Blue Ridge Community and Technical College

Financial Statements as of and for the
Years Ended June 30, 2009 and 2008, and
Independent Auditors' Reports

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE

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INDEPENDENT AUDITORS' REPORT

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

We have audited the statements of net assets of Blue Ridge Community and Technical College (the "College") as of June 30, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets, and of cash flows for the years then ended. These financial statements are the responsibility of the management of the College. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the College as of June 30, 2009 and 2008, and changes in its net assets and cash flows of the College for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

The Management Discussion and Analysis on pages 3 to 10, which is the responsibility of the College's management, is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 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 considered in assessing the results of our audit.

Deloitte & Touche LLP

October 7, 2009

The Blue Ridge Community and Technical College

Management Discussion and Analysis (Unaudited)

Fiscal Year 2009

About The Blue Ridge Community and Technical College

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

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

Overview of the Financial Statements and Financial Analysis

There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. The discussion and analysis of the College's financial statements provides an overview of its financial activities for the three years ended June 30, 2009, with a focus on 2009, and is required supplemental information.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the College as of the end of the fiscal year. The Statement of Net Assets is a point-of-time financial statement. The Statement of Net Assets presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities). From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors, employees, lenders and others. Finally, the Statement of Net Assets provides a snapshot picture of the net assets (assets minus liabilities) and their availability for expenditure by the College.

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

The Condensed Statements of Net Assets
As of June 30, 2009, 2008 and 2007
(In thousands of dollars)

	2009	2008	2007
Assets:			
Cash	$ 5,779	$ 4,525	$ 2,770
Other Current Assets	296	132	186
Noncurrent Assets	4,422	4,361	826
Total Assets	10,497	9,018	3,782
Liabilities:			
Current Liabilities	2,590	2,128	814
Noncurrent Liabilities	199	459	532
Total Liabilities	2,789	2,587	1,346
Net Assets	$ 7,708	$ 6,431	$ 2,436

The liquidity of the College is strong as cash exceeds total current and noncurrent liabilities. The College's quick ratio (cash to current liabilities) is 2.2, 2.1 and 3.4 as of June 30, 2009, 2008 and 2007. The working capital (current assets to current liabilities) is 2.35, 2.19, and 3.63 as of June 30, 2009, 2008 and 2007.

Other items of interest related to assets are as follows:

- Approximately 55% of the assets as of June 30, 2009 were held in cash and cash equivalents, compared to 50% in cash and cash equivalents as of June 30, 2008.
- Other current assets include net accounts receivable, grants receivable and an amount due from the Commission and Council.
    - The net accounts receivable of $47,000, $122,442 and $174,997 at June 30, 2009, 2008, and 2007 have seen a decrease for two primary reasons; (1) the College has made a concerted effort to manage the outstanding receivables better, and (2) a change in the calculation of the estimated bad debt reserve to reflect a more accurate valuation. The bad debt reserve is $96,607, $64,985, and $52,571 as of June 30, 2009, 2008, and 2007.
    - Grants receivable of $32,546, $56,094 and $28,880 at June 30, 2009, 2008 and 2007 have fluctuated.
    - The amount due from Council/Commission of $249,042 at June 30, 2009 as compared to $9,378 at June 30, 2008 reflects an increase due to a special appropriation approved by the Council late in the fiscal year.

- Noncurrent assets include an appropriation due from Primary Government and capital assets.
    - The $2,979,130 appropriation due from Primary Government at June 30, 2009 and 2008 represents an amount due from the State of West Virginia ("the State") for the purchase of land for a future building site. The Board of Governors and President are actively working on finding a suitable site for purchase.
    - Capital assets at June 30, 2009 are made up of $826,000 for building improvements and approximately $1,591,000 for equipment net of depreciation of approximately $974,000. The

College spent approximately $27,000 and $365,000 for leasehold improvements during 2009 and 2008. Most of this amount represents the expenditure to build out classroom space at the Berkeley Business Park location. The college also spent approximately $316,000 and $361,000 for equipment used primarily in the classrooms during the 2009 and 2008 fiscal years.

Items of interest related to liabilities are as follows:

- Current liabilities of approximately $2,590,000, $2,128,000, and $814,000 at June 30, 2009, 2008 and 2007 increased by approximately $462,000 and $1,314,000.
  - Accounts payable of $218,060, $211,232, and $93,815 at June 30, 2009, 2008 and 2007 represent typical operating expenses such as supplies and utilities.
  - Accrued payroll of $155,151, $142,424, $116,344 at June 20, 2009, 2008 and 2007, has seen an increase due to new full time positions, increase in salaries, and increase in summer school courses offered and paid to part-time faculty.
  - Accrued annual leave of $255,621, $196,807, and $86,168 at June 30, 2009, 2008 and 2007 is the result of an increase in unused hours by full time employees and increase salaries.
  - Deferred revenues of $1,748,094, $1,393,060, and $431,985 at June 30, 2009, 2008, and 2007 have increased because of the number of grants awarded from the State for development of new technical programs. Many of the grants cover a three year period.
  - Due to State agencies of $122,014 and $1,636 at June 30, 2009 and 2008 increased by an amount due to the State for unused and distributed student West Virginia Higher Education Grants.

