>	<u>.7</u>	<u>.9</u>
Total liabilities	<u>1.8</u>	<u>1.7</u>	<u>2.1</u>
Net assets			
Invested in capital assets	8.4	8.6	8.5
Restricted, expendable	.5	.0	.2
Unrestricted	<u>.4</u>	<u>.4</u>	<u>.5</u>
Total net assets	<u>\$ 9.3</u>	<u>\$ 9.0</u>	<u>\$ 9.2</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2008 and 2007

For the years ended June 30, 2008, 2007, and 2006 the income (loss) before other revenues and expenses such as transfers was \$(.1) million, \$(.4) million and \$.6 million. The College received a \$1.9 million property gift from the Greenbrier Building Commission in 2006, bond proceeds of \$.9 million in 2006 and \$.2 million in 2007 and transfer of property of \$.3 million from the Higher Education Policy Commission in 2006, and a transfer of net assets from Bluefield State College of \$5.5 million in 2006.

**Operating Results**  
**Years Ended June 30, 2008, 2007 and 2006**  
**(in millions)**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating revenues			
Tuition and fees	\$ 1.8	\$ 1.4	\$ 1.4
Contracts and grants	4.7	3.2	3.6
Other	<u>.6</u>	<u>.8</u>	<u>.6</u>
	7.1	5.4	5.6
Less: operating expenses	<u>12.2</u>	<u>10.3</u>	<u>9.2</u>
Operating loss	(5.1)	(4.9)	(3.6)
Nonoperating revenues and transfers			
State appropriation	4.8	4.4	4.1
Other	<u>.2</u>	<u>.1</u>	<u>.1</u>
Net nonoperating revenue and transfers	<u>5.0</u>	<u>4.5</u>	<u>4.2</u>
Income (loss) before other revenues, expenses, gains or losses	<u>(.1)</u>	<u>(.4)</u>	<u>.6</u>
Asset transfers & bond proceeds			
From BSC	-	-	5.5
From Policy Commission	-	-	.3
From Greenbrier Building Commission	-	-	1.9
Bond proceeds	<u>-</u>	<u>.2</u>	<u>.9</u>
Total transfers	<u>-</u>	<u>.2</u>	<u>8.6</u>
Change in Accounting Principle	<u>.3</u>	<u>-</u>	<u>-</u>
Total change in net assets	<u>\$ .2</u>	<u>\$ (.2)</u>	<u>\$ 9.2</u>

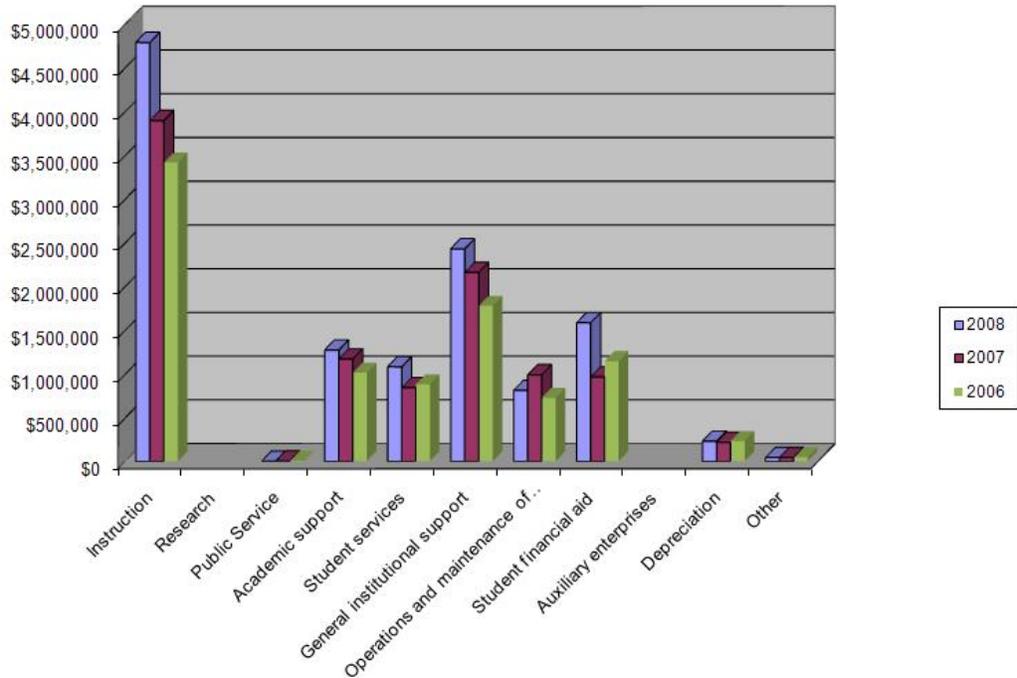
For the year ended June 30, 2008, the increase in net assets for the College was \$.2 million, related to the change in accounting principle of OPEB and sick leave.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2008 and 2007

**Operating Expenses**  
**Years Ended June 30, 2008, 2007 and 2006**  
**(in millions)**

FUNCTIONAL CLASSIFICATION OF EXPENSES	<u>2008</u>	<u>2007</u>	<u>2006</u>
Instruction	\$ 4.8	\$ 3.9	\$ 3.4
Academic support	1.3	1.2	1.0
Student services	1.1	.8	.9
Operation and maintenance of plant	.8	1.0	.7
Institutional support	2.4	2.2	1.8
Student financial aid	1.6	1.0	1.2
Depreciation	<u>.2</u>	<u>.2</u>	<u>.2</u>
 Total	 <u>\$ 12.2</u>	 <u>\$ 10.3</u>	 <u>\$ 9.2</u>

