Kanawha Valley Community and Technical College

(Formerly West Virginia State Community and Technical College)

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

KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE

TABLE OF CONTENTS

Deloitte.

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

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

INDEPENDENT AUDITORS' REPORT

To the Governing Board of
Kanawha Valley Community and Technical College:

We have audited the statement of net assets of Kanawha Valley Community and Technical College (formerly West Virginia State University Community and Technical College) (the "College") as of June 30, 2009, and the related statements of revenues, expenses, and changes in net assets, and of cash flows for the year then ended. These financial statements are the responsibility of the management of the College. Our responsibility is to express an opinion on the respective financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

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

Deloitte & Touche LLP

November 16, 2009

Kanawha Valley Community and Technical College

Management's Discussion and Analysis (Unaudited)

For the Year ended June 30, 2009

MISSION, VISION, VALUES AND GOALS STATEMENT

MISSION STATEMENT

Kanawha Valley Community and Technical College promotes student success, stimulates economic development and improves communities by providing access to quality developmental, career-technical, transfer and workforce education.

VISION STATEMENT

Kanawha Valley Community and Technical College will be the college of opportunity for a diverse population of learners.

VALUES STATEMENT

Faculty, staff, and administrators share a common set of values which guide Kanawha Valley Community and Technical College in fulfilling its mission. These values influence our action, guide our decisions, mold our policies and determine our strategic planning and action.

Kanawha Valley Community and Technical College demonstrates these values:

Opportunity Serving a diverse student population through associate degrees, certificates and skill sets, as well as continuing education and lifelong learning.

Communication Free, open and responsible exchange of ideas.

Access Open admission and delivery of education and services supporting the potential for achievement.

Excellence Commitment to integrity and high standards in teaching, learning and service.

Accountability Efficient and effective management of human and financial resources that generates public trust.

GOALS STATEMENT

Kanawha Valley Community and Technical College will:

1) Provide high quality developmental, career-technical, transfer and workforce education to a diverse student population.
2) Maintain student-centered learning environments and support services.
3) Develop cooperative community-based partnerships which contribute to educational, economic, cultural and social enrichment.
4) Attract and retain highly qualified faculty, staff and administrators and provide opportunities for personal and professional development.
5) Assess student learning and institutional effectiveness as part of an overall program of planning and improvement

OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

Kanawha Valley Community and Technical College (the "College") is pleased to present the financial statements for the year ended June 2009.

The College is governed by the Kanawha Valley Community and Technical College Board of Governors (the "Board"). The Board was established by House Bill 3215, effective July 1, 2008, which clarified and redefined relationships between and among certain higher education boards and institutions. This legislation defines the statewide network of independently accredited community and technical colleges. As required, the newly established College Board of Governors and West Virginia State University (the "University") Board of Governors jointly agreed on a division of assets and liabilities of the University.

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 required supplemental information in the form of a narrative analysis or management discussion and analysis offers an overview of the financial activities for the fiscal year ended June 30, 2009. Comparative information is not available as this is the College's first year of operation as a separate legal entity.

STATEMENT OF NET ASSETS

The purpose of the College's Statement of Net Assets is to take a snapshot of the financial statements at a point in time. This statement shows the assets, liabilities and net assets of the College as of June 30, 2009.

The year-end data regarding assets (current and noncurrent), liabilities (current and noncurrent) and net assets (assets minus liabilities) is also presented in the financial statements. The difference between current and noncurrent assets and liabilities are discussed in the note section of the financial statements.

By reviewing the Statement of Net Assets, the reader is able to ascertain the assets available to continue the operations of the College. Also, readers can see data presented in a way to discern how much the institution owes vendors, employees and lending institutions. In addition, the Statement of Net Assets offers an overview picture of the net assets (assets minus liabilities) and the College's availability of the assets to utilize for future expenditure by the College.

Net assets are divided into three major types:

- Invested in Capital Assets, Net of Debt : net book value of the College's capital assets less any related debt

- Restricted Net Assets:
    - The College does not have any nonexpendable restricted net assets. Non-expendable restricted net assets are only available for investment purposes, as such the College would only be able to use the investment return.
    - Expendable Restricted Net Assets: net assets which are available for expenditure as determined by donors and/or external entities in regard to time or purpose. The College does not have any expendable restricted net assets.

- Unrestricted Net Assets: assets available to the institution to utilize for any lawful purpose.