- Non Current Liabilities include:
  - The amount of debt owed to the Commission is $229,451, $317,605, and $402,594 at June 30, 2009, 2008, and 2007. The decrease of $88,154 and $84,988 represents principal paid in 2009 and 2008, respectively.
  - The accrual for other post employment benefits (OPEB) at June 30, 2009 and 2008 was $60,525 and $24,009. The OPEB liability was new in fiscal year 2008 as the College adopted GASB No. 45.
  - The debt owed to Berkeley Business Park (which was new fiscal year 2008) was paid in full, in the amount of $300,213 during the 2009 fiscal year. The debt was incurred to build out classroom space in the leased space at Berkeley Business Park in fiscal year 2008.

Statement of Revenues, Expenses, and Changes in Net Assets

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

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

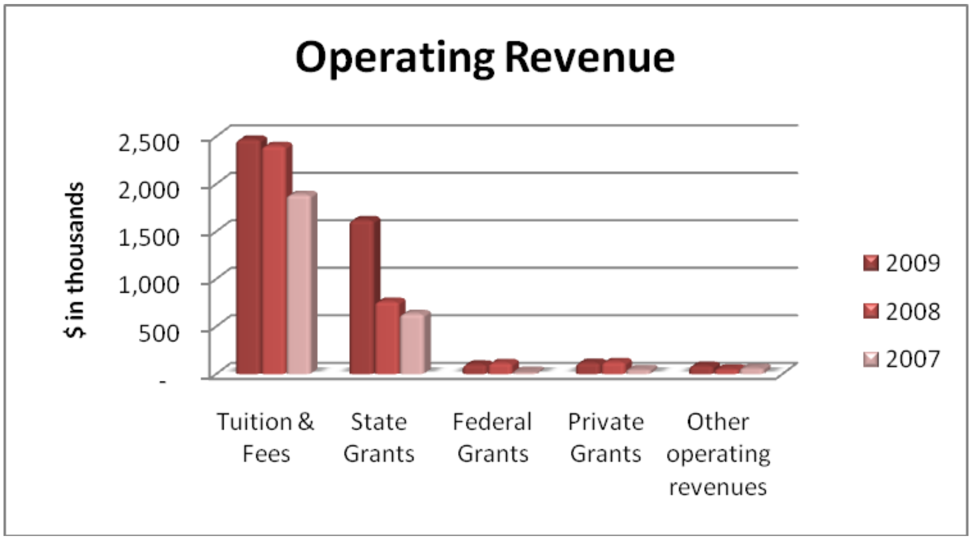
Condensed Statements of
Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2009, 2008 and 2007
(In thousands of dollars)

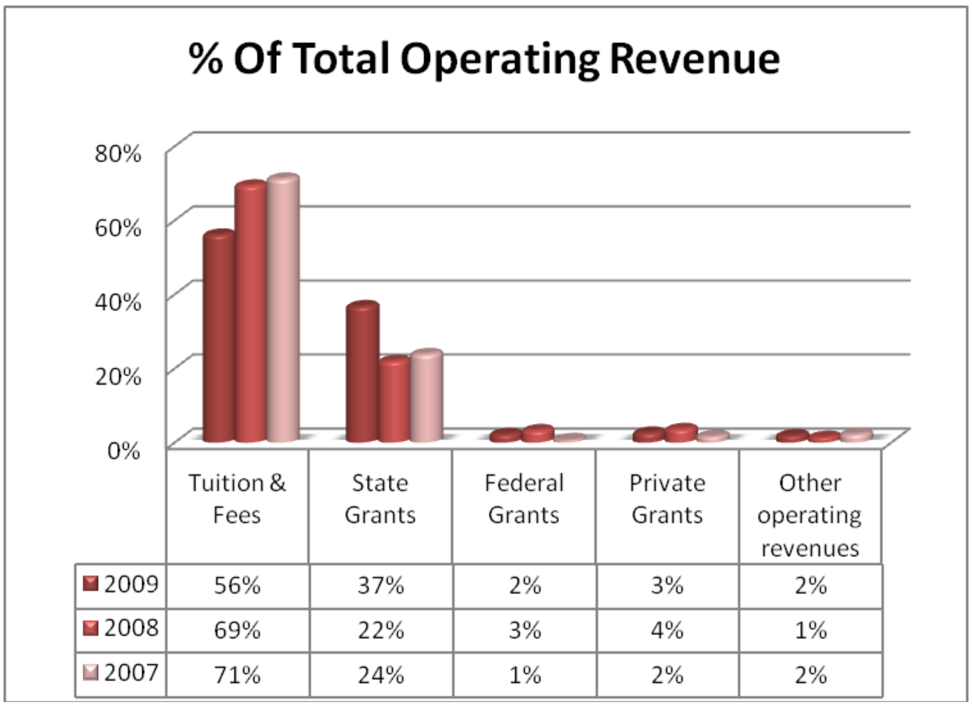
	2009	2008	2007
Operating Revenues	$ 4,395	$ 3,455	$ 2,647
Operating Expenses	7,741	6,659	5,552
Operating Loss	(3,346)	(2,152)	(2,174)
Non Operating Revenues - Net	4,623	7,025	3,365
Increase in Net Assets	1,277	821	460
Capital Grants and Gifts		3,000	-
Increase in Net Assets Before Cum Effect	1,277	3,821	460
Cumulative Effect for OPEB	-	174	-
Increase in Net Assets	1,277	3,995	460
Net Assets - Beginning of Year	6,431	2,436	1,976
Net Assets - End of Year	$ 7,708	$ 6,431	$ 2,436

Operating Revenues:
Over half of the operating revenue for the College is from tuition and fee assessments. State grants provide funding for new technical program activities.