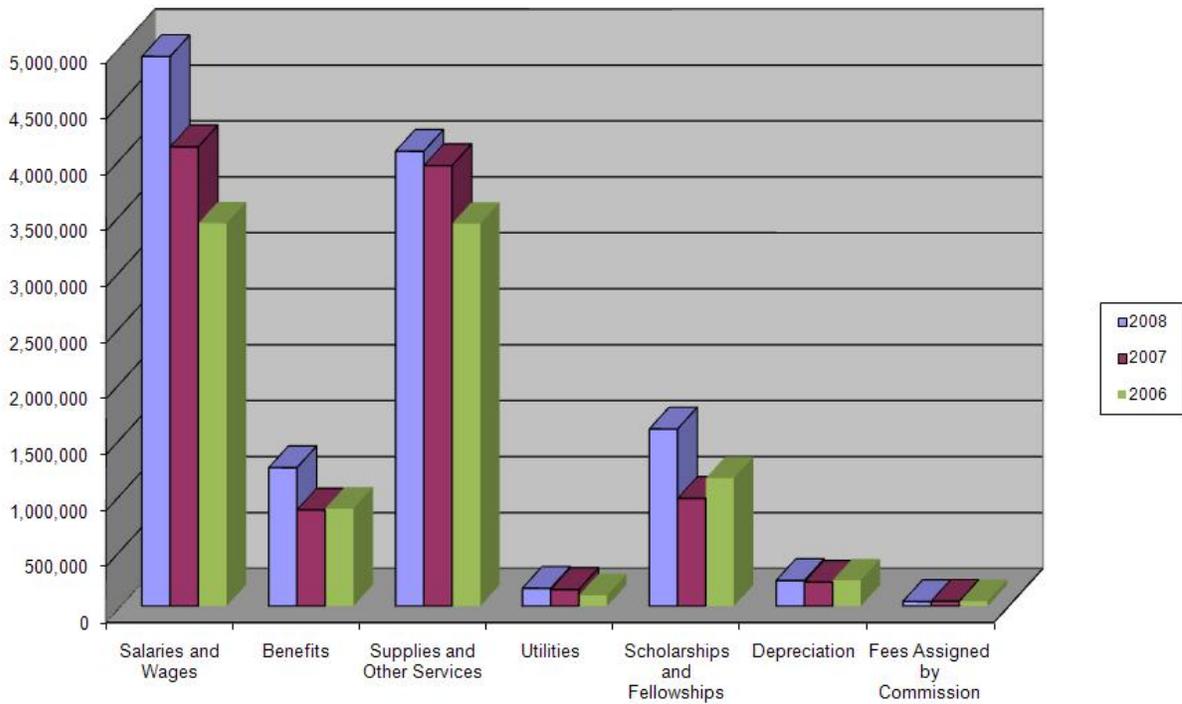
**New River Community & Technical College**  
**Functional Classifications of Expenses FY 08**



NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2008 and 2007

NATURAL CLASSIFICATION OF EXPENSES	<u>2008</u>	<u>2007</u>	<u>2006</u>
Salaries and wages	\$ 4.9	\$ 4.1	\$ 3.4
Benefits	1.2	.9	.9
Supplies and other services	4.1	3.9	3.4
Utilities	.1	.1	.1
Scholarships and fellowships	1.6	1.0	1.1
Depreciation	.2	.2	.2
Fees assessed by Commission	<u>.1</u>	<u>.1</u>	<u>.1</u>
 Total	 <u>\$ 12.2</u>	 <u>\$ 10.3</u>	 <u>\$ 9.2</u>

**New River Community & Technical College  
Natural Classifications of Expenses FY 08**



NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2008 and 2007

The Statement of Cash Flows presents detailed information about the cash activities of the College during the year. The statement is divided into five parts. The first section deals with operating cash flows and shows the net cash used in the operating activities. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and noncapital financing purposes. The third section deals with the cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital assets and related items and related funding received. The fourth section reflects the cash flows from investing activities and shows interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating loss reflected in the Statement of Revenues, Expenses and Changes in Net Assets. Cash and cash equivalents for years ended June 30, 2008, 2007 and 2006 were \$2.1 million, \$1.9 million, and \$1.9 million, an increase of \$188 thousand from FY2007 to FY2008.

**Cash Flows**  
**Years Ended June 30, 2008, 2007 and 2006**  
(in thousands)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cash provided by (used in)			
Operating activities	\$ (4,654)	\$ (4,449)	\$ (3,353)
Non capital financing activities	4,863	4,430	5,246
Capital and related financing activities	( 75)	(109)	(53)
Investing activities	<u>54</u>	<u>119</u>	<u>75</u>
Increase (decrease) in cash and cash equivalents	188	(9)	1,915
Cash and cash equivalents, beginning of year	<u>1,906</u>	<u>1,915</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 2,094</u>	<u>\$ 1,906</u>	<u>\$ 1,915</u>

**Capital Asset and Debt Administration**

The debt service obligation for the College for FY2008, FY2007 and FY2006, respectively, were \$66,462, \$84,247 and \$101,884.

In FY2008, construction in progress (CIP) for the Greenbrier County Library project of \$1,058,476 was transferred to the category of Other Capital Assets - Building. Total obligation from the State of West Virginia from designated bond funds was \$1,058,476 with the College as the second guarantor of the funds. The College also purchased \$17,950 in equipment, one vehicle, and disposed of \$41,258 in equipment, and purchased \$35,262 in library books.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended June 30, 2008 and 2007

In FY2006 capital asset transfers to the College from Bluefield State College occurred with the largest transfers being the properties and buildings in Lewisburg and Nicholas County. The following is a brief summary of capital assets for the College as a whole for 2006:

- The land addition included transfers of property from the Greenbrier County Commission and the Salisbury Farm property from the Higher Education Policy Commission.
- Land improvements and buildings relate also to the transfers from the Greenbrier County Commission and Higher Education Policy Commission.

### **Economic Outlook**

Although the national economy has experienced a downward trend, West Virginia state government has not experienced the same level of economic stress that other states have experienced. The Governor has announced that state appropriations for FY 2009 or FY 2010 are expected to remain level. Community and technical colleges normally fare better than other higher education institutions during economic downturns but Management is monitoring economic conditions carefully and will take appropriate steps if required to maintain the financial health of the college.

A full seven year accreditation by the Higher Learning Commission following an institutional visitation in September 2007 confirms the belief of Management that the college is and will remain well positioned for enrollment growth. Enrollment growth has continued for the Fall 2008 and Spring 2009 semesters.

