

Southern West Virginia
Community and Technical College
Financial Statements

Years Ended June 30, 2010 and 2009
and
Independent Auditors' Reports

SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE
TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI)	5 - 12
FINANCIAL STATEMENTS	
Statements of Net Assets	13
Component Unit - Statements of Financial Position	14
Statements of Revenues, Expenses and Changes in Net Assets	15
Component Unit - Statements of Activities and Changes in Net Assets	16 - 17
Statements of Cash Flows	18
Notes to Financial Statements	19 - 50
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 <i>GOVERNMENT AUDITING STANDARDS</i>	51 - 52



INDEPENDENT AUDITORS' REPORT

Governing Board
Southern West Virginia Community and Technical College
Mt. Gay, West Virginia

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Southern West Virginia Community and Technical College (the College), as of June 30, 2010 and 2009, and for the years ended which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on the respective financial statements based on our audits. We did not audit the discretely presented financial statements of the Southern West Virginia Community College Foundation, Inc. (a component unit of the College). Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the discretely presented financial statements of The Southern West Virginia Community College Foundation, Inc., is based solely on the report of the other auditors.

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

In our opinion, based on our audits and report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2010 and 2009, and the respective changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 5 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information, and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2010, on our consideration of the College's internal control over financial reporting and on 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.



Charleston, West Virginia
October 12, 2010

SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

Overview of the Financial Statements and Financial Analysis

Southern West Virginia Community and Technical College (“the College”) presents its financial statements for the fiscal years ended June 30, 2010, and June 30, 2009. The emphasis of discussions about these statements will be on current year data. 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. This discussion and analysis of the College’s financial statements provides an overview of its financial activities for the year and is required supplemental information. Since this analysis is designed to focus on current activities, resulting change and currently known facts, please read it in conjunction with the College’s basic financial statements and the footnotes to these financial statements. Responsibility for the completeness and fairness of this information rests with the College.

The Governmental Accounting Standards Board (GASB) establishes standards for the presentation format of college and College financial statements. The current format places emphasis on the overall economic resources of the College.

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

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors and lending institutions. The Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for College expenditures.

SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the College's equity in property, plant and equipment owned by the College. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The College does not currently have nonexpendable restricted net assets since all funds of this nature would be directed to the Southern West Virginia Community College Foundation, Incorporated. The corpus of nonexpendable restricted resources is only available 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 final category is unrestricted net assets. Unrestricted assets are available to the College for any lawful purpose of the College.

Statements of Net Assets
June 30
(in thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assets			
Current assets	\$ 6,744	\$ 6,080	\$ 3,259
Other non-current assets	56	360	108
Capital assets, net	<u>25,311</u>	<u>25,417</u>	<u>26,442</u>
Total assets	<u>32,111</u>	<u>31,857</u>	<u>29,809</u>
Liabilities			
Current liabilities	3,960	3,608	2,685
Noncurrent liabilities	<u>1,872</u>	<u>536</u>	<u>405</u>
Total liabilities	<u>5,832</u>	<u>4,144</u>	<u>3,090</u>
Net assets			
Invested in capital assets, net	25,199	25,273	26,643
Restricted – expendable	1	2	1
Unrestricted	<u>1,079</u>	<u>2,438</u>	<u>75</u>
Total net assets	<u>\$ 26,279</u>	<u>\$ 27,713</u>	<u>\$ 26,719</u>

Total net assets of the College decreased by \$1.4 million from June 30, 2009 to June 30, 2010. Total net assets increased by \$1.0 million from June 30, 2008 to June 30, 2009. These changes are related to a number of changes as described below:

SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

- The fiscal year 2010 decrease of \$74 thousand of net assets invested in capital is comprised of several components. The decrease was primarily due to a decrease in the amount of capital asset expenditures over depreciation expense.
- The unrestricted net assets decreased by \$1.4 million as of June 30, 2010. This decrease was primarily the result of an increase in the Other Post Employment Benefits (OPEB) liability of \$1.4 million. This increase was a result of a substantial increase in the annual required contribution and a decrease in the amount of revenue provided as on-behalf of the College by the State of West Virginia.
- The current ratio for both fiscal year 2010 and 2009 is 1.7 times. The current ratio measures the ability to meet short-term obligations. The current ratio is the most widely-used measure of liquidity. Typically, current ratios range from about 1 to almost 4 to 1.

Statements of Revenues, Expenses and Changes in Net Assets

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

Operating revenues are received for providing goods and services to the various constituencies of the College. Operating 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 nonoperating revenues. For example state appropriations are nonoperating because they are provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues.

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30,
(in thousands)

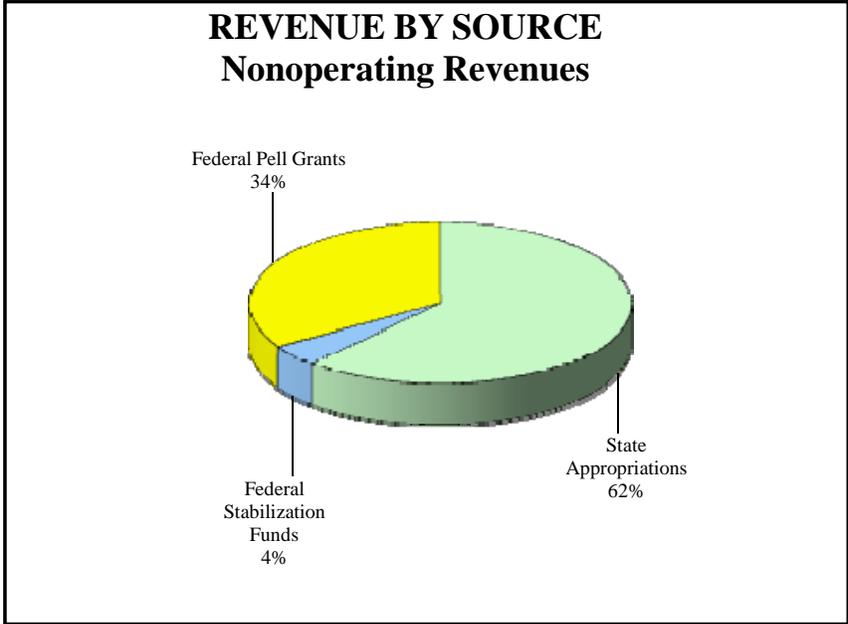
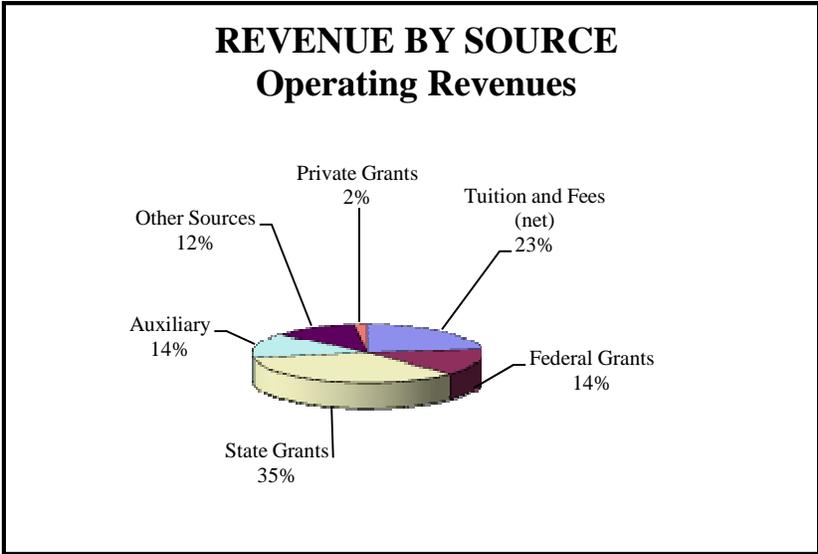
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 8,581	\$ 9,625	\$ 6,598
Operating expenses	<u>23,074</u>	<u>22,044</u>	<u>19,695</u>
Operating loss	(14,493)	(12,419)	(13,097)
Nonoperating revenues	13,059	13,413	13,325
Bond Proceeds from Commission	<u>-</u>	<u>-</u>	<u>339</u>
Increase (decrease) in Net Assets	<u>\$ (1,434)</u>	<u>\$ 994</u>	<u>\$ 567</u>

SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

A review of the individual revenue and expense categories and those items that contributed to the overall decreases in Net Assets reveals the following explanations:

- For fiscal year 2010, tuition and fees contributed approximately 23% of the total operating revenues for the year. In fiscal year 2009, tuition and fees accounted for approximately 15% of the total operating revenues. This increase was a result of increased enrollment.
- For fiscal year 2010 grant and contract revenues decreased by \$1.4 million for a 24% decrease. As a percentage of operating revenue, grant and contract revenue accounted for nearly 51% in fiscal year 2010, and 60% for fiscal year 2009. The decrease was due to several Federal and State grant awards received in fiscal year 2009 that were not renewed in 2010.
- In fiscal year 2010 other revenues decreased by \$214 thousand resulting from a \$466 thousand decrease in miscellaneous revenue offset by a \$252 thousand increase in auxiliary revenue.
- The total cost of benefits increased by 28% for fiscal year 2010 over fiscal year 2009 reflecting the expense for OPEB by the Public Employees Insurance Agency (PEIA). This increase was a result of a substantial increase in the annual required contribution and a decrease in the amount of revenue provided as on-behalf of the College by the State of West Virginia.
- In fiscal year 2010 non-operating revenues decreased by \$355 thousand or approximately 3%. Investment income decreased by \$35 thousand or 76%. The College participates in the investment pool managed by the State.
- In fiscal year 2010 salaries and wages decreased by \$796 thousand or approximately 8%. This decrease was a result of several employee vacancies that were not filled during the year.
- For fiscal year 2010 Federal Pell grant revenues increased by \$622 thousand or approximately 16%. This increase was the result of increased enrollment and an increase in the maximum amount of individual awards.
- In fiscal year 2010 State appropriations decreased by \$1.2 million or 13% as the result of a statewide reduction in funding. This reduction was supplemented with federal stimulus funding of \$569 thousand in fiscal year 2010.

SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

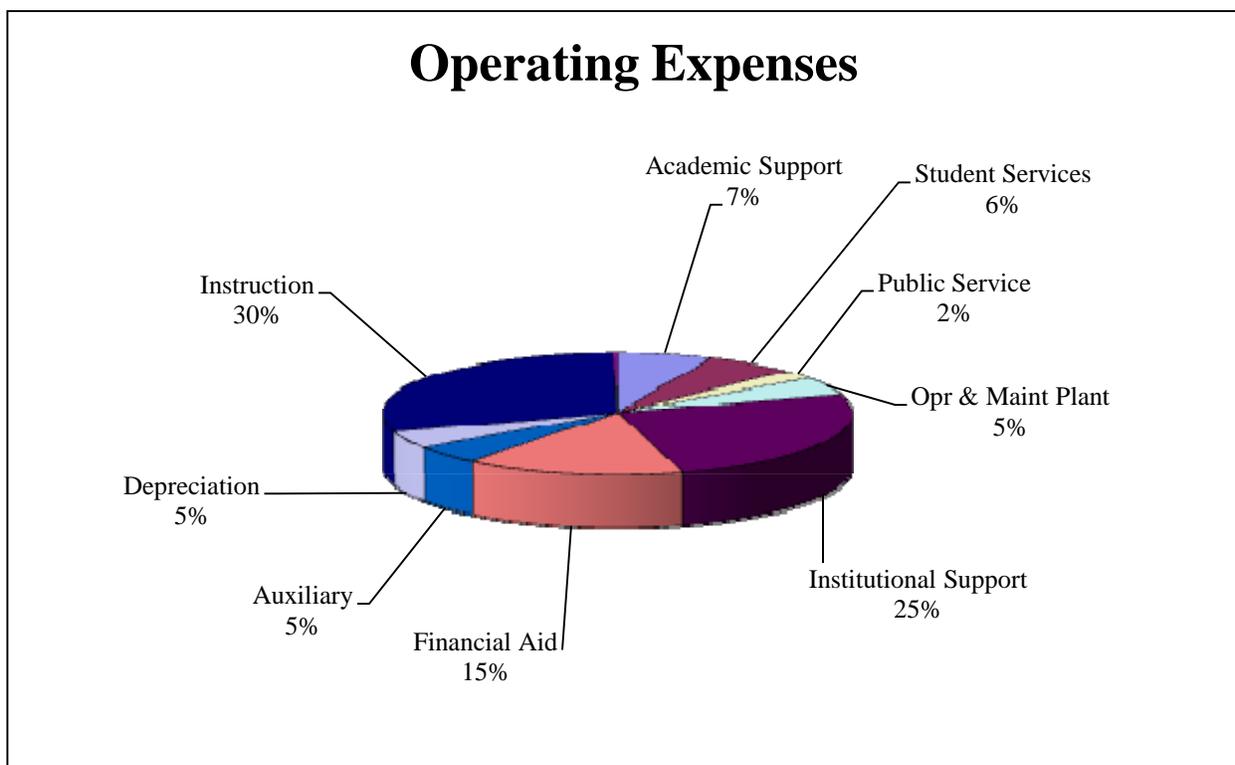


SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

Operating Expenses
Years Ended June 30,
(in thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	(2009 to 2010) Increase (Decrease)	(2009 to 2010) Percent Change
Operating expense					
Instruction	\$ 6,881	\$ 7,722	\$ 6,523	\$ (841)	(10.89)%
Academic support	1,532	1,060	517	472	44.53%
Student services	1,466	1,450	1,500	16	1.10%
Public service	552	718	1,420	(166)	(23.12)%
Operations & maintenance plant	1,095	2,069	1,210	(974)	(47.08)%
Institutional support	5,866	3,780	3,897	2,086	55.19%
Financial aid	3,479	3,052	2,403	427	13.99%
Auxiliary	1,102	971	1,029	131	13.49%
Depreciation	1,052	1,179	1,155	(127)	(10.77)%
Other	<u>49</u>	<u>43</u>	<u>41</u>	<u>6</u>	13.95%
 Total	 <u>\$ 23,074</u>	 <u>\$ 22,044</u>	 <u>\$ 19,695</u>	 <u>\$ 1,030</u>	 4.67%

The following is a graphic illustration of fiscal year 2010 operating expenses:



SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

Statements 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 deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

Statements of Cash Flows
Years Ended June 30,
(in thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash provided (used) by:			
Operating activities	\$ (10,666)	\$ (10,429)	\$ (11,794)
Noncapital financing activities	13,048	13,101	12,725
Capital and related financing activities	(673)	(422)	(1,264)
Investing activities	<u>11</u>	<u>45</u>	<u>88</u>
Net change in cash	1,720	2,295	(245)
Cash, beginning of year	<u>4,466</u>	<u>2,171</u>	<u>2,416</u>
Cash, end of year	<u>\$ 6,186</u>	<u>\$ 4,466</u>	<u>\$ 2,171</u>

Capital Asset and Debt Administration

Capital Assets, Net
June 30,
(in thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>(2009 to 2010)</u> Increase (Decrease)	<u>(2009 to 2010)</u> Percent Change
Capital Assets					
Land and Improvements	\$ 1,288	\$ 1,288	\$ 1,288	\$ -	0.00%
Construction in Progress	63	-	-	63	100.00%
Buildings	30,346	29,962	30,080	384	1.28%
Equipment	6,749	6,299	6,087	450	7.14%
Library Holdings	<u>3,817</u>	<u>3,814</u>	<u>3,798</u>	<u>3</u>	0.08%
Total	42,263	41,363	41,253	900	2.18%
Less: Accum Depreciation	<u>(16,952)</u>	<u>(15,946)</u>	<u>(14,811)</u>	<u>\$ (1,006)</u>	6.31%
Net Capital Assets	<u>\$ 25,311</u>	<u>\$ 25,417</u>	<u>\$ 26,442</u>	<u>\$ (106)</u>	(0.42)%

SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

Capital assets net decrease of \$105 thousand was a result of depreciation on assets in excess of capital asset additions.

The OPEB liability increased by \$1.4 million in fiscal year 2010. This increase was a result of a substantial increase in the annual required contribution and a decrease in the amount of revenue provided as on-behalf of the College by the State of West Virginia.

Readers interested in more detailed information regarding capital assets and debt administration should review the accompanying notes 5 and 6 to the financial statements.

Economic Outlook

During the 2000 Legislative Session the governance of higher education in the State was changed. Effective July 1, 2001, Higher Education Policy Commission (Commission) was established at the State level and the institutional Board of Advisors was replaced by the institutional Board of Governors. The 2006 Legislature created the Council for Community and Technical College Education, removing governance of the College from the Commission. The economic outlook for West Virginia continues to be negative for several more years, leaving the College vulnerable to spending freezes if there is a significant downturn in the state's economy.

Although the economic forecasts for the State of West Virginia and the number of high school graduates in the State continues to decline, the College attracts and maintains non-traditional students to replace losses of traditional college age students. Also, emphasis is placed on dual credit course offerings in high schools. The College continues to offer incentives to faculty to develop modular and web based courses as alternate methods of course delivery. Improved physical plant and favorable comparison of fee structures with peer institutions indicate that the College should be able to remain competitive for new and returning students.

During December 2009 the Commission, on behalf of the Council, issued approximately \$78 million in bonds which will be repaid from excess Lottery Funds. The College's share of the bond issuance was \$6 million which will be used to finance the construction of a new building on the Williamson campus.

Requests for Information

The financial report is designed to provide an overview of the finances of the College for those with an interest in this organization. Questions concerning any of the information provide in this report or requests for additional financial information should be addressed to the Southern West Virginia Community and Technical College at Post Office 2900, Mount Gay, West Virginia 25637.

SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009

13

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,186,199	\$ 4,465,849
Accounts receivable - net	250,607	347,842
Prepaid expenses	7,266	8,739
Due from the Commission	3,901	901,446
Due from Federal Government	9,242	23,400
Due from other State Agencies	29,904	79,195
Inventories	<u>256,502</u>	<u>253,661</u>
Total current assets	<u>6,743,621</u>	<u>6,080,132</u>
Noncurrent assets		
Cash and cash equivalents	55,628	360,000
Investment in capital assets-net	<u>25,311,404</u>	<u>25,416,622</u>
Total noncurrent assets	<u>25,367,032</u>	<u>25,776,622</u>
 Total assets	 <u>32,110,653</u>	 <u>31,856,754</u>
LIABILITIES		
Current liabilities		
Accounts payable	106,837	211,985
Due to the Commission	99,283	326,229
Due to other State Agencies	23,556	26,272
Due to other governments	29,517	33,290
Accrued liabilities	964,768	1,015,171
Compensated absences-current portion	339,051	356,688
Current portion of long-term capital lease	24,850	23,904
Deferred revenue	<u>2,372,537</u>	<u>1,613,975</u>
Total current liabilities	<u>3,960,399</u>	<u>3,607,514</u>
Noncurrent liabilities		
Long-term portion of capital lease	87,765	119,442
Other post employment benefit liability	1,607,674	236,905
Compensated absences	<u>175,977</u>	<u>179,558</u>
Total noncurrent liabilities	<u>1,871,416</u>	<u>535,905</u>
 Total liabilities	 <u>5,831,815</u>	 <u>4,143,419</u>
NET ASSETS		
Invested in capital assets-net of related debt	<u>25,198,789</u>	<u>25,273,276</u>
Restricted for expendable:		
Loans	<u>913</u>	<u>1,822</u>
Total restricted expendable	<u>913</u>	<u>1,822</u>
Unrestricted	<u>1,079,136</u>	<u>2,438,237</u>
 Total net assets	 <u>\$ 26,278,838</u>	 <u>\$ 27,713,335</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 576,680	\$ 484,880
Certificates of deposit	147,233	36,606
Investments at estimated market value	1,627,817	1,711,892
Employee receivable	2,500	-
Miscellaneous receivable	5,110	5,493
Interest receivable	12,950	7,767
Prepaid insurance	1,997	1,414
Unconditional promises to give, less allowance for uncollectible promises	437,414	782,851
Fixed assets, net	645	4,697
Other assets	11,185	-
	\$ 2,823,531	\$ 3,035,600
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 25,425	\$ 21,000
Payable to related party	125,324	304,990
Obligations under capital leases	-	517
Total liabilities	150,749	326,507
NET ASSETS		
Unrestricted	144,572	27,859
Temporarily restricted	2,513,210	2,666,234
Permanently restricted	15,000	15,000
Total net assets	2,672,782	2,709,093
TOTAL LIABILITIES AND NET ASSETS	\$ 2,823,531	\$ 3,035,600

The Accompanying Notes Are An Integral
Part Of These Financial Statements

SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2010 AND 2009

15

	<u>2010</u>	<u>2009</u>
Operating revenues		
Student tuition and fees (net of scholarship allowance of \$3,048,560 and \$2,613,660)	\$ 1,995,792	\$ 1,428,179
Contracts and grants:		
Federal	1,215,483	1,620,938
State	2,975,328	3,916,014
Private	155,556	207,000
Auxiliary enterprise revenue (net of scholarship allowance of \$230,685 and \$153,830)	1,208,990	957,323
Miscellaneous-net	<u>1,029,491</u>	<u>1,495,469</u>
Total operating revenues	<u>8,580,640</u>	<u>9,624,923</u>
Operating expenses		
Salaries and wages	9,481,115	10,277,362
Benefits	4,724,384	3,689,997
Supplies and other services	3,657,006	3,273,735
Utilities	572,550	491,683
Student financial aid-scholarships and fellowships	3,538,515	3,089,285
Depreciation	1,052,051	1,179,223
Fees assessed by the Commission for operations	<u>48,509</u>	<u>43,274</u>
Total operating expenses	<u>23,074,130</u>	<u>22,044,559</u>
Operating loss	<u>(14,493,490)</u>	<u>(12,419,636)</u>
Nonoperating revenues (expenses)		
State appropriations	8,064,346	9,308,197
State fiscal stabilization funds (federal)	568,851	-
Payment on behalf of Southern West Virginia Community & Technical College	-	267,438
Investment income	10,984	45,493
Federal Pell grants	<u>4,414,812</u>	<u>3,792,410</u>
Net nonoperating revenues	<u>13,058,993</u>	<u>13,413,538</u>
Increase (decrease) in net assets	<u>(1,434,497)</u>	<u>993,902</u>
Net assets, beginning of year	<u>27,713,335</u>	<u>26,719,433</u>
Net assets, end of year	<u>\$ 26,278,838</u>	<u>\$ 27,713,335</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, INVESTMENT INCOME, AND OTHER SUPPORT				
Contributions	\$ 12,140	\$ 233,900	\$ -	\$ 246,040
Federal grant revenue	-	4,398	-	4,398
Interest and dividend income	868	75,447	-	76,315
Gain on investment	4,269	88,065	-	92,334
Net assets released from restriction	554,834	(554,834)	-	-
Total revenues, investment income, and other support	<u>572,111</u>	<u>(153,024)</u>	<u>-</u>	<u>419,087</u>
EXPENSES				
Program services:				
Scholarships	246,030	-	-	246,030
Educational development	128,957	-	-	128,957
Total program services	<u>374,987</u>	<u>-</u>	<u>-</u>	<u>374,987</u>
Administrative and general	56,887	-	-	56,887
Fundraising	23,524	-	-	23,524
Total expenses	<u>455,398</u>	<u>-</u>	<u>-</u>	<u>455,398</u>
CHANGE IN NET ASSETS	116,713	(153,024)	-	(36,311)
NET ASSETS, BEGINNING OF YEAR	<u>27,859</u>	<u>2,666,234</u>	<u>15,000</u>	<u>2,709,093</u>
NET ASSETS, END OF YEAR	<u>\$ 144,572</u>	<u>\$ 2,513,210</u>	<u>\$ 15,000</u>	<u>\$ 2,672,782</u>

SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED DECEMBER 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, INVESTMENT INCOME, AND OTHER SUPPORT				
Contributions	\$ -	\$ 416,253	\$ -	\$ 416,253
Interest and dividend income	679	100,298	-	100,977
Loss on investment	(5,103)	(162,803)	-	(167,906)
Net assets released from restriction	<u>572,965</u>	<u>(572,965)</u>	-	<u>-</u>
Total revenues, investment income, and other support	<u>568,541</u>	<u>(219,217)</u>	-	<u>349,324</u>
EXPENSES				
Program services:				
Scholarships	189,943	-	-	189,943
Educational development	<u>237,775</u>	-	-	<u>237,775</u>
Total program services	427,718	-	-	427,718
Administrative and general	168,929	-	-	168,929
Fundraising	<u>40,000</u>	-	-	<u>40,000</u>
Total expenses	<u>636,647</u>	-	-	<u>636,647</u>
CHANGE IN NET ASSETS	(68,106)	(219,217)	-	(287,323)
NET ASSETS, BEGINNING OF YEAR	<u>95,965</u>	<u>2,885,451</u>	<u>15,000</u>	<u>2,996,416</u>
NET ASSETS, END OF YEAR	<u>\$ 27,859</u>	<u>\$ 2,666,234</u>	<u>\$ 15,000</u>	<u>\$ 2,709,093</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Cash received from student tuition and fees	\$ 2,080,036	\$ 1,730,347
Cash received from contracts and grants	5,845,480	5,893,252
Payments to and on behalf of employees	(12,874,060)	(13,546,525)
Payments to suppliers	(3,801,077)	(3,370,442)
Payments to utilities	(567,287)	(499,709)
Payments for scholarships and fellowships	(3,538,515)	(3,089,285)
Auxiliary enterprise charges-net	1,208,990	957,323
Fees assessed by Commission	(48,509)	(43,274)
Other receipts (payments)-net	1,029,491	1,538,967
Net cash used in operating activities	<u>(10,665,451)</u>	<u>(10,429,346)</u>
Cash flows from noncapital financing activities		
State appropriations	8,064,346	9,308,197
State fiscal stabilization funds (federal)	568,851	-
Pell grants	4,414,812	3,792,410
Net cash provided by noncapital financing activities	<u>13,048,009</u>	<u>13,100,607</u>
Cash flows from capital financing activities		
Purchases of capital assets	(946,833)	(436,777)
Proceeds from the sale of capital assets	-	282,500
Payments on long-term borrowings from financial institutions	(30,731)	(16,167)
Withdrawals from (deposits to) noncurrent cash and cash equivalents	304,372	(251,801)
Net cash used in capital financing activities	<u>(673,192)</u>	<u>(422,245)</u>
Cash flows from investing activities		
Interest on investments	10,984	45,493
Cash provided by investing activities	<u>10,984</u>	<u>45,493</u>
INCREASE IN CASH AND CASH EQUIVALENTS	1,720,350	2,294,509
Cash and cash equivalents - beginning of year	<u>4,465,849</u>	<u>2,171,340</u>
Cash and cash equivalents - end of year	<u>\$ 6,186,199</u>	<u>\$ 4,465,849</u>
Reconciliation of net operating loss to net cash used in operating activities		
Operating loss	\$ (14,493,490)	\$ (12,419,636)
Adjustments to reconcile net operating loss to net cash used in operating activities		
Depreciation expense	1,052,051	1,179,223
Payments paid on behalf of the College	-	267,438
Changes in assets and liabilities		
Accounts receivable-net	97,235	279,062
Inventories	(2,841)	170,190
Prepays	1,473	(8,738)
Accounts payable	(105,148)	(469,367)
Due from the Commission	897,545	(897,845)
Due from other State Agencies	49,291	(79,195)
Due to the Commission	(226,946)	253,815
Due to other State Agencies	(2,716)	26,272
Due to other governments	(3,773)	(62,215)
Due from Federal Government	14,158	10,370
Accrued liabilities	(50,403)	358,657
Compensated absences	(21,218)	41,421
Other post employment benefits	1,370,769	-
Deferred revenue	758,562	921,202
Net cash used in operating activities	<u>\$ (10,665,451)</u>	<u>\$ (10,429,346)</u>
Significant noncash transactions:		
Payments received on behalf of Southern	<u>\$ -</u>	<u>\$ 267,438</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

NOTE 1 - ORGANIZATION

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

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

S.B. 653 also created the West Virginia Higher Education Policy Commission (the "Commission"), which is responsible for developing, gaining consensus around and overseeing the implementation and development of a higher education public policy agenda. Senate Bill 448 gives the West Virginia Council for Community and Technical College Education the responsibility of developing, overseeing and advancing the State's public policy agenda as it relates to community and technical college education.

As a requirement of Governmental Accounting Standards Board standards (GASB), the College has included information from the Southern West Virginia Community College Foundation, Inc. (the "Foundation").

Although the College benefits from the activities of the Foundation, the Foundation is independent of the College in all respects. The Foundation is not a subsidiary of the College and is not directly or indirectly controlled by the College. The Foundation has its own separate, independent Board of Directors. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the College. The College is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. The College does not have the power or authority to mortgage, pledge, or encumber the assets of the Foundation. The Board of Directors of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the College. Under State law, neither the principal nor income generated by the assets of the Foundation can be taken into consideration in determining the amount of State-appropriated funds allocated to the College. Third parties dealing with the College, the Board, and the State of West Virginia (the "State") (or any agency thereof) should not rely upon the financial statements of the Foundation for any purpose without consideration of all the foregoing conditions and limitations.

NOTE 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 GASB. The financial statement presentation required by GASB provide a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

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

Reporting Entity - The College is an operating unit of the West Virginia Higher Education Fund and represents a separate fund of the State of West Virginia (the "State") that is not included in the State's general fund. The College is a separate entity which, along with all State institutions of higher education, the West Virginia Council of Community and Technical Colleges, and the Commission (which includes West Virginia Network for Educational Telecomputing), 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 College. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities. A related Southern Alumni Association (Alumni Association) of the College is not part of the College's reporting entity and is not included in the accompanying financial statements as the College has no ability to designate management, cannot significantly influence operations of these entities and is not accountable for the fiscal matters of the Alumni Association under GASB.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of July 1, 2003, the College adopted GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, an amendment to GASB Statement No. 14. As a result, the Southern West Virginia Community College Foundation, Inc. (Foundation) was originally not included because the economic resources held by the Foundation was not significant to that inclusion. Beginning with the year ended June 30, 2008, the resources held by the Foundation became significant and are now included. As a result, the audited financial statements of the Foundation are presented here as a discrete component unit with the College combined financial statements in accordance with GASB. The Foundation's audited financial statements were as of and for the year ended December 31, 2009 and 2008. The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organization. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein as required by GASB No. 39.

Financial Statement Presentation - GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a basis to focus on the College as a whole. Net assets are classified into four categories according to external donor restrictions or availability of assets for satisfaction of College obligations. The College's net assets are classified as follows:

- *Invested in capital assets, net of related debt* - This represents the College's total investment in capital assets, net of outstanding depreciation and 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 investment in capital assets, net of related debt.
- *Restricted net assets, expendable* - This includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

The West Virginia State Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees and Other Money Collected as State Institutions of Higher Education* of the West Virginia State Code. House Bill 101 passed in March 2005 simplified the tuition and fee structure and removed the restrictions but included designations associated with auxiliary and capital items. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the West Virginia State Legislature.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *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, 2010 or 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 of Governors to meet current expenses for any purpose. These resources also include resources of auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

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

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the "State Treasurer") are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments ("BTI"). These funds are transferred to the BTI and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia code, policies set by the BTI, and by provisions of bond indentures and trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost which 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. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or on the first day of each month for the WV Short Term Bond Pool (formerly Enhanced Yield Pool) and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 Blvd., E. Room E-122 Charleston, West Virginia, 25305 or <http://www.wvbt.com>.

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

Allowance for Doubtful Accounts - It is the College's policy to provide for future losses on uncollectible accounts, contracts, grants, and receivables based on an evaluation of the underlying account, contract and grant 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.