This is the scenario for fiscal years 2009, 2008 and 2007:

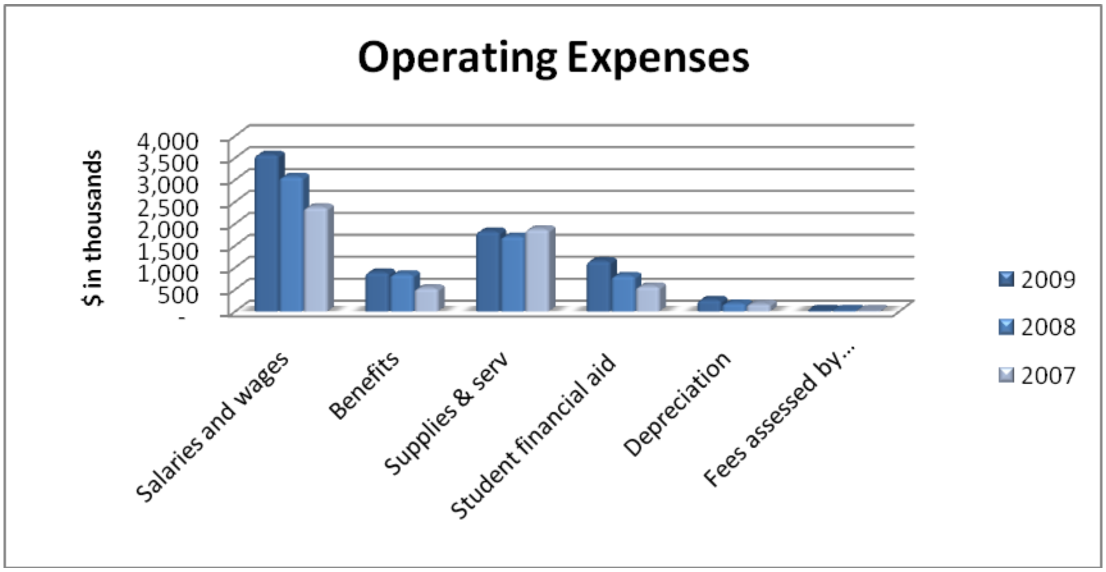
- Student tuition and fees for fiscal 2009 increased by more than $69,123 over fiscal 2008, fiscal 2008 increased by more than $512,632 over fiscal 2007, and fiscal 2007 increased by $187,429 over fiscal 2006. These increases were a result of FTE increases of 16%, 8% and 30% for fiscal 2009, 2008 and 2007, respectively.
- State grants increased in fiscal 2009 and 2008, respectively, by $858,379 and $128,441 as a result of increases in student financial aid grants and technical program grants awarded and recognized in the current year.

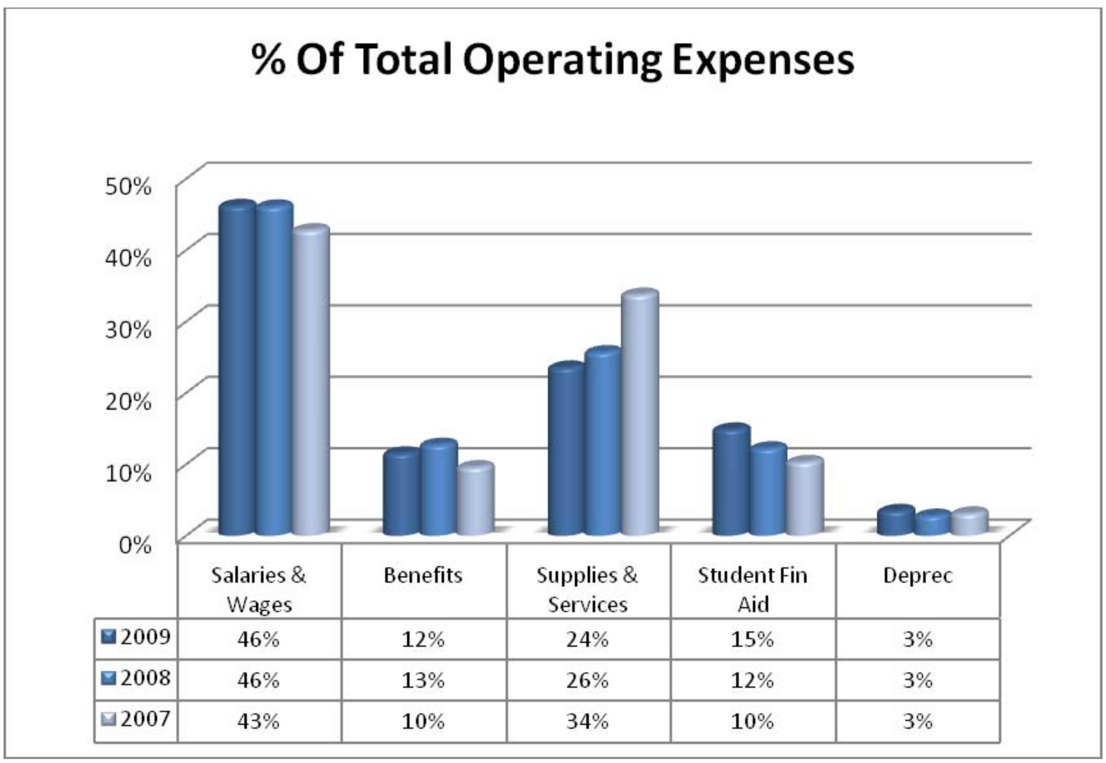




Operating Expenses:

Over half of the fiscal year 2009, 2008 and 2007 operating expenses were incurred for personnel services and benefits. Supplies and other expenses included approximately $483,000 to Shepherd University for administrative and academic support in 2007. However, the College discontinued its contract for these services on December 31, 2006 from the University and such services are now performed by employees of the College. Overall supplies and other services increased in fiscal 2009 by $112,550 over fiscal 2008, decreased in fiscal 2008 by $163,357 over fiscal 2007, and decreased in fiscal 2007 by $347,770 over fiscal 2006.