Condensed Statement of Net Assets

	2009
Assets:	
Total current assets	$5,134,129
Total noncurrent assets	31,741
Total Assets	$5,165,870
Liabilities:	
Total current liabilities	$2,468,015
Total noncurrent liabilities	270,106
Total Liabilities	2,738,121
Net Assets	
Invested in capital assets, net of related debt	-
Unrestricted	2,427,749
Total Net Assets	2,427,749
Total Liabilities and Net Assets	$5,165,870

Major items of Note in the Condensed Statement of Net Assets include:

- Total current assets of $5.1 million exceeded total current liabilities of $2.4 million for a net working capital of $2.7 million. Total cash held by the College as of June 30, 2009 was $4.2 million.
- Total noncurrent asset of $32 thousand compared to total noncurrent liabilities of $270 thousand.
- Invested in capital assets, net of related debt shows a zero balance. This is due to the debt obligation due to the Higher Education Policy Commission. Such debt amount was in excess of the capital assets of the College. The excess amount of $227 thousand was treated as a reduction of the unrestricted net assets.
- Unrestricted net assets of $2.4 million.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The purpose of the College's Statement of Revenues, Expenses and Changes in Net Assets is to present the operating and nonoperating revenues earned and expenses incurred by the College, and any other revenues, expenses, gains and losses of the College.

Operating revenues are earned for providing goods and services to the various customers and constituencies of the College. Operating expenses are those incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the College. Revenues for which goods and services are not provided are reported as nonoperating revenues. For example, State appropriations are nonoperating revenues because they are provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2009
Total operating revenues	$5,640,460
Total operating expenses	11,285,111
Operating loss	(5,644,651)
Net nonoperating revenues	7,285,497
Increases in net assets before transfers	1,640,846
Transfer of net assets from West Virginia State University	786,903
Increase in net assets	2,427,749
Net assets, beginning of year	0
Net assets, end of year	$2,427,749

Major Items of Note in the Condensed Statement of Revenue, Expenses, and Changes in Net Assets include:

- The total operating and nonoperating revenues of the College amount to $12.9 million. The most significant revenue sources are State appropriations of $4.0 million, Pell Grant revenue of $3.2 million and contracts and grants revenue of $3.2 million.
- Significant operating expenses included Salaries and wages of $3.7 million, supplies and other services $1.3 million, student financial aid of $2.5 million and charges from West Virginia State University of $2.8 million.
- Operating revenues of $5.6 million compared to the operating expenses of $11.3 million resulted in an operating loss of $5.6 million.
- Nonoperating revenues of $7.3 million were used to fund the operating expenses.
- Transfer of net assets from West Virginia State University of $0.8 million, included cash and cash equivalents of $2.3 million, accounts receivables of $0.2 million, capital assets of $38 thousand, compensated absences of $0.1 million, debt obligation to Commission of $0.4 million, deferred revenue of $0.7 million and other liabilities of $0.6 million.

STATEMENT OF CASH FLOWS

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

Condensed Statement of Cash Flows

	2009
Cash Flows from Operating Activities	
Net cash used in operating activities	$(5,197,919)
Cash Flows from Noncapital Financing Activities	
Net cash provided by noncapital financing activities	9,437,323
Cash Flows from Capital Financing Activities	
Net cash used in capital financing activities	(99,429)
Cash Flows from Investing Activities	
Interest on investments	36,330
Net Increase in Cash and Cash Equivalents	4,176,305
Cash and Cash Equivalents - beginning of year	0
Cash and Cash Equivalents - end of year	$4,176,305

Major Items of Note in the Condensed Statement of Cash Flow include:

- The cash flows used in operating activities was principally due to student tuition and fees of $1.2 million and contract and grants revenue of $4.2 million less payments to employees of $4.5 million, payments to suppliers of $1.3 million, charges from West Virginia State University of $2.8 million and payments for scholarships and fellowships of $2.8 million.
- The cash flows provided by noncapital financing activities was principally caused by state appropriations of $4.1 million, Pell Grant revenue of $3.2 million and the transfer of cash from West Virginia State University of $2.3 million.

ECONOMIC OUTLOOK

The College is located in the Kanawha Valley of the State of West Virginia (the “State”), which is an area of the state experiencing significant job losses and a declining population base. The service region of the institution also includes Clay County, a very rural part of the state, and Putnam County an area of the state with a growing population base. The economy of West Virginia is expected to follow the national downturn for the foreseeable future. The national economy is expected to rebound slowly over the next few years. The uncertainty of coal’s future and the introduction of gambling in neighboring states raise questions about the path of recovery in West Virginia. 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 2% 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 unofficial enrollment for the fall term of 2009 is projected to increase approximately 28% over the fall term of 2008.