### **Contacting the College's Financial Management**

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
STATEMENT OF NET ASSETS  
JUNE 30, 2008 AND 2007

12

ASSETS	<u>2008</u>	<u>2007</u>
Current assets		
Cash and cash equivalents	\$ 2,094,275	\$ 1,905,943
Accounts receivable, net of allowance of \$122,825 and \$85,886	144,011	73,664
Due from Commission	2,326	6,942
Due from Bluefield State College	347,702	112,505
Due from Other State Agencies	30,000	9,237
Total current assets	<u>2,618,314</u>	<u>2,108,291</u>
Noncurrent assets		
Capital assets - net	<u>8,482,248</u>	<u>8,658,155</u>
Total noncurrent assets	<u>8,482,248</u>	<u>8,658,155</u>
Total assets	<u>11,100,562</u>	<u>10,766,446</u>
LIABILITIES		
Current liabilities		
Accounts payable	136,687	265,177
Accrued liabilities	433,740	401,529
Due to the Commission	13,055	86
Due to Bluefield State College	659,142	180,992
Deferred revenue	16,807	871
Compensated absences - current portion	151,856	139,585
Debt service obligation payable to the Commission - current portion	18,447	17,785
Total current liabilities	<u>1,429,734</u>	<u>1,006,025</u>
Noncurrent liabilities		
Due to Bluefield State College	136,543	273,086
Compensated absences	116,729	389,028
Other post employment benefits liability	59,280	-
Debt service obligation payable to the Commission	48,015	66,462
Total noncurrent liabilities	<u>360,567</u>	<u>728,576</u>
Total liabilities	<u>1,790,301</u>	<u>1,734,601</u>
NET ASSETS		
Invested in capital assets - net of related debt	<u>8,415,786</u>	<u>8,573,908</u>
Restricted for:		
Expendable:		
Scholarships	180	180
Other	456,132	64,928
Total restricted	<u>456,312</u>	<u>65,108</u>
Unrestricted	<u>438,163</u>	<u>392,829</u>
Total net assets	<u>\$ 9,310,261</u>	<u>\$ 9,031,845</u>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

GREENBRIER COMMUNITY COLLEGE FOUNDATION, INC.  
 DBA NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.  
 A COMPONENT UNIT OF THE NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2008 AND DECEMBER 31, 2006

	<u>2008</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 144,010	\$ 80,349
Investments	<u>844,391</u>	<u>807,182</u>
 Total assets	 <u>\$ 988,401</u>	 <u>\$ 887,531</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<u>Liabilities</u>		
Scholarships payable	\$ 13,645	\$ -
Accrued expenses	<u>8,000</u>	<u>-</u>
Total Liabilities	<u>21,645</u>	<u>-</u>
 <u>Net Assets</u>		
Unrestricted	30,417	33,729
Temporarily restricted	57,529	66,179
Permanently restricted	<u>878,810</u>	<u>787,623</u>
Total Net Assets	<u>\$ 966,756</u>	<u>\$ 887,531</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Operating revenues		
Student tuition and fees (net of scholarship allowance of \$3,225,040 and \$2,561,539, respectively)	\$ 1,820,472	\$ 1,423,652
Contracts and grants		
Federal	3,328,761	2,306,863
State	1,369,048	920,617
Private	-	5,000
Sales and services of educational activities	122,219	228,521
Miscellaneous - net	499,077	494,612
Total operating revenues	<u>7,139,577</u>	<u>5,379,265</u>
Operating expenses		
Salaries and wages	4,912,771	4,106,072
Benefits	1,249,295	860,147
Supplies and other services	4,066,354	3,937,616
Utilities	159,866	149,176
Student financial aid - scholarships and fellowships	1,583,174	963,906
Depreciation	229,069	214,891
Assessments by the Policy Commission for operations	42,011	44,023
Total operating expenses	<u>12,242,540</u>	<u>10,275,831</u>
Operating loss	<u>(5,102,963)</u>	<u>(4,896,566)</u>
Nonoperating revenues (expenses)		
State appropriations	4,863,295	4,429,955
Payment on behalf of New River Community & Technical College	135,499	-
Investment income	53,547	119,292
Assessments by the Commission for debt service	(3,874)	(4,293)
Net nonoperating revenues	<u>5,048,467</u>	<u>4,544,954</u>
Income (loss) before other revenues, expenses, gains or losses	(54,496)	(351,612)
Bond Proceeds from the Policy Commission	<u>-</u>	<u>180,909</u>
Increase in net assets before cumulative effect	(54,496)	(170,703)
Net assets, beginning of year	9,031,845	9,202,548
Cumulative effect of adoption of accounting principle	332,912	-
Net assets, beginning of year as adjusted	<u>9,364,757</u>	<u>9,202,548</u>
Net assets, end of year	<u>\$ 9,310,261</u>	<u>\$ 9,031,845</u>

The Accompanying Notes Are An Integral  
 Part Of These Financial Statements

GREENBRIER COMMUNITY COLLEGE FOUNDATION, INC.,  
DBA NEW RIVER COMMUNITY & TECHNICAL  
COLLEGE FOUNDATION  
A COMPONENT UNIT OF THE NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
STATEMENT OF ACTIVITIES  
AND CHANGES IN NET ASSETS  
For the Eighteen Months Ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>Public Support and Revenue</u></b>				
Contributed services revenue	\$ 124,604	\$ -	\$ -	\$ 124,604
Contributions	11,247	21,390	91,187	123,824
Interest and dividends income	11,566	77,366	-	88,932
Realized gains on investment securities, net	6,674	48,815	-	55,489
Unrealized losses on investment securities, net	(9,638)	(82,682)	-	(92,320)
Elderhostel program revenue	47,275	-	-	47,275
Transfer of funds from entity previously managing Elderhostel program	21,375	-	-	21,375
<b>Total public support and revenue</b>	<u>213,103</u>	<u>64,889</u>	<u>91,187</u>	<u>369,179</u>
 <b><u>Expenses</u></b>				
Scholarships paid	-	62,995	-	62,995
 <b><u>Elderhostel Expenses</u></b>				
Lodging	14,635	-	-	14,635
Meals	11,005	-	-	11,005
Tours and instruction	10,624	-	-	10,624
Transportation	4,840	-	-	4,840
<b>Total Elderhostel Expenses</b>	<u>41,104</u>	<u>-</u>	<u>-</u>	<u>41,104</u>
 <b><u>Other Expenses</u></b>				
Contributed salaries, wages, payroll taxes and employee benefits	124,604	-	-	124,604
Consulting fees	28,824	-	-	28,824
Other professional fees	12,931	-	-	12,931
Bank and investment management fees	250	10,544	-	10,794
Neighborhood investment program fees	2,592	-	-	2,592
Travel and entertainment	1,080	-	-	1,080
Contract labor	1,000	-	-	1,000
Taxes and licenses	825	-	-	825
Direct fundraising expenses	810	-	-	810
Dues and subscriptions	735	-	-	735
Other expenses	1,660	-	-	1,660
<b>Total Other Expenses</b>	<u>175,311</u>	<u>10,544</u>	<u>-</u>	<u>185,855</u>
 <b>Total Expenses</b>	<u>216,415</u>	<u>73,539</u>	<u>-</u>	<u>289,954</u>
 <b>Excess of (Expenses Over Public Support and Revenue)</b>				
<b>Public Support and Revenues Over Expenses</b>	(3,312)	(8,650)	91,187	79,225
 <b>Net Assets, Beginning of Year</b>	<u>33,729</u>	<u>66,179</u>	<u>787,623</u>	<u>887,531</u>
 <b>Net Assets, End of Year</b>	<u>\$ 30,417</u>	<u>\$ 57,529</u>	<u>\$ 878,810</u>	<u>\$ 966,756</u>