Non-operating Revenue (Expense):

The net non-operating revenues in fiscal year 2009 decreased by $2,401,329 from fiscal 2008; 2008 increased by $3,659,191 from fiscal year 2007, as compared to an increase of approximately $969,528 from fiscal year 2007 over fiscal year 2006. The primary reason for the fiscal 2009 decrease and 2008 increase was the $3,000,000 appropriation received from the State in fiscal 2008 for the purchase of land for future building.

Non-operating revenue also includes student federal Pell grant funds of $1,443,129, $957,370 and $731,027 for the fiscal years ended June 30, 2009, 2008 and 2007. A special equipment appropriation of $225,000 was also received from the State at the end of fiscal year 2009 and included in non-operating revenue.

Investment income, which is included in non-operating revenue, has seen a decline over the past fiscal year 2009. Investment income fiscal 2009 decreased $85,133 from fiscal 2008, fiscal 2008 decreased $1,889 from fiscal 2007, and fiscal 2007 increased $71,822 from fiscal 2006.

Statement of Cash Flows

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

Condensed Statements of Cash Flows
For the Years Ended June 30, 2009, 2008 and 2007
(In thousands of dollars)

Cash Provided by (Used in):	2009	2008	2007
Operating Activities	$ (2,419)	$ (1,672)	$ (2,455)
Noncapital Financing Activities	4,399	3,835	3,262
Capital and Related Financing Activities	(791)	(554)	(320)
Investing Activities	65	146	137
Increase in Cash and Cash Equivalents	1,254	1,755	624
Cash and Cash Equivalents - Beginning of Year	4,525	2,770	2,146
Cash and Cash Equivalents - End of Year	$ 5,779	$ 4,525	$ 2,770

The cash flow has fluctuated over a three year period. A primary reason for an increase in fiscal year 2009 of cash used in operating activities over fiscal year 2008 is due to the spending of grants received in prior and current years. The fiscal 2009 increase in cash used in capital activities over fiscal 2008 was the result of spending grants funds towards classroom equipment and paying for leasehold improvements made in the prior year.

Capital Assets

2009:
The College spent $27,612 and $316,162, respectively, for leasehold improvements and equipment in fiscal year 2009. The improvements were made to the leased space at the Berkeley Business Park location. The

equipment purchases made during the fiscal year were primarily for additions and upgrades to classroom computer and electric distribution labs. The College also purchased two vehicles during the fiscal year.

2008:
Approximately $323,000 was incurred for building improvements in fiscal year 2008. These additions were made primarily for leasehold improvements of additional classroom and office space at the new Berkeley Business Park location. Equipment purchases made during the year totaled approximately $360,000. These expenditures were primarily for additional equipment and upgrades to classroom computer labs.

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

Capital Debt

The College owes a portion of the debt incurred by the West Virginia Higher Education Policy Commission (the “Commission”) for construction of educational facilities at state institutions of higher learning. The current and non-current portion of the debt owed by the College to the Commission was $91,323 and $138,128, respectively, as of June 30, 2009.

The College owed $300,213 to Berkeley Business Park at June 30, 2008 for the construction of leasehold improvements made for the new classroom and office space located at its location. This debt was paid in full during the 2009 fiscal year.

Economic Outlook

The College is located in the eastern panhandle of West Virginia, which is one of the fastest growing regions of the State in the last decade. However, the economy of West Virginia, including the Eastern panhandle, is expected to follow the national downturn. The national economy is expected to rebound slowly over the next few years. The downturn in the economy will affect the amount of support the College receives from the State in general revenues, which has resulted in a cut of a little over 3% for the 2010 fiscal year. The State is projecting a comparable cut in fiscal year 2011.

While actual and potential cuts in State funding present a challenge, the enrollment of the college continues to grow. The annual FTE increased over prior years by 16%, 8% and 30% for fiscal years 2009, 2008 and 2007, respectively. The unofficial enrollment for the fall term of 2009 is projected to increase approximately 30% over the fall term of 2008. The revenue generated from increased enrollment will cover the loss from state appropriation funding and cover additional operational costs.

The College has secured additional classroom space at the ‘Tech Center’ (Berkeley Business Park) location to respond to the increased enrollment demand and to house some of the newly developed technical programs. The College continues to plan for a permanent building to be located in the Eastern Panhandle within the next five years. Funding for the future site will be secured by the State.

The College has developed a strong Workforce Development partnership with the region’s employers. Additionally, the College is developing several new technical programs targeting the needs and demands of regional employers, such as programs in healthcare and information technology.