The College has secured additional space in Cole Complex to house new student services and technology staff. The College continues to plan for a permanent building to be located in the Charleston area within the next five years. Funding for the facility will come from the State's sale of bonds.

The College has developed a strong Workforce Development partnership with the region's employers. Additionally, the College is developing several new partnerships focused on the needs and demands of regional employers, such as programs in healthcare and energy.

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

KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	$ 4,176,305
Due from the Council/Commission	698,551
Accounts receivable — net	259,273
Total current assets	5,134,129
NONCURRENT ASSETS — Capital assets — net	31,741
Total noncurrent assets	31,741
TOTAL	$ 5,165,870

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	$ 163,398
Accrued liabilities	449,311
Due to State agencies	1,232
Compensated absences — current portion	62,825
Debt obligation due to Commission — current portion	103,001
Deferred revenue	1,688,248
Total current liabilities	2,468,015
NONCURRENT LIABILITIES:	
Other post employment benefits liability	72,779
Compensated absences	41,536
Debt obligation due to Commission	155,791
Total noncurrent liabilities	270,106
Total liabilities	2,738,121
NET ASSETS:	
Invested in capital assets — net of related debt	-
Unrestricted	2,427,749
Total net assets	2,427,749
TOTAL	$ 5,165,870

See notes to financial statements.

KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2009

OPERATING REVENUES:	
Student tuition and fees — net of scholarship allowance of $1,775,573	$ 1,966,246
Contracts and grants:	
Federal	174,499
State	2,562,402
Private	472,251
Auxiliary enterprise revenue	265,409
Other operating revenues	199,653
Total operating revenues	5,640,460
OPERATING EXPENSES:	
Salaries and wages	3,743,083
Benefits	847,060
Supplies and other services	1,312,942
Utilities	26,157
Student financial aid — scholarships and fellowships	2,487,929
Depreciation	5,472
Fees assessed by the Commission for operations	56,468
Charges from West Virginia State University	2,806,000
Total operating expenses	11,285,111
OPERATING LOSS	(5,644,651)
NONOPERATING REVENUES (EXPENSES):	
State appropriations	4,038,673
Pell Grant revenue	3,161,203
Payments on behalf of Kanawha Valley Community and Technical College	74,439
Investment income	36,330
Loss on fixed asset disposal	(874)
Fees assessed by the Commission	(24,274)
Net nonoperating revenues	7,285,497
INCREASE IN NET ASSETS BEFORE TRANSFER	1,640,846
TRANSFER OF NET ASSETS FROM WEST VIRGINIA STATE UNIVERSITY	786,903
INCREASE IN NET ASSETS	2,427,749
NET ASSETS — Beginning of year	
NET ASSETS — End of year	$ 2,427,749

See notes to financial statements.

KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:	
Student tuition and fees	$ 1,248,343
Contracts and grants	4,201,995
Payments to and on behalf of employees	(4,481,665)
Payments to suppliers	(1,255,100)
Charges from West Virginia State University	(2,806,000)
Payments for utilities	(26,157)
Payments for scholarships and fellowships	(2,487,929)
Auxiliary enterprise charges	265,409
Fees retained by Commission	(56,468)
Other receipts — net	199,653
Net cash used in operating activities	(5,197,919)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	4,115,548
Federal student loan program — direct lending receipts	6,210,336
Federal student loan program — direct lending payments	(6,287,211)
Pell Grant revenue	3,161,203
Transfer of cash from West Virginia State University	2,261,721
Fees assessed by the Commission for debt service and reserves	(24,274)
Net cash provided by noncapital financing activities	9,437,323
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES — Principal paid on payable to Commission	(99,429)
Cash used in capital financing activities	(99,429)
CASH FLOWS FROM INVESTING ACTIVITY — Interest on investments	36,330
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,176,305
CASH AND CASH EQUIVALENTS — Beginning of year	
CASH AND CASH EQUIVALENTS — End of year	$ 4,176,305

(Continued)

KANAWHA VALLEY COMMUNITY AND TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	$ (5,644,651)
Adjustments to reconcile net operating loss to net cash used in operating activities:	
Depreciation expense	5,472
Expenses paid on behalf of the College	74,439
Changes in assets and liabilities:	
Accounts receivables — net	(721,907)
Due from the Commission/Council	1,232
Accounts payable and accrued liabilities	81,368
Compensated absences	9,281
Deferred revenue	996,847
NET CASH USED IN OPERATING ACTIVITIES	$ (5,197,919)

See notes to financial statements.