GREENBRIER COMMUNITY COLLEGE FOUNDATION, INC. DBA  
 NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.  
 A COMPONENT UNIT OF THE NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
 STATEMENTS OF ACTIVITIES  
 YEAR ENDED DECEMBER 31, 2006

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Student tuition and fees	\$ 1,499,234	\$ 1,486,010
Contracts and grants	4,577,371	3,385,473
Payments to and on behalf of employees	(5,998,735)	(4,774,415)
Payments to suppliers	(3,599,047)	(4,119,589)
Payments to utilities	(161,888)	(148,380)
Payments for scholarships and fellowships	(1,583,175)	(963,906)
Sales and service of educational activities	654,562	729,236
Fees assessed by Commission	(42,011)	(44,023)
Net cash provided (used) in operating activities	<u>(4,653,689)</u>	<u>(4,449,594)</u>
Cash flows from noncapital financing activities		
State appropriations	4,863,295	4,429,955
William D. Ford direct lending receipts	4,928,360	3,410,214
William D. Ford direct lending payments	<u>(4,928,360)</u>	<u>(3,410,214)</u>
Net cash provided (used) in noncapital financing activities	<u>4,863,295</u>	<u>4,429,955</u>
Cash flows from capital financing activities		
Purchases of capital assets	(53,162)	(267,728)
Payments to Commission for debt service	(21,659)	(21,930)
Bond funds transferred from Commission	-	180,909
Net cash provided (used) in capital financing activities	<u>(74,821)</u>	<u>(108,749)</u>
Cash flows from investing activities		
Interest on investments	<u>53,547</u>	<u>119,292</u>
Net cash provided (used) in investing activities	<u>53,547</u>	<u>119,292</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	188,332	(9,096)
Cash and cash equivalents - beginning of year	<u>1,905,943</u>	<u>1,915,039</u>
Cash and cash equivalents - end of year	<u>\$ 2,094,275</u>	<u>\$ 1,905,943</u>
Reconciliation of net operating loss to net cash used in operating activities		
Operating loss	\$ (5,102,963)	\$ (4,896,566)
Adjustments to reconcile net operating loss to net cash used in operating activities		
Depreciation expense	229,069	214,891
Loss on disposal of equipment	-	140
Expenses paid on behalf of New River Community and Technical College	135,499	-
Changes in assets and liabilities:		
Accounts receivables - net	(70,347)	(19,706)
Accounts payable	226,086	(290,038)
Accrued liabilities	91,491	126,040
Compensated absences	72,884	26,958
Deferred revenue	15,936	(4,443)
Due to/from Other State Agencies	<u>(251,344)</u>	<u>393,130</u>
Net cash used in operating activities	<u>\$ (4,653,689)</u>	<u>\$ (4,449,594)</u>
Noncash transactions		
Cumulative effect of adoption of accounting principle	<u>\$ 332,912</u>	<u>\$ -</u>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2008 and 2007

NOTE 1 - ORGANIZATION

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

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

S.B. 653 also created the West Virginia Higher Education Policy Commission (the "Commission"), which is responsible for developing, gaining consensus around and overseeing the implementation and development of a higher education public policy agenda. Senate Bill 448 gives the West Virginia Council for Community and Technical College Education (the "Council") the responsibility of developing, overseeing, and advancing the State's Public Policy agenda as it relates to community and technical college education. Senate Bill 401 required the transfer of certain net assets from Bluefield State College to its separately governed community and technical college after the community and technical college received its independent accreditation. The College received its accreditation on February 8, 2005.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The College follows GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, an amendment to GASB Statement No. 14. As a result, the Greenbrier Community College Foundation, Inc., DBA New River Community & Technical College Foundation, Inc. (Foundation) was originally not included because the economic resources held by the Foundation were not significant to that inclusion. Beginning with the year ended June 30, 2007, the resources held by the Foundation became significant and are now included. As a result, the audited financial statements of the Foundation are presented here as a discrete component unit with the College financial statements for the fiscal year ended June 30, 2008 and 2007. The Foundation's audited financial statements were as of and for the year ended December 31, 2006, and as of and for the eighteen months ended June 30, 2008. The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organization. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein except that in accordance with governmental accounting standards, the Foundation's statements of cash flows are not presented.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- **Invested in capital assets-net of related debt** - This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
- **Restricted net assets, expendable** - This includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

- **Restricted net assets, nonexpendable** - This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
- **Unrestricted net assets** - Unrestricted net assets include resources that are not subject to externally imposed stipulations. Such resources are derived from tuition and fees (not restricted as to use), state appropriations, sales and services of educational activities and auxiliary enterprises. Unrestricted net assets are used for transactions related to the educational and general operations of the College and may be designated for specific purposes by action of the Board of Governors.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2008 and 2007

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Cash and cash equivalent balances on deposit with the State of West Virginia Treasurer's Office (the "State Treasurer") are pooled by the State Treasurer with other funds of the State for investment purposes by the West Virginia Board of Treasury Investments ("BTI"). These funds are transferred to the BTI and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia code, policies set by the BTI, and by provisions of bond indentures and trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal 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 which consists of seven investment pools and participant-directed accounts, three of which the College may invest in. These pools have been structured as multiparticipant variable net asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual report. A copy of this annual report can be obtained from the following address: 1900 Kanawha Boulevard East, Room E-122, Charleston, West Virginia 25305 or <http://www.wvbt.com>.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2008 and 2007

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

***Capital Assets*** - Capital assets include property, plant and equipment, and books and materials that are part of a catalogued library. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings, 20 years for land improvements, 7 years for library books and 3 to 10 years for furniture and equipment. The College's capitalization threshold is \$5,000. There was no interest capitalized during 2008 or 2007.

***Deferred Revenue*** - Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as deferred revenue, including items such as orientation fees and room and board. Financial aid and other deposits are separately classified as deposits.