Currently the College is in a position to remain financially stable and experience moderate growth.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,778,775	$ 4,524,977
Due from the Council/Commission	249,042	9,378
Accounts receivable — net	47,046	122,442
Total current assets	6,074,863	4,656,797
NONCURRENT ASSETS:		
Appropriation due from Primary Government	2,979,130	2,994,226
Capital assets — net	1,442,894	1,366,772
Total noncurrent assets	4,422,024	4,360,998
TOTAL	$ 10,496,887	$ 9,017,795
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 218,060	$ 211,232
Accrued liabilities	155,151	142,424
Due to State agencies	122,014	1,636
Compensated absences	255,621	196,807
Amount due to Berkeley Business Park Associates, L.C. — current portion		94,577
Debt obligation due to Commission — current portion	91,323	88,155
Deferred revenue	1,748,094	1,393,060
Total current liabilities	2,590,263	2,127,891
NONCURRENT LIABILITIES:		
Other postemployment benefits liability	60,525	24,009
Amount due to Berkeley Business Park Associates, L.C.		205,636
Debt obligation due to Commission	138,128	229,450
Total noncurrent liabilities	198,653	459,095
Total liabilities	2,788,916	2,586,986
NET ASSETS:		
Invested in capital assets — net of related debt	1,213,443	701,114
Restricted for — expendable — other	269,534	157,153
Unrestricted	6,224,994	5,572,542
Total net assets	7,707,971	6,430,809
TOTAL	$ 10,496,887	$ 9,017,795

See notes to financial statements.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowance of $924,386 and $541,616 in 2009 and 2008, respectively	$ 2,468,639	$ 2,399,516
Contracts and grants:		
Federal	101,322	115,586
State	1,620,060	761,681
Private	119,005	126,816
Sales and services of educational activities	36,239	14,986
Other operating revenues	49,682	36,453
Total operating revenues	4,394,947	3,455,038
OPERATING EXPENSES:		
Salaries and wages	3,576,653	3,071,204
Benefits	892,125	848,398
Supplies and other services	1,824,139	1,711,589
Student financial aid — scholarships and fellowships	1,151,460	815,084
Depreciation	267,652	185,735
Fees assessed by the Commission for operations	29,011	26,509
Total operating expenses	7,741,040	6,658,519
OPERATING LOSS	(3,346,093)	(3,203,481)
NONOPERATING REVENUES (EXPENSES):		
Federal Pell Grant	1,443,129	957,370
State appropriations	2,955,463	5,871,929
State special appropriation	225,000	
Payments on behalf of Blue Ridge Community and Technical College		94,512
Investment income	58,055	143,188
Interest on indebtedness	(22,742)	(2,600)
Fees assessed by the Commission	(35,650)	(39,815)
Net nonoperating revenues	4,623,255	7,024,584
NET INCREASE IN NET ASSETS BEFORE CUMULATIVE EFFECT	1,277,162	3,821,103
CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE (Note 2)		173,795
NET INCREASE IN NET ASSETS	1,277,162	3,994,898
NET ASSETS — Beginning of year	6,430,809	2,435,911
NET ASSETS — End of year	$ 7,707,971	$ 6,430,809

See notes to financial statements.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 2,514,463	$ 2,434,619
Contracts and grants	2,172,871	1,965,158
Payments to and on behalf of employees	(4,360,721)	(3,704,638)
Payments to suppliers	(1,651,215)	(1,577,060)
Payments for scholarships and fellowships	(1,151,460)	(815,084)
Auxiliary enterprise charges	36,239	14,986
Fees retained by Commission	(29,011)	(26,509)
Other receipts — net	49,682	36,453
Net cash used in operating activities	(2,419,152)	(1,672,075)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	2,955,463	2,877,703
Federal student pell grant	1,443,129	957,370
Federal student loan program — direct lending receipts	3,338,216	2,810,736
Federal student loan program — direct lending payments	(3,338,216)	(2,810,736)
Net cash provided by noncapital financing activities	4,398,592	3,835,073
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of capital assets	(343,774)	(414,502)
Principal paid on debt	(388,367)	(96,674)
Interest paid on debt	(22,742)	(2,600)
Debt service assessed by the Commission for debt service and reserves	(35,650)	(39,815)
Cash used in capital financing activities	(790,533)	(553,591)
CASH FLOWS FROM INVESTING ACTIVITY — Interest on investments	64,891	145,898
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,253,798	1,755,304
CASH AND CASH EQUIVALENTS — Beginning of year	4,524,977	2,769,673
CASH AND CASH EQUIVALENTS — End of year	$ 5,778,775	$ 4,524,977

(Continued)

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Net operating loss	$ (3,346,093)	$ (3,203,481)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	267,652	185,734
Bad debt expense	30,622	16,703
Expenses paid on behalf of the College		94,512
Changes in assets and liabilities:		
Accounts receivables — net	44,774	35,853
Due from the Commission/Council	1,050	(750)
Amount due from the State	15,096	
Accounts payable	6,828	116,826
Accrued liabilities	12,727	26,080
Compensated absences	58,814	70,363
Accrued other postemployment benefits liability	36,516	24,009
Due to other State agencies	120,378	1,000
Deferred revenue	332,484	961,076
Net cash used in operating activities	$ (2,419,152)	$ (1,672,075)
NONCASH TRANSACTIONS:		
Cumulative effect of adoption of accounting principle	$ -	$ 173,795
Capital assets additions in accounts payable	$ 92,962	$ 22,550
Capital assets additions in due to Berkeley Business Park Associates, L.C.	$ -	$ 311,898
State appropriations in due from Primary Government	$ 225,000	$ 2,994,226

See notes to financial statements. (Concluded)

1. ORGANIZATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Financial Statement Presentation — GASB Statements No. 35 and No. 38 establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a combined basis to focus on the College as a whole. Net assets are classified into four categories according to external donor restrictions or availability of assets for satisfaction of College obligations. The College's net assets are classified as follows:

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

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

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

Restricted Net Assets — Nonexpendable — This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College does not have any restricted nonexpendable net assets at June 30, 2009 or 2008.