Inventories - Inventories are stated at the lower-of-cost or market, cost being determined on the first-in, first-out method.

Noncurrent Cash and Cash Equivalents - Cash that is (1) externally restricted to make debt service payments and long-term loans to students, or to maintain sinking or reserve funds, (2) to purchase capital or other noncurrent assets, or (3) permanently restricted net assets, is classified as a noncurrent asset in the accompanying statements of net assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets - Capital assets include property, plant and equipment and books and materials that are part of a catalogued library. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings and infrastructure, 20 years for land improvements, 7 years for library holdings, and 5 to 10 years for furniture and equipment. The College's capitalization threshold is \$5,000. There was no interest capitalized during 2010 and 2009. The accompanying combined financial statements reflect all adjustments required by GASB.

Deferred Revenue - Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as deferred revenue. Deferred revenue at the College primarily consists of summer tuition collected in advance. Financial aid and other deposits are separately classified as deposits.

Compensated Absences and Other Post Employment Benefits - The College accounts for compensated absences in accordance with the provisions of GASB.

GASB provides standards for the measurement, recognition, and display of other post employment 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 post employment benefits for the State of West Virginia (the "State"). Effective July 1, 2008, the College was required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State of West Virginia. The Plan provides the following retiree group insurance coverage to participants: medical and prescription drug coverage through a self-insured preferred provider benefit (PPB) plan and through external managed care organizations (MCOs), basic group life, accidental death, and prescription drug coverage for retired employees of the State and various related State and non-State agencies and their dependents. Details regarding this plan can be obtained by contacting 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>.

GASB requires 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The liability is now provided for under the multiple employer cost-sharing plan sponsored by the State.

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally 3 1/3 years of teaching service extends health insurance for one year of single coverage and five years extend health insurance for one year of family coverage. The same hire date mentioned above applies to coverage for faculty employees also. Faculty hired after July 1, 2010 will no longer receive years of service credit towards insurance premiums when they retire.

For the year ended June 30, 2008, the estimate of the liability for the extended health or life insurance benefit has been calculated using the vesting method in accordance with the provisions of GASB Statement No. 16. Under that method, the College identified the accrued sick leave benefit earned to date by each employee, determined the cost of that benefit by reference to the benefit provisions and the current cost experienced by the College for such coverage, and estimated the probability of the payment of that benefit to employees upon retirement.

The estimated expense 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

West Virginia has a single private insurance company, BrickStreet Insurance, which provides workers' compensation coverage to all employers in the state. Other private insurance companies began to offer coverage to private-sector employers beginning July 1, 2009 and to government employers beginning July 1, 2010. Nearly every employer in the State, who has payroll must have coverage. The cost of all coverage is paid by the employers. BrickStreet retains the risk related to the compensation of injured employees under the program.

Classification of Revenues - The College has classified its revenues 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 non-exchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as state appropriations and investment income.
- *Other revenues* - Other revenues consist primarily of capital grants and gifts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 utilizes restricted net assets first, when practicable.

Federal Financial Assistance Programs - The College distributes 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 2010 and 2009, the College received and disbursed \$4,560,178 and \$3,958,039 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 statement 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 and funds provided to students as awarded by third parties are accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a College basis by allocating the cash payments to students, excluding payments for services on the ratio of total aid to the aid not considered to be third party aid.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statement of cash flows.

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

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

Newly Adopted Statements Issued by the Governmental Accounting Standards Board - During 2010, the College adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement provides guidance regarding whether and when intangible assets should be considered capital assets for financial reporting purposes. The adoption of this statement did not have a material impact on the financial statements.

The College also adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. 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 adoption of this statement did not have a material impact on the financial statements.

Recent Statements Issued by the Governmental Accounting Standards Board - The Governmental Accounting Standards Board has issued Statement No. 59, *Financial Instruments Omnibus*, effective for fiscal years beginning after June 15, 2010. This statement improves financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards related to certain financial instruments and external investment pools. The College has not yet determined the effect that the adoption of Statement No. 59 may have on its financial statements.

NOTE 3 - CASH AND CASH EQUIVALENTS

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

	2010		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer	\$ 6,144,717	\$ -	\$ 6,144,717
Cash in bank	36,682	55,628	92,310
Cash on hand	4,800	-	4,800
	<u>\$ 6,186,199</u>	<u>\$ 55,628</u>	<u>\$ 6,241,827</u>
	2009		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer	\$ 4,431,551	\$ -	\$ 4,431,551
Cash in bank	29,498	360,000	389,498
Cash on hand	4,800	-	4,800
	<u>\$ 4,465,849</u>	<u>\$ 360,000</u>	<u>\$ 4,825,849</u>

Cash held by the State Treasurer includes \$2,513,632 and \$2,340,957 of restricted cash primarily for operating grants as of June 30, 2010 and 2009, respectively.

The combined carrying amount of cash in the bank at June 30, 2010 and 2009 was \$92,310 and \$389,498 respectively, as compared with the combined bank balance of \$111,802 and \$427,264, respectively. The difference is primarily caused by items in transit and 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 and the Municipal Bond Commission as of June 30, 2010 and 2009, are comprised of the following investment pools:

The BTI has adopted an investment policy in accordance with the "Uniform Prudent Investor Act." The "prudent investor rule" guides those with responsibility for investing the money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income; preserve capital; and, in general, avoid speculative investments. The BTI's investment policy is 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

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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 in which the Commission invest, all are subject to credit risk.

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, 2010 and 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, 2010 and 2009, the WV Money Market Pool investments had a total carrying value of \$2,876,711,000 and \$2,570,261,000, respectively, of which the College's ownership represents 0.20% and 0.14%, respectively.

WV Government Money Market Pool — Credit Risk — For the years ended June 30, 2010 and 2009, the WV Government Market Pool has been rated AAAM by Standard & Poor's. A Fund rated "AAAM" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAM" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, 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, 2010 and 2009, the WV Government Money Market Pool investments had a total carrying value of \$221,183,000 and \$283,826,000, of which the College's ownership represents 0.02% and 0.01%, respectively.