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 of West Virginia (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 of West Virginia. The Plan provides the following retiree group insurance coverage to participants: medical and prescription drug coverage through a self-insured preferred provider benefit (PPB) plan and through external managed care organizations (MCOs), basic group life, accidental death, and prescription drug coverage for retired employees of the State and various related State and non-State agencies and their dependents. Details regarding this plan can be obtained by contacting 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 payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

The College's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1 ½ 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. The 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 extend health insurance for one year of family coverage.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The estimated 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 medical malpractice liability coverage to the College and its employees. Such coverage may be provided to the College by BRIM through self-insurance programs maintained by BRIM or policies underwritten by BRIM that may involve experience-related premiums or adjustments to BRIM.

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

In addition, through its participation in the West Virginia Public Employees Insurance Agency (PEIA) and a third-party insurer, the College has obtained health, life, prescription drug coverage, and coverage for job related injuries for its employees. In exchange for payment of premiums to PEIA and the third-party insurer, the College has transferred its risks related to health, life, prescription drug coverage, and job related injuries.

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

**Classification of Revenues** - The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, local, and nongovernmental grants and contracts, and (4) sales and services of educational activities.
- **Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, such as state appropriations and investment income.
- **Other Revenue** - Other revenues consist primarily of capital grants and gifts.

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

**Federal Financial Assistance Programs** - The College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through universities like the College. Direct student loan receivables are not included in the College's statement of net assets as the loans are repayable directly to the U.S. Department of Education. In 2008 and 2007, respectively the College received and disbursed approximately \$4,900,000 and \$3,400,000, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses and changes in net assets.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2008 and 2007, respectively the College received and disbursed approximately \$3,300,000 and \$2,300,000, under these federal student aid programs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

**Income Taxes** - The College is exempt from income taxes, except for unrelated business income, as a governmental instrumentality under federal income tax laws and regulations of the Internal Revenue Service as described in Section 115 of the Internal Revenue Code.

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

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

***Recent Statements Issued By the GASB*** - The GASB has 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.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2008 and 2007

NOTE 3 - CASH AND CASH EQUIVALENTS

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

	<u>2008</u>	<u>2007</u>
Cash on deposit with the State Treasurer	\$ 2,045,614	\$ 1,772,587
Cash in Bank	47,111	131,806
Cash on hand	<u>1,550</u>	<u>1,550</u>
	<u>\$ 2,094,275</u>	<u>\$ 1,905,943</u>

Cash held by the State Treasurer and cash in bank include for years ended June 30, 2008 and 2007 respectively, \$483,584 and \$198,302 of restricted cash for specific purposes by West Virginia State Code, grant resources and loan funds.

Bank balances are insured by federal deposit insurance up to \$100,000 per financial institution. Balances in these accounts sometimes exceed the federal deposit insurance limits; however, management believes the banks to be creditworthy and believes that credit risk associated with these deposits is minimal. At June 30, 2008 and 2007 respectively, total bank balances exceeded federal deposit insurance by approximately \$71,887, and \$51,497.

Amounts with the State Treasurer and the Municipal Bond Commission as of June 30, 2008 and 2007, are comprised of the following investment pools which are subject to the following BTI policies.

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).

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2008 and 2007

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NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

**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's ownership represents 0.03%.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
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The following table provides information on the credit ratings of the WV Money Market Pool's investments (in thousands) at June 30, 2007:

Security Type	Credit Rating *		2007	
	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	<u>77,023</u>	<u>3.71</u>
			<u>261,025</u>	<u>12.56</u>
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	<u>50,000</u>	<u>2.41</u>
			<u>\$ 2,077,831</u>	<u>100.00%</u>

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

At June 30, 2007, the College's ownership 0.07% of these amounts held by the BTI.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2008 and 2007

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

**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 0.01%.

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

Security Type	Credit Rating		2007	
	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	<u>51,400</u>	<u>22.39</u>
			<u>51,400</u>	<u>22.39</u>
			<u>\$ 229,551</u>	<u>100.00%</u>

At June 30, 2007, the College's ownership 0.02% of these amounts held by the BTI.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2008 and 2007

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

**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):

Security Type	Credit Rating*		2008		2007	
	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Corporate asset backed securities	P1	A-1	\$ -	0.00%	\$ 42,122	18.40%
	Aaa	AAA	48,663	13.75	-	0.00
	Aaa	NR	2,179	0.62	-	0.00
	NR	AAA	1,135	0.32	-	0.00
	AA3	AA	192	0.06	-	0.00
			<u>52,169</u>	<u>14.75</u>	<u>42,122</u>	<u>18.40</u>
Commercial Paper	P1	A-1	7,971	2.25	-	0.00
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	-	0.00
	Baa1	A-	2,028	0.57	-	0.00
Baa3	BB+	645	0.18	-	0.00	
		<u>117,997</u>	<u>33.33</u>	<u>52,620</u>	<u>22.98</u>	
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
			<u>\$ 353,979</u>	<u>100.00%</u>	<u>\$ 228,920</u>	<u>100.00%</u>

\* 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.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2008 and 2007

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

At June 30, 2008 and 2007, the College's ownership represents 0.02% and 0.04%, 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:

Security Type	2008		2007	
	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	<u>150,058</u>	1	<u>185</u>	1
	<u>\$ 2,358,470</u>	40	<u>\$ 2,077,831</u>	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:

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2008 and 2007

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Security Type	2008		2007	
	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
	<u>\$ 187,064</u>	54	<u>\$ 229,551</u>	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:

Security Type	2008		2007	
	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	-	-
	<u>\$ 353,979</u>	707	<u>\$ 228,920</u>	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.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2008 and 2007

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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.