(Concluded)

1. ORGANIZATION

Kanawha Valley Community and Technical College (formerly West Virginia State Community and Technical College) (the "College") is governed by the Kanawha Valley Community and Technical College Board of Governors (the "Board"). The Board was established by House Bill 3215, effective July 1, 2008, which clarified and redefined relationships between and among certain higher education boards and institutions. This legislation defines the statewide network of independently accredited community and technical colleges. As required, the newly established College Board of Governors and West Virginia State University (the "University") Board of Governors jointly agreed on a division of assets and liabilities of the University. The division of all assets and liabilities was effective retroactively to July 1, 2008. The amount of net assets transferred out from the University to the College is summarized as follows:

Cash and cash equivalents	$2,261,721
Accounts receivable	235,917
Capital assets — net	38,087
Compensated absences	(126,887)
Debt obligation to Commission	(358,221)
Deferred revenue	(691,401)
Other liabilities	(572,313)
	$ 786,903

The University and the College developed a plan that ensures the financial stability of auxiliary enterprises, including, but not limited to, student housing, student centers, dining services, parking, and athletics through fiscal year 2012.

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

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 College does not have any restricted expendable net assets at June 30, 2009.

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.

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

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. The capital assets transferred in were recorded at net book value. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20–50 years for buildings and infrastructure, 20 years for land improvements and library books, and 3–10 years for furniture and equipment. The College capitalizes all purchases of library books and uses a capitalization threshold of $5,000 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. Additionally, revenues under reimbursement grant contracts are classified as deferred revenue until the costs have been incurred.

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.

The College accounts for other post employment benefits (OPEB) in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement provides standards for the measurement, recognition and display of 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. The College is 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 1½ sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired July 1, 2001, or later, will no longer receive sick leave credit toward insurance premiums when they retire. This liability is now provided for under the multiple employer cost-sharing plan approved by the State.

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally 3-1/3 years of teaching service extend health insurance for one year of single coverage and five years extend health insurance for one year of family coverage. Faculty hired after July 1, 2009 will no longer receive years of service credit toward insurance premiums when they retire.

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

Risk Management — The State's Board of Risk and Insurance Management (BRIM) provides general, 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.

Federal Financial Assistance Programs — The College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through universities like the College. Direct student loan receivables are not included in the College's statements of net assets as the loans are repayable directly to the U.S. Department of Education. In 2009, the College received and disbursed approximately $6.3 million 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 statement 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, the College received and disbursed approximately $3.3 million under these federal student aid programs.

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

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

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

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

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

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

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

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 had no impact on the financial statements.

During 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. 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*. 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, are held as follows:

State treasurer	$4,176,305

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 Commission may invest in, three are subject to credit risk: WV Money Market Pool, WV Government Money Market Pool, and WV Short Term Bond Pool.

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

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 year ended June 30, 2009, 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, the WV Money Market Pool investments had a total carrying value of $2,570,261,000, of which the College's ownership represents 0.14%.

WV Government Money Market Pool — Credit Risk — For the year ended June 30, 2009, 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, the WV Government Money Market Pool investments had a total carrying value of $283,826,000, of which the University's ownership represents 0.01%.

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) at June 30, 2009:

Security Type	**Credit Rating* Moody's**	**S&P**	**Carrying Value**	**Percent of Pool Assets**
Corporate asset backed securities				
	Aaa	AAA	$ 16,402	5.21 %
	Aaa	NR	5,136	1.63
	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	0.22
			29,372	9.33
Corporate bonds and notes	Aaa	AAA	47,204	14.99
	Aa1	AA	4,445	1.41
	Aa1	A	2,052	0.65
	Aa2	AAA	3,040	0.96
	Aa2	AA	9,066	2.88
	Aa3	A	7,831	2.49
	A1	AA	4,813	1.53
	A1	A	5,522	1.75
	A2	A	32,040	10.17
	A3	A	7,024	2.23
	Baa3	A	2,067	0.66
			125,104	39.72
U.S. agency bonds	Aaa	AAA	60,250	19.13
U.S. Treasury notes***	Aaa	AAA	88,805	28.20
U.S. agency mortgage backed securities****	Aaa	AAA	4,975	1.58
Money market funds	Aaa	AAA	6,426	2.04
			$314,932	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

At June 30, 2009, the College's ownership represents 0.02% 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 at June 30, 2009:

Security Type	Carrying Value (In thousands)	WAM (Days)
Repurchase agreements	$ 212,010	1
U.S. Treasury bills	483,714	69
Commercial paper	592,479	32
Certificates of deposit	128,402	56
U.S. agency discount notes	635,602	57
Corporate bonds and notes	73,812	38
U.S. agency bonds/notes	294,019	70
Money market funds	150,223	1
	$ 2,570,261	47