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

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

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

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

Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal, or, on the first day of each month for the WV Short Term Bond Pool (formerly Enhanced Yield Pool), and accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts (seven in 2008), 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 that annual report can be obtained from the following address: 1900 Kanawha Boulevard, E. Room E-122, Charleston, WV 25305, or http://www.wvbti.com.

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

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

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

Deferred Revenue — Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as deferred revenue. Financial aid and other deposits are separately classified as deposits.

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

Effective July 1, 2007, the College adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement provided standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. Effective July 1, 2007, the College was required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State. Details regarding this plan can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard East, Charleston, 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 1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired July 1, 2001, or later, will no longer receive sick leave credit toward insurance premiums when they retire. This liability is now provided for under the multiple employer cost-sharing plan approved by the State.

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

The estimated expense incurred for vacation leave or OPEB benefits are recorded as a component of benefits expense on the statements of revenues, expenses, and changes in net assets.

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

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

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

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

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

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

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

Use of Restricted Net Assets — The College has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Generally, the College attempts to utilize restricted net assets first when practicable. The College did not have any designated net assets as of June 30, 2009 and 2008.

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 institutions like the College. Direct student loan receivables are not included in the College's statements of net assets as the loans are repayable directly to the U.S. Department of Education. In 2009 and 2008, the College received and disbursed approximately $3,340,000 and $2,800,000, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net assets.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2009 and 2008, the College received and disbursed approximately $1,540,000 and $1,075,000, respectively, under these federal student aid programs.

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

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

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

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

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

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

Reclassification — Certain reclassifications have been made to the 2008 financial statements to conform with the 2009 presentation. Revenues from Federal Pell Grant in the amount of $957,370 were reclassified from operating revenues to nonoperating revenues.

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.

Newly Adopted Statements Issued by the GASB — During 2009, the College adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, as required. The adoption of this statement has had no impact on the financial statements at June 30, 2009.

During 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective immediately. This statement identifies the sources of accounting principles and provides the framework for selecting the principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with generally accepted accounting principles. The College adopted GASB Statement No. 55 upon issuance.

During 2009, the GASB also issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, effective immediately. This statement establishes accounting and financial reporting standards for related-party transactions, subsequent events, and going-concern considerations. The College adopted GASB Statement No. 56 upon issuance.

Recent Statements Issued by the GASB — 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 its financial statements.

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

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents as of June 30, 2009 and 2008, are held as follows:

	2009	2008
State Treasurer	$5,475,511	$4,342,354
In bank	303,264	182,623
	$5,778,775	$4,524,977

The combined carrying amount of cash in the bank was $303,264 and $182,623, as compared with the combined bank balance of $337,577 and $204,396 at June 30, 2009 and 2008, respectively. The difference is primarily caused by outstanding checks. The bank balances were covered by federal depository insurance or were collateralized by securities held by the State's agent.

Amounts with the State Treasurer as of June 30, 2009 and 2008, are composed of the following investment pools:

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

WV Money Market

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the years ended June 30, 2009 and 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, specific information on the credit ratings of the underlying investments of the pool have not been provided.

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, 2009 and 2008, the WV Money Market Pool investments had a total carrying value of $2,570,261 and $2,358,470,000 respectively, of which the College ownership represents 0.19% and 0.17%, respectively.

WV Government Money Market Pool

Credit Risk — For the years ended June 30, 2009 and 2008, the WV Government 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, specific information on the credit ratings of the underlying investments of the pool have not been provided.

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, 2009 and 2008, the WV Government Money Market Pool investments had a total carrying value of $283,826,000 and $187,064,000, of which the College ownership represents .01% and .02%, respectively.

WV Short Term Bond 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 by Standards & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standards & Poor's and P1 by Moody's.

The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

	Credit Rating*		2009		2008	
Security Type	**Moody's**	**S&P**	**Carrying Value**	**Percent of Pool Assets**	**Carrying Value**	**Percent of Pool Assets**
Corporate asset backed securities						
	Aaa	AAA	$ 16,402	5.21 %	$ 48,663	13.75 %
	Aaa	NR	5,136	1.63	2,179	0.62
	Aa3	AAA	223	0.07		
	Aa2	AAA	461	0.15		
	A3	AAA	273	0.09		
	Baa2	AAA	831	0.26		
	Baa1	BBB**	332	0.10		
	Baa2	BBB**	1,376	0.44		
	Ba3	AAA	645	0.20		
	B1	AAA	779	0.25		
	B2	B**	493	0.16		
	B2	CCC**	539	0.17		
	B3	AAA	949	0.30		
	Caal	BB**	254	0.08		
	NR	AAA	679	0.02	1,135	0.32
	AA3	AA			192	0.06
			29,372	9.33	52,169	14.75
Commercial paper	P1	A-1			7,971	2.25
Corporate bonds and notes	Aaa	AAA	47,204	14.99	13,146	3.72
	Aa1	AA	4,445	1.41	12,613	3.56
	Aa1	A	2,052	0.65		
	Aa2	AAA	3,040	0.96		
	Aa2	AA	9,066	2.88	20,860	5.89
	Aa2	A			1,061	0.30
	Aa3	AA			11,488	3.25
	Aa3	A	7,831	2.49	4,548	1.28
	A1	AA	4,813	1.53	4,305	1.22
	A1	A	5,522	1.75	8,361	2.36
	A2	AA			847	0.24
	A2	A	32,040	10.17	26,585	7.51
	A3	A	7,024	2.23	10,917	3.08
	Baa1	AA-			593	0.17
	Baa1	A-			2,028	0.57
	Baa3	A	2,067	0.66		
	Baa3	BB+		0.00	645	0.18
			125,104	39.72	117,977	33.33
U.S. agency bonds	Aaa	AAA	60,250	19.13	71,840	20.29
U.S. Treasury notes***	Aaa	AAA	88,805	28.20	81,875	23.13
U.S. agency mortgage backed securities****	Aaa	AAA	4,975	1.58	5,345	1.51
Money Market Funds	Aaa	AAA	6,426	2.04		
Repurchase agreements (underlying securities) — U.S. agency notes	Aaa	AAA			16,782	4.74
			$314,932	100 %	$353,979	100 %