NOTE 4 - ACCOUNTS RECEIVABLE

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

	<u>2008</u>	<u>2007</u>
Student tuition and fees, net of allowance for doubtful accounts of \$122,825 and \$85,886 in 2008 and 2007	\$ 144,011	\$ 73,664
Due from the Commission	2,326	6,942
Due from Bluefield State College	347,702	112,505
Due from other agencies	<u>30,000</u>	<u>9,237</u>
	<u>\$ 524,039</u>	<u>\$ 202,348</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2008 and 2007

NOTE 5 - CAPITAL ASSETS

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

	2008			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated:				
Land	\$ 824,000	\$ -	\$ -	\$ 824,000
Construction in progress	<u>1,058,476</u>	<u>-</u>	<u>1,058,476</u>	<u>-</u>
Total capital assets not being depreciated	<u>\$ 1,882,476</u>	<u>\$ -</u>	<u>\$ 1,058,476</u>	<u>\$ 824,000</u>
Other capital assets:				
Land improvements	\$ 97,937	\$ -	\$ -	\$ 97,937
Buildings	7,218,181	1,058,476	-	8,276,657
Equipment	646,428	17,900	41,258	623,070
Library books	<u>316,514</u>	<u>35,262</u>	<u>-</u>	<u>351,726</u>
Total other capital assets	<u>8,279,060</u>	<u>1,111,638</u>	<u>41,258</u>	<u>9,349,440</u>
Less accumulated depreciation for:				
Land improvements	16,116	6,529	-	22,645
Buildings	743,386	163,835	-	907,221
Equipment	465,359	47,637	41,258	471,738
Library books	<u>278,520</u>	<u>11,068</u>	<u>-</u>	<u>289,588</u>
Total accumulated depreciation	<u>1,503,381</u>	<u>229,069</u>	<u>41,258</u>	<u>1,691,192</u>
Other capital assets - net	<u>\$ 6,775,679</u>	<u>\$ 882,569</u>	<u>\$ -</u>	<u>\$ 7,658,248</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 1,882,476	\$ -	\$ 1,058,476	\$ 824,000
Other capital assets	<u>8,279,060</u>	<u>1,111,638</u>	<u>41,258</u>	<u>9,349,440</u>
Total cost of capital assets	10,161,536	1,111,638	1,058,476	10,173,440
Less accumulated depreciation	<u>1,503,381</u>	<u>229,069</u>	<u>41,258</u>	<u>1,691,192</u>
Capital assets - net	<u>\$ 8,658,155</u>	<u>\$ 882,569</u>	<u>\$ 1,058,476</u>	<u>\$ 8,482,248</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2008 and 2007

NOTE 5 - CAPITAL ASSETS (Continued)

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

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

At June 30, 2008, the College had no outstanding contractual commitments for property, plant and equipment expenditures.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2008 and 2007

NOTE 6 - LONG-TERM LIABILITIES

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

	2008				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 528,613	\$ 72,884	\$ 332,912	\$ 268,585	\$ 151,856
Debt obligation due Commission	84,247	-	17,785	66,462	18,447
OPEB liability	-	59,280	-	59,280	-
Due to Bluefield State College	<u>454,078</u>	<u>522,599</u>	<u>180,992</u>	<u>795,685</u>	<u>659,142</u>
Total noncurrent liabilities	<u>\$ 1,066,938</u>	<u>\$ 654,763</u>	<u>\$ 531,689</u>	<u>\$ 1,190,012</u>	<u>\$ 829,445</u>

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

NOTE 7 - COMPENSATED ABSENCES LIABILITY AND OTHER POST EMPLOYEMENT BENEFITS

Compensated absences liability at June 30, 2008 and 2007, is as follows:

	2008			2007		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Health or life insurance benefits	\$ -	\$ -	\$ -	\$ 9,362	\$ 323,549	\$ 332,911
Accrued vacation leave	<u>151,856</u>	<u>116,729</u>	<u>268,585</u>	<u>130,223</u>	<u>65,479</u>	<u>195,702</u>
Total	<u>\$ 151,856</u>	<u>\$ 116,729</u>	<u>\$ 268,585</u>	<u>\$ 139,585</u>	<u>\$ 389,028</u>	<u>\$ 528,613</u>

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 amount paid by the College for extended health or life insurance coverage retirement benefits totaled \$10,640. As of the year ended June 30, 2007, there were 4 retirees receiving these benefits.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2008 and 2007

NOTE 7 - COMPENSATED ABSENCES LIABILITY AND OTHER POST  
EMPLOYEMENT BENEFITS (Continued)

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 \$59,280. For the year ended June 30, 2008, the College recorded a cumulative effect of the adoption of this accounting principle of \$332,912, 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 \$351,051 and \$156,272, respectively, during 2008. As of the year ended June 30, 2008, there were 3 retirees receiving these benefits.

NOTE 8 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

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

The Commission assesses each public institution of higher education for funds to meet the payment of debt service on these various bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as a capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission. During 2005, the College assumed \$119,300 in additional debt obligation from the Commission, including amounts from Glenville State College for the Nicholas County Campus. During 2008, and 2007, respectively the College paid \$17,785, and \$17,637 to the Commission against the debt obligation. The amount due to Commission at June 30, 2008 is \$66,462.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2008 and 2007

NOTE 8 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (Continued)

During the year ended June 30, 2005, the West Virginia Higher Education Policy Commission issued \$167 million of 2004 series B Revenue Bonds to fund capital projects at various higher education institutions in the State of West Virginia. The Colleges was approved for \$2.3 million of the bond proceeds for capital projects from this bond issuance. The capital projects included the purchase of the Nicholas County Campus (\$1.3 million) and Lewisburg campus assistance with construction of a new library building in co-operation with the Greenbrier County library (\$1 million). State lottery funds will be used to repay the debt, although College revenues are pledged if lottery funds prove insufficient. As of June 30, 2006, the College has drawn approximately \$1 million of these bonds to pay for capital projects. In addition, \$1.3 million for the Nicholas County Campus was previously drawn by Bluefield State College and was included in the beginning net asset transfer.

NOTE 9 - UNRESTRICTED NET ASSETS

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

	<u>2008</u>	<u>2007</u>
Designated for repair and replacement of property	\$ 456,693	\$ 343,272
Undesignated	<u>(18,530)</u>	<u>49,557</u>
Total unrestricted net assets	<u>\$ 438,163</u>	<u>\$ 392,829</u>

NOTE 10 - RETIREMENT PLANS

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2008 and 2007

NOTE 10 - RETIREMENT PLANS (Continued)

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

The STRS is a cost sharing, multiple employer defined benefit public employee retirement system. Employer and employee contribution rates are established annually by the State Legislature. The 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 years 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' salaries 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 respectively, were \$33,907 and \$33,036 which consisted of \$24,219 and \$23,597 from the College, and \$9,688 and \$9,439 from the covered employees in 2008 and 2007, respectively.

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

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2008 and 2007

NOTE 10 - RETIREMENT PLANS (Continued)

Total contributions to the TIAA-CREF for the years ended June 30, 2008 and 2007 respectively, were \$394,490 and \$331,346 which consisted of equal contributions of \$197,245 and \$165,673 from both the College and covered employees.