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 at June 30, 2009:

Security Type	Carrying Value (In thousands)	WAM (Days)
Repurchase agreements	$ 53,000	1
U.S. Treasury bills	74,424	94
U.S. agency discount notes	87,662	55
U.S. agency bonds/notes	68,608	37
Money market funds	132	1
	$ 283,826	51

The overall effective duration 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

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

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

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

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

4. ACCOUNTS RECEIVABLE

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

Student tuition and fees — net of allowance for doubtful account of $413,151	$ 63,941
Other accounts receivable	195,332
	$ 259,273

5. CAPITAL ASSETS

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

	Beginning Balance	Transfers	Additions	Reductions	Ending Balance
Capital assets — equipment	$ -	$ 151,068	$ -	$ 37,732	$ 113,336
Less accumulated depreciation for equipment	-	112,981	5,472	(36,858)	81,595
Total accumulated depreciation	-	112,981	5,472	(36,858)	81,595
Capital assets — net	$ -	$ 38,087	$ (5,472)	$ 74,590	$ 31,741

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 year ended June 30, 2009, is as follows:

	Beginning Balance	Transfer	Additions	Reductions	Ending Balance	Current Portion
Long-term liabilities:						
Accrued compensated absences	$ -	$ 126,887	$ -	$ (22,526)	$ 104,361	$ 62,825
OPEB liability		40,973	31,806		72,779	
Debt obligation due Commission		358,221		(99,429)	258,792	103,001
Total long-term liabilities	$ -	$ 526,081	$ 31,806	$ (121,955)	$ 435,932	$ 165,826

7. OTHER POSTEMPLOYMENT BENEFITS

In accordance with GASB Statement No. 45, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2009, the noncurrent liability related to OPEB costs was $72,779. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $196,434 and $90,189, respectively, during 2009. As of the year ended June 30, 2009, there are 3 retirees receiving these benefits.

8. OPERATING LEASES

Future scheduled annual lease payments for year subsequent to June 30, 2009, are as follows:

Year Ending June 30	
2010	$ 59,160

Total rental expense for the years ended June 30, 2009, was $18,579.

9. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

The College is a State institution of higher education, and the College receives a State appropriation to finance its operations. In addition, it is subject to the legislative and administrative mandates of 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 year ended June 30, 2009, debt service assessed is as follows:

Principal	$ 99,429
Interest	16,086
Other	8,188
	$ 123,703

10. UNRESTRICTED NET ASSETS

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

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 $18,730 which consisted of $6,221 from both the College and $12,509 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 year ended June 30, 2009. Required employee contributions were at the rate of 6% of total annual salary for the year ended June 30, 2009. 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 year ended June 30, 2009, was $33,718, which consisted of $22,778 from the College and $10,940 from the covered employees.

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 year ended June 30, 2009, was $416,395, which consisted of $173,217 from the College and $243,178 from the covered employees.

The College's total payroll for the year ended June 30, 2009, was $3,762,721 and total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were $182,340, $2,886,954, and $103,684, 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.

13. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the year ended June 30, 2009, the following table represents operating expenses within both natural and functional classifications:

	Salaries and Wages	Benefits	Supplies and Charges From University	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 2,828,697	$ 664,824	$ 706,418	$ 17,452	$ 2,433	$ -	$ -	$ 4,219,824
Public service	281,531	54,908	330,896	887	38,738			706,960
Academic support	345,467	93,117	216,050	7,772				662,406
Student services	11,900	1,185	260,673	46				273,804
General institutional support	275,488	33,026	1,602,167					1,910,681
Operations and maintenance of plant			539,556					539,556
Student financial aid					2,446,758			2,446,758
Auxiliary enterprise			463,182					463,182
Depreciation						5,472		5,472
Fees assessed by the Commission							56,468	56,468
Total	$ 3,743,083	$ 847,060	$ 4,118,942	$ 26,157	$ 2,487,929	$ 5,472	$ 56,468	$ 11,285,111

* * * * * *

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

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

To the Governing Board of
Kanawha Valley Community and Technical College:

We have audited the financial statements of Kanawha Valley Community and Technical College (formerly West Virginia State Community and Technical College) (the "College") as of and for the year ended June 30, 2009, and have issued our report thereon dated November 16, 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, internal control, such that there is a reasonable possibility that a material misstatement 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 would not necessarily identify all deficiencies in internal control 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 Kanawha Valley Community and Technical College Governing Board, managements of the College, and the West Virginia Council for Community and Technical College Education, federal and state awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

November 16, 2009