* NR= Not Rated

** The securities were not in compliance with BTI Investment Policy at June 30, 2009. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

*** 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 the United States government and are not subject to credit risk.

At June 30, 2009 and 2008, the College's ownership represents 0.03% and 0.09%, 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:

	2009		2008	
Security Type	**Carrying Value (In thousands)**	**WAM (Days)**	**Carrying Value (In thousands)**	**WAM (Days)**
Repurchase agreements	$ 212,010	1	$ 371,163	1
U.S. Treasury bills	483,714	69	406,426	31
Commercial paper	592,479	32	658,879	29
Certificates of deposit	128,402	56	147,001	95
U.S. agency discount notes	635,602	57	212,924	84
Corporate bonds and notes	73,812	38	158,000	21
U.S. agency bonds/notes	294,019	70	254,019	111
Money market funds	150,223	1	150,058	1
	$ 2,570,261	47	$ 2,358,470	40

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:

	2009		2008	
Security Type	**Carrying Value (In thousands)**	**WAM (Days)**	**Carrying Value (In thousands)**	**WAM (Days)**
Repurchase agreements	$ 53,000	1	$ 53,400	1
U.S. Treasury bills	74,424	94	29,929	58
U.S. agency discount notes	87,662	55	43,249	77
U.S. agency bonds/notes	68,608	37	60,420	84
Money market funds	132	1	66	1
	$ 283,826	51	$ 187,064	54

The overall effective duration (overall weighted average maturity in 2008) 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 effective duration for the various asset types in the WV Short Term Bond Pool at June 30, 2009:

Security Type	Carrying Value (In thousands)	Effective Duration (Days)
U. S. Treasury bonds/notes	$ 88,805	917
Corporate notes	125,104	559
Corporate asset backed securities	29,372	622
U.S. agency bonds/notes	60,250	752
U.S. agency mortgage backed securities	4,975	540
Money market funds	6,426	1
	$ 314,932	691

The following table provides information on the weighted average maturities for the various asset types in the WV Short Term Bond Pool at June 30, 2008:

Security Type	Carrying Value (In thousands)	WAM (Days)
Repurchase agreements	$ 16,782	1
U.S. Treasury bonds/notes	81,875	744
Corporate notes	117,997	675
Corporate asset backed securities	52,169	341
U.S. agency bonds/notes	71,840	1,231
U.S. agency mortgage backed securities	5,345	570
Commercial paper	7,971	50
	$ 353,979	707

Other Investment Risks — Other investment risks include concentration of credit risk, custodial credit risk, and foreign currency risk. None of the BTI's Consolidated Fund's investment pools or accounts is exposed to these risks as described below.

Concentration of credit risk is the risk of loss attributed to the magnitude of the BTI Consolidated Fund pool or account's investment in a single corporate issuer. The BTI investment policy prohibits those pools and accounts permitted to hold corporate securities from investing more than 5% of their assets in any one corporate name of one corporate issue.

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

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

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

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2009 and 2008, is as follows:

	2009	2008
Student tuition and fees — net of allowance for doubtful account of $95,607 and $64,985 in 2009 and 2008, respectively	$ 14,500	$ 66,349
Grants and contracts receivable	32,546	56,093
	$ 47,046	$ 122,442

5. CAPITAL ASSETS

Summary of capital assets transactions for the College as of June 30, 2009 and 2008, is as follows:

	2009				
	Beginning Balance	Transfers	Additions	Reductions	Ending Balance
Capital assets not being depreciated — construction in progress	$ -	$ -	$ -	$ -	$ -
Other capital assets:					
Leasehold improvements	$ 798,423	$ -	$ 27,612	$ -	$ 826,035
Library	1,492				1,492
Equipment	1,273,556		316,162		1,589,718
Total other capital assets	2,073,471	-	343,774	-	2,417,245
Less accumulated depreciation for:					
Leasehold improvements	122,563		71,845		194,408
Library	140		186		326
Equipment	583,996		195,621		779,617
Total accumulated depreciation	706,699	-	267,652	-	974,351
Other capital assets — net	$ 1,366,772	$ -	$ 76,122	$ -	$ 1,442,894
Capital asset summary:					
Capital assets not being depreciated	$ -	$ -	$ -	$ -	$ -
Other capital assets	2,073,471		343,774		2,417,245
Total cost of capital assets	2,073,471	-	343,774	-	2,417,245
Less accumulated depreciation	706,699		267,652		974,351
Capital assets — net	$ 1,366,772	$ -	$ 76,122	$ -	$ 1,442,894