Total contributions to Great West for the years ended June 30, 2008 and 2007 respectively, were \$1,516 and \$4,536, which consisted of equal contributions of \$758 and \$2,268, from both the College and covered employees.

The College's total payroll for the years ended June 30, 2008 and 2007 respectively, was \$4,912,771 and \$4,106,072. Total covered employees' salaries in STRS, TIAA-CREF and Great West were \$3,461,515 and \$2,956,332.

NOTE 11 - LEASES

The College leases various branch campus facilities in the State reported as operating leases. Rental payments for these facilities were \$272,233 and \$253,824 for the year ended June 30, 2008 and 2007. Following is a schedule of future minimum lease payments for the term of these operating leases.

<u>Year Ending June 30</u>	<u>Rental Payments</u>
2009	\$268,930
2010	111,627
2011	93,810
2012	94,855
2013	57,836
Thereafter	<u>18,244</u>
	<u>\$645,302</u>

NOTE 12 - FOUNDATION

The Foundation is a separate nonprofit organization incorporated in the State of West Virginia and has as its purpose "...to aid, strengthen and further in every proper and useful way, the work and services of the College and its affiliated nonprofit organizations..." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy and maintains fiscal accountability over funds administered by the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2008 and 2007

NOTE 12 - FOUNDATION

of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented with the College's financial statements in accordance with GASB Statement No. 39. Based on the Foundation's audited financial statements for the eighteen months ended June 30, 2008 and the year ended December 31, 2006, the Foundation's net assets (including unrealized gains) totaled \$966,756 and \$887,531, respectively. Complete financial statements for the Foundation can be obtained from the President of the Greenbrier Community College Foundation, Inc.

Gifts, grants, pledges and bequests to the Foundation totaled \$123,824 and \$64,959 for the eighteen months ended June 30, 2008 and the year ended December 31, 2006, respectively.

NOTE 13 - CONTINGENCIES

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

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

The 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.

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2008 and 2007

NOTE 14 - COMPONENT UNIT DISCLOSURES

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

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND DECEMBER 31, 2006

**Note 1 — Description of the Organization**

The Greenbrier Community College Foundation, Inc., DBA New River Community & Technical College Foundation, Inc. (“**the Organization**”) is a non-profit West Virginia corporation organized to promote educational and fraternal opportunities for current students and alumni of New River Community and Technical College (“**New River**”), located and operating in various communities in southeastern, West Virginia. It has been organized to serve New River, its faculty, students and alumni through fundraising, managing funds, overseeing the distribution of these funds, the undertaking of capital and other educational projects. The Organization currently accomplishes these by engaging in the following principal activities:

- Solicitation of restricted and unrestricted charitable contributions.
- Investment of available liquid assets.
- Awarding to qualified students, faculty or staff of New River certain grants or scholarships.
- Operation of Elderhostel program as an enterprise (See Note 2).

**Note 2 — Summary of Significant Accounting Policies**

Basis of Accounting

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

Financial Statement Presentation

The Organization has implemented the financial statement presentation required by the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted.

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 and will likely differ from those estimates.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND DECEMBER 31, 2006

**Note 2 — Summary of Significant Accounting Policies (continued)**

Cash and cash equivalents

Cash and equivalents include cash, demand deposits with a financial institution and other short-term investments with original maturities of three months or less.

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. There was no pledges receivable as of June 30, 2008 or December 31, 2006.

Assets Held In Community Foundation

The Organization placed with the Greater Kanawha Valley Foundation (“GKVF”) certain restricted assets in the form of a “Donor Designated Sub-Fund Agreements” (“the Agreements”). The substance of these agreements provides for the income resulting from the investment of the assets to be paid back to the Organization. One of these agreements further provides for the Organization to have at its discretion the ability to invade 100% of the principal (corpus) placed with GKVF, whereas the others do not. The assets subject to this agreement amount to approximately 12% of the total of such assets at June 30, 2008. Notwithstanding this, GKVF does have variance power with respect to these funds whereby the Board of GKVF by majority vote has the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations, if in the sole judgment of this Board (without the approval of any trustee, custodian or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with charitable needs of the area served by the GKVF.

The financial statement presentation is determined by Statement of Financial Accounting Standard No. 136, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others. It requires that if a community foundation accepts a contribution from an Agency and agrees to transfer those assets, the return on investment of those assets or both back to the Agency, then these contributions are presented as an asset in financial statements of the agency (in this case the Organization). Accordingly, the value of the assets held by GKVF as of June 30, 2008 and December 31, 2006 is presented in the accompanying statement of financial position in the amount of \$844,391 and \$807,182, respectively.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND DECEMBER 31, 2006

**Note 2 — Summary of Significant Accounting Policies (continued)**

Restricted and Unrestricted Revenue and Support

The Organization follows SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when as stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets utilized for the specified purpose are accordingly reflected as expenses in the accompanying statement of activities.

Donated Goods, Facilities and Services

Contributions of donated services that create or enhance non-financial assets, or that require specialized skills and would typically need to be purchased, if not provided by donation, are recorded at their fair values in the period received as donations revenues with a corresponding expense.

Income Taxes

There is no provision for federal or state income taxes on income since the Organization is an exempt nonprofit association under Internal Revenue Code Section 501(c)(3). Management believes there is no unrelated business taxable income associated with the Organization.

Concentrations

The Organization maintains cash in a demand deposit account with a federally insured bank. At times, the balance in the accounts may be in excess of federally insured limits (at June 30, 2008 this was approximately \$10,000). In management's opinion, the amounts, if any in excess of the federally insured limits do not pose significant risk to the Organization.

Economic Geographic and Other Dependencies

The Organization generates a significant amount of its support and revenue (including fundraising activities) from within the state of West Virginia. Its economy is largely dependent upon the mineral extraction (coal), timbering, farming, and recreation/resort industries. Changes in economies of these industries could significantly influence the Organization's ability to provide its services.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND DECEMBER 31, 2006

**Note 2 — Summary of Significant Accounting Policies (continued)**

Economic Geographic and Other Dependencies (continued)

The Organization is also dependent upon significant amounts of support in the form of salaries, wages and employee benefits and other operating costs provided by New River. The ability or desire of New River to continue to provide this support could significantly influence the Organization's ability to provide its services (**See Note 3**).

Compensated Absences

Compensated absences are not provided for in the accompanying statement of financial position as New River provides all compensation and benefits for employees who serve/operate the Organization (**See Note 3**).