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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):

Security Type	Credit Rating*		2010		2009	
	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Corporate asset backed securities	Aaa	AAA	\$ 24,330	5.37 %	\$ 16,402	5.21 %
	Aaa	NR *	10,353	2.28	5,136	1.63
	Aa3	AAA	1,000	0.22	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
	Ba1	CC**	45	0.01		
	Ba2	BB**	219	0.05		
	Ba3	AAA			645	0.20
	B1	AAA			779	0.25
	B1	BBB**	605	0.13		
	B1	CCC**	857	0.19		
	B2	B**			493	0.16
	B2	CCC**	366	0.08	539	0.17
	B3	AAA			949	0.30
	B3	B**	442	0.10		
	B3	BBB**	247	0.05		
	B3	CCC**	554	0.12		
	Caal	BB**			254	0.08
	Caal	CCC**	230	0.05		
	Caa2	CCC**	779	0.17		
NR *	AAA	3,538	0.78	679	0.22	
		<u>43,565</u>	<u>9.60</u>	<u>29,372</u>	<u>9.33</u>	
Corporate bonds and notes	Aaa	AAA	72,549	16.00	47,204	14.99
	Aaa	AA	2,060	0.46		
	Aa1	AA	5,430	1.20	4,445	1.41
	Aa1	A			2,052	0.65
	Aa2	AAA			3,040	0.96
	Aa2	AA	6,650	1.47	9,066	2.88
	Aa3	AA	6,722	1.48		
	Aa3	A	13,850	3.05	7,831	2.49
	A1	AA	15,485	3.41	4,813	1.53
	A1	A	21,098	4.65	5,522	1.75
	A2	A	41,093	9.06	32,040	10.17
	A3	A	4,158	0.92	7,024	2.23
	Baa3	A			2,067	0.66
			<u>189,095</u>	<u>41.70</u>	<u>125,104</u>	<u>39.72</u>
					<u>.00</u>	
U.S. agency bonds	Aaa	AAA	40,180	8.86	60,250	19.13
U.S. Treasury notes***	Aaa	AAA	158,423	34.93	88,805	28.20
U.S. agency mortgage backed securities****	Aaa	AAA	4,540	1.00	4,975	1.58
Money market funds	Aaa	AAA	17,715	3.91	6,426	2.04
		<u>\$453,518</u>	<u>100 %</u>	<u>\$314,932</u>	<u>100 %</u>	

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

* NR = Not Rated

** The securities were not in compliance with BTI Investment Policy at June 30, 2010 and/or 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 by the United States government and are not subject to credit risk.

At June 30, 2010 and 2009, the College's ownership represents 0.11% and 0.02%, respectively, of these amounts held by the BTI.

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

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

Security Type	2010		2009	
	Carrying Value (In thousands)	WAM (Days)	Carrying Value (In thousands)	WAM (Days)
Repurchase agreements	\$ 174,980	1	\$ 212,010	1
U.S. Treasury notes	65,153	140	-	-
U.S. Treasury bills	476,670	35	483,714	69
Commercial paper	855,844	18	592,479	32
Certificates of deposit	281,000	45	128,402	56
U.S. agency discount notes	606,048	52	635,602	57
Corporate bonds and notes	20,000	19	73,812	38
U.S. agency bonds/notes	246,990	55	294,019	70
Money market funds	150,026	1	150,223	1
	<u>\$ 2,876,711</u>	33	<u>\$ 2,570,261</u>	47

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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:

Security Type	2010		2009	
	Carrying Value (In thousands)	WAM (Days)	Carrying Value (In thousands)	WAM (Days)
Repurchase agreements	\$ 66,600	1	\$ 53,000	1
U.S. Treasury notes	8,526	114	-	-
U.S. Treasury bills	29,982	72	74,424	94
U.S. agency discount notes	36,465	115	87,662	55
U.S. agency bonds/notes	79,532	30	68,608	37
Money market funds	<u>78</u>	1	<u>132</u>	1
	<u>\$ 221,183</u>	44	<u>\$ 283,826</u>	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, 2010 and 2009:

Security Type	2010		2009	
	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
U. S. Treasury bonds/notes	\$ 158,423	583	\$ 88,805	917
Corporate notes	189,095	560	125,104	559
Corporate asset backed securities	43,565	679	29,372	622
U.S. agency bonds/notes	40,180	288	60,250	752
U.S. agency mortgage backed securities	4,540	360	4,975	540
Money market funds	<u>17,715</u>	1	<u>6,426</u>	1
	<u>\$ 453,518</u>	530	<u>\$ 314,932</u>	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.

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30:

	<u>2010</u>	<u>2009</u>
Student tuition and fees - net of allowance for doubtful accounts of \$265,009 and \$336,031	\$ 157,672	\$ 208,081
Due from Foundation	7,291	90,305
Other accounts receivable	85,644	49,456
Accounts receivable net	<u>\$ 250,607</u>	<u>\$ 347,842</u>
Grants and contracts receivable:		
Due from the Commission	\$ 3,901	\$ 901,446
Due from Federal Government	9,242	23,400
Due from Other State Agencies	29,904	79,195
	<u>\$ 43,047</u>	<u>\$ 1,004,041</u>

NOTE 5 - CAPITAL ASSETS

The following is a summation of capital asset transactions for the College for the years ended June 30:

	2010			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated				
Construction in Process	\$ -	\$ 62,685	\$ -	\$ 62,685
Land	<u>1,288,470</u>	<u>-</u>	<u>-</u>	<u>1,288,470</u>
Total capital assets not being depreciated	<u>\$ 1,288,470</u>	<u>\$ 62,685</u>	<u>\$ -</u>	<u>\$ 1,351,155</u>
Other capital assets				
Buildings	\$ 29,961,693	\$ 384,514	\$ -	\$ 30,346,207
Equipment	6,299,115	449,837	-	6,748,952
Library holdings	<u>3,813,699</u>	<u>49,797</u>	<u>(46,912)</u>	<u>3,816,584</u>
Total other capital assets	<u>40,074,507</u>	<u>884,148</u>	<u>(46,912)</u>	<u>40,911,743</u>
Less accumulated depreciation for				
Buildings	(7,829,145)	(583,632)	-	(8,412,777)
Equipment	(4,434,080)	(420,886)	-	(4,854,966)
Library holdings	<u>(3,683,130)</u>	<u>(47,533)</u>	<u>46,912</u>	<u>(3,683,751)</u>
Total accumulated depreciation	<u>(15,946,355)</u>	<u>(1,052,051)</u>	<u>46,912</u>	<u>(16,951,494)</u>
Other capital assets-net	<u>\$ 24,128,152</u>	<u>\$ (167,903)</u>	<u>\$ -</u>	<u>\$ 23,960,249</u>
Capital asset summary				
Capital assets not being depreciated	\$ 1,288,470	\$ 62,685	\$ -	\$ 1,351,155
Other capital assets	<u>40,074,507</u>	<u>884,148</u>	<u>(46,912)</u>	<u>40,911,743</u>
Total cost of capital assets	41,362,977	946,833	(46,912)	42,262,898
Less accumulated depreciation	<u>(15,946,355)</u>	<u>(1,052,051)</u>	<u>46,912</u>	<u>(16,951,494)</u>
Capital assets-net	<u>\$ 25,416,622</u>	<u>\$ (105,218)</u>	<u>\$ -</u>	<u>\$ 25,311,404</u>