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

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

6. LONG-TERM LIABILITIES

Summary of long-term obligation transactions for the College for the years ended June 30, 2009 and 2008, is as follows:

	2009				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term liabilities:					
OPEB liability	$ 24,009	$ 36,516	$ -	$ 60,525	$ -
Due to Berkeley Business Park Associates, L.C.	300,213		300,213		
Debt obligation due Commission	317,605		88,154	229,451	91,323
Total long-term liabilities	$641,827	$ 36,516	$388,367	$289,976	$ 91,323

	2008				
	Beginning Balance	**Additions**	**Reductions**	**Ending Balance**	**Current Portion**
Long-term liabilities:					
OPEB liability	$ -	$ 24,009	$ -	$ 24,009	$ -
Due to Berkeley Business Park Associates, L.C.		311,898	11,685	300,213	94,577
Debt obligation due Commission	402,594		84,989	317,605	88,155
Total long-term liabilities	$402,594	$335,907	$96,674	$641,827	$182,732

7. OTHER POSTEMPLOYMENT BENEFITS

With the adoption of GASB Statement No. 45 for the year ended June 30, 2008, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2009 and 2008, the noncurrent liability related to OPEB costs was $60,525 and $24,009, respectively. For the year ended June 30, 2008, the College recorded a cumulative effect of the adoption of this accounting principle of $173,795, an amount equal to the June 30, 2007, liability for the extended health or life insurance benefit previously recorded in accordance with GASB Statement No. 16. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $216,233 and $97,259, respectively, during 2009, and $215,776 and $97,255, respectively, during 2008. As of the year ended June 30, 2009, there were two retirees receiving these benefits.

8. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

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

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

For the years ended June 30, 2009 and 2008, debt service assessed is as follows:

	2009	2008
Principal	$ 88,155	$ 84,988
Interest	14,262	18,512
Other	21,388	21,303
	$ 123,805	$ 124,803

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

The College leases space from two locations which are accounted for as operating leases.

Future annual scheduled lease payments on operating leases for years subsequent to June 30, 2009, are as follows:

Years Ending June 30	Berkeley Co Commission	Berkeley Business Park	Total
2010	$ 152,250	$ 116,056	$ 268,306
2011	153,849	139,441	293,290
2012	155,464	141,508	296,972
2013	157,096	143,576	300,672
2014	158,746	145,644	304,390
2015–2018	160,413	604,830	765,243
Total	$ 937,818	$ 1,291,055	$ 2,228,873

Total lease expense for the years ended June 30, 2009 and 2008, was $262,573 and $164,238, respectively.

10. UNRESTRICTED NET ASSETS

The College did not have any designated unrestricted net assets as of June 30, 2009 or 2008.

11. RETIREMENT PLANS

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

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

Total contributions to the Educators Money for the year ended June 30, 2009, were $2,618, which consisted of $1,309 from both the Commission and from covered employees. Total contributions to the Educators Money for the year ended June 30, 2008, were $2,328, which consisted of $1,164 from both the Commission and from covered employees.

The STRS is a cost-sharing, defined benefit, public employee retirement system. Employer and employee contribution rates are established annually by the West Virginia State Legislature. The contractual maximum contribution rate is 15%. The College accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for the years ended June 30, 2009 and 2008. Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2009 and 2008. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest five years' salary out of the last 15 years) multiplied by the number of years of service.

Total contributions to the STRS for the years ended June 30, 2009 and 2008, was $13,261 and $13,454, respectively, which consisted of $9,472 and $9,610 from the College in 2009 and 2008, respectively, and $3,789 and $3,844 from the covered employees in 2009 and 2008, respectively.

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

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

Total contributions to the TIAA-CREF for the years ended June 30, 2009 and 2008, was $362,882 and $298,572, respectively, which consisted of equal contributions from the College and covered employees in 2009 and 2008, of $181,441 and $149,286, respectively.

The College's total payroll for the years ended June 30, 2009 and 2008, was $3,582,577 and $3,110,641, respectively, and total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were $63,147, $3,024,023, and $21,813 in 2009 and $64,067, $2,488,104, and $19,404 in 2008, respectively.

12. CONTINGENCIES

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

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

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities that have been recorded in the financial statements as of June 30, 2009 or 2008.

13. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

Operating expenses within both natural and functional classifications for the years ended June 30, 2009 and 2008, are as follows:

	2009						
	Salaries and Wages	Benefits	Supplies and Other Services	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 2,403,051	$485,195	$ 890,934	$ -	$ -	$ -	$ 3,779,180
Public service	2,825		28,084				30,909
Academic support	177,440	27,254	192,537				397,231
Student services	368,158	111,835	129,216				609,209
General institutional support	583,969	259,548	554,628				1,398,145
Operations and maintenance of plant	41,210	8,293	28,740				78,243
Student financial aid				1,151,460			1,151,460
Depreciation					267,652		267,652
Other						29,011	29,011
Total	$ 3,576,653	$892,125	$ 1,824,139	$ 1,151,460	$267,652	$ 29,011	$ 7,741,040

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

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

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

We have audited the financial statements of Blue Ridge Community and Technical College (the "College") as of and for the year ended June 30, 2009, and have issued our report thereon dated September 20, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency* in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatements of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Deloitte & Touche LLP

October 7, 2009