Elderhostel Enterprise

As an enterprise and under terms of a contract the Organization operates as a "program provider" for Elderhostel, Inc. Elderhostel, Inc. is a not-for-profit organization dedicated to providing learning opportunities to adults. It is the nation's first and the world's largest educational travel organization primarily for adults. As a program provider the Organization is responsible for providing a variety of approved services to include meals, lodging, instruction, learning opportunities and transportation to groups of adults enlisted into the Elderhostel programs. The contract commenced July 22, 2003 and ends on July 31, 2008. Management anticipates that this contract will be renewed substantially under the same terms as the previous contract. The Organization was assigned the contract on or about the 1<sup>st</sup> quarter of 2008 by New River, the original program provider. Revenues recognized since taking over this enterprise through June 30, 2008 amounted to \$47,275 and are reported in the accompanying statement of activities.

**Note 3 — Related Party Transactions**

New River also provides furniture, fixtures and equipment which are used by the Organization. The value of the usage of these items has not been recorded in the accompanying financial statements, as there is no objective basis to determine the value of their usage.

New River also provides all the compensation, payroll taxes and employee benefits for the personnel who operate the Organization. These are recorded as contributed services revenue and contributed salaries, wages, payroll taxes and employee benefits in the accompanying statement of activities. The total amount of the services provided were \$124,604 for the eighteen months ended June 30, 2008.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND DECEMBER 31, 2006

**Note 4 — Subsequent Event**

Net losses on investment assets held in community foundation (See Note 2) amounted to approximately \$77,000 for the quarter ended September 30, 2008, which represents approximately 10% of the total value of this asset at June 30, 2008. Management and its advisors do not anticipate that this will be a permanent diminishment in the value of the underlying assets.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 15 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

This table represents operating expenses within both natural and functional classifications for the year ended June 30:  
2008

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by Commission	Total
Instruction	\$ 2,955,551	\$ 714,553	\$ 1,129,247	\$ -	\$ -	\$ -	\$ -	\$ 4,799,351
Academic support	684,507	182,099	404,726	-	-	-	-	1,271,332
Student services	403,325	111,648	563,577	890	-	-	-	1,079,440
General institutional support	666,855	170,949	1,591,003	(817)	-	-	-	2,427,990
Operations and maintenance of plant	202,533	70,046	377,801	159,793	-	-	-	810,173
Student financial aid	-	-	-	-	1,583,174	-	-	1,583,174
Depreciation	-	-	-	-	-	229,069	-	229,069
Other	-	-	-	-	-	-	42,011	42,011
<b>Total</b>	<b>\$ 4,912,771</b>	<b>\$ 1,249,295</b>	<b>\$ 4,066,354</b>	<b>\$ 159,866</b>	<b>\$ 1,583,174</b>	<b>\$ 229,069</b>	<b>\$ 42,011</b>	<b>\$ 12,242,540</b>

2007

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



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

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

We have audited the financial statements of New River Community and Technical College (the "College") as of and for the year ended June 30, 2008, and have issued our report thereon dated February 16, 2009, which states reliance on other auditors for the discretely presented component unit. 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 Post Employers for Post Employment Benefits Other Than Pensions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Greenbrier Community College Foundation, Inc., DBA New River Community and Technical College Foundation, Inc. were not audited in accordance with *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

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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. We consider the deficiencies described in the accompanying schedule of findings and responses as 2008-01 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-01 to be material weaknesses.

#### Compliance and Other Matters

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

We noted other matters that we have reported to management of the College in a separate letter dated February 16, 2009.

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

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



Charleston, West Virginia  
February 16, 2009

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008

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2008-01 INTERNAL CONTROLS AND FINANCIAL REPORTING

- Criteria:** Management of the College is responsible for establishing an internal control structure that reduces to an acceptable level the risk of errors and fraud occurring and not being detected. The College is also responsible to have a financial management system in place to account for the expenditure of grant and other funds, prepare accurate financial reports and be able to trace funds to a level of expenditures adequate to establish that such funds have not been used in violation of applicable laws and regulations, in a timely manner. In addition, an integral part of an entity's internal control structure is the effective segregation of duties, which involves assigning responsibilities for authorizing transactions, recording transactions, and maintaining custody of assets to different individuals, thus reducing the risk of errors or fraud occurring and not being detected in a timely manner.
- Condition:** While conducting the audit we noted the following weaknesses in internal control:
- Transactions are not being posted in a timely manner to the Banner accounting system.
  - There currently are no written policies and procedures in place to differentiate standard journal entries from non-standard journal entries. Nor are there written procedures in place to define when a journal entry requires supervisory approval and who is authorized to approve such entries.
  - We were unable to determine that bank reconciliations were being prepared and reviewed in a timely manner.
  - Certain general ledger accounts and processes such as for PEIA health insurance were not being reconciled in a timely manner.
  - For two of the nine capital assets selected for physical observation, the assets could not be located on the campus.
- Context:** Total assets, liabilities, operating revenues and operating expenses of the College are \$11.1 million, \$1.8 million, \$7.1 million and \$12.2 million, respectively.
- Cause:** Due to staffing constraints management has not established proper internal controls in several of the day to day accounting processes.
- Effect:** The lack of proper internal controls and processes has created a delay in the timely completion of the audited financial statements. Furthermore, the lack of proper internal controls could result in fraud or errors occurring and not being detected in a timely manner.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2008

**Recommendation:** We recommend that management review the daily accounting functions and financial reporting processes to ensure adequate policies and procedures are in place to ensure accurate and timely financial reporting. Management should ensure that the accounting system is posted in a timely manner and that account reconciliations are prepared and reviewed in a timely manner. Furthermore, management should develop formal policies and procedures for journal entry approval.

**Views of  
Responsible  
Officials and  
Planned Corrective  
Actions:**

Late in fiscal year 2008 Bluefield State College, the College's contracted service provider, experienced a series of major system failures which resulted in the Banner Finance module not being fully operational, as well as network system problems such as availability of the system and printing capabilities. Once the enterprise wide systems were brought back on line, a review of the data took place and the remaining transactions were posted which took several months to be fully operational. At this time Bluefield State College anticipates all data entry will be current and balanced by year end and with the transition by New River, transactions are expected to be completed timely.

Written procedures will be established for oversight of journal entries, both standard and non-standard entries.

Bank reconciliations are completed current and up to date as of February 2009.

The College will continue to work with PEIA to reconcile the remaining unresolved issues.

The equipment asset inventory is being evaluated and a process developed to ensure all inventory above the threshold is accurate and accounted for at the proper location.