NOTE 5 - CAPITAL ASSETS (Continued)

	2009			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated				
Land	\$ 1,288,470	\$ -	\$ -	\$ 1,288,470
Total capital assets not being depreciated	<u>\$ 1,288,470</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,288,470</u>
Other capital assets				
Buildings	\$ 30,079,291	\$ 68,553	\$ (186,151)	\$ 29,961,693
Equipment	6,087,083	212,032	-	6,299,115
Library holdings	<u>3,797,354</u>	<u>33,890</u>	<u>(17,545)</u>	<u>3,813,699</u>
Total other capital assets	<u>39,963,728</u>	<u>314,475</u>	<u>(203,696)</u>	<u>40,074,507</u>
Less accumulated depreciation for				
Buildings	(7,169,744)	(685,355)	25,954	(7,829,145)
Equipment	(3,997,902)	(436,178)	-	(4,434,080)
Library holdings	<u>(3,642,985)</u>	<u>(57,690)</u>	<u>17,545</u>	<u>(3,683,130)</u>
Total accumulated depreciation	<u>(14,810,631)</u>	<u>(1,179,223)</u>	<u>43,499</u>	<u>(15,946,355)</u>
Other capital assets-net	<u>\$ 25,153,097</u>	<u>\$ (864,748)</u>	<u>\$ (160,197)</u>	<u>\$ 24,128,152</u>
Capital asset summary				
Capital assets not being depreciated	\$ 1,288,470	\$ -	\$ -	\$ 1,288,470
Other capital assets	<u>39,963,728</u>	<u>314,475</u>	<u>(203,696)</u>	<u>40,074,507</u>
Total cost of capital assets	41,252,198	314,475	(203,696)	41,362,977
Less accumulated depreciation	<u>(14,810,631)</u>	<u>(1,179,223)</u>	<u>43,499</u>	<u>(15,946,355)</u>
Capital assets-net	<u>\$ 26,441,567</u>	<u>\$ (864,748)</u>	<u>\$ (160,197)</u>	<u>\$ 25,416,622</u>

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

At June 30, 2010, the College had no significant outstanding contractual commitments for property, plant and equipment expenditures.

NOTE 6 - LONG-TERM LIABILITIES

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

	2010					
	Beginning			Ending	Current	Noncurrent
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Portion</u>	<u>Portion</u>
Capital Leases	\$ 143,346	\$ -	\$ 30,731	\$ 112,615	\$ 24,850	\$ 87,765
Other post employment benefits	236,905	1,749,149	378,380	1,607,674	-	1,607,674
Compensated absences	<u>536,246</u>	<u>-</u>	<u>21,218</u>	<u>515,028</u>	<u>339,051</u>	<u>175,977</u>
 Total noncurrent liabilities	 <u>\$ 916,497</u>	 <u>\$ 1,749,149</u>	 <u>\$ 430,329</u>	 <u>\$ 2,235,317</u>	 <u>\$ 363,901</u>	 <u>\$ 1,871,416</u>

	2009					
	Beginning			Ending	Current	Noncurrent
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Portion</u>	<u>Portion</u>
Capital Leases	\$ 159,513	\$ -	\$ 16,167	\$ 143,346	\$ 23,904	\$ 119,442
Other post employment benefits	111,233	501,606	375,934	236,905	-	236,905
Compensated absences	<u>494,825</u>	<u>41,421</u>	<u>-</u>	<u>536,246</u>	<u>356,688</u>	<u>179,558</u>
 Total noncurrent liabilities	 <u>\$ 765,571</u>	 <u>\$ 543,027</u>	 <u>\$ 392,101</u>	 <u>\$ 916,497</u>	 <u>\$ 380,592</u>	 <u>\$ 535,905</u>

On August 22, 2007 the College entered into a capital lease for equipment with SunTrust Leasing Corporation. The lease is payable in monthly installments of \$2,399 over 84 months at an interest rate of 3.89%. The total amount outstanding on the lease at June 30, 2010 was \$112,615.

The cost of equipment under capital leases is included in the Statement of Net Assets as investment in capital assets and was \$157,711 at June 30, 2010. Accumulated depreciation of the leased equipment at June 30, 2010 was approximately \$86,486. Depreciation of assets under capital leases is included in depreciation expense.

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The future minimum lease payments required under the capital lease and the present value of the net minimum lease payments as of June 30, 2010, are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2011	\$ 28,791
2012	28,791
2013	28,791
2014	28,791
2015	<u>7,196</u>
Total minimum lease payments	122,360
Less: Amount representing interest	<u>9,745</u>
Present value of net minimum lease payments	<u>\$ 112,615</u>

NOTE 7 - OPERATING LEASE OBLIGATIONS

The College leases various equipment, automobiles, and buildings, under operating lease agreements. Aggregate payment for operating leases amounted to \$77,818 and \$75,819 for the years ended June 30, 2010 and 2009, respectively. The College was not obligated under any noncancellable leases at June 30, 2010. Future minimum rental commitments are as follows as of June 30, 2010:

<u>Year Ending June 30</u>	<u>Operating Leases</u>
2011	\$ <u>2,319</u>
Total	\$ <u>2,319</u>

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2010 and 2009, the noncurrent liability related to OPEB costs was \$1,607,674 and \$236,905, respectively. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$1,737,275 and \$378,380, respectively, during 2010, \$769,044 and \$375,934, respectively, during 2009 and \$912,438 and \$451,571, respectively, during 2008. As of the years ended June 30, 2010, 2009 and 2008, there were 31, 23 and 22 retirees receiving these benefits, respectively.

NOTE 9 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

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

During the year ended June 30, 2005, the West Virginia Higher Education Policy Commission issued \$167,260,000 of 2004 Series B Revenue Bonds (Higher Education Facilities). The College has been approved for \$9,600,000 of the bond proceeds for construction of the new Technology and Allied Health Building, a wing on the new Lincoln County Consolidated High School, and renovation of other existing buildings throughout the College. As of June 30, 2008, the College had drawn \$9,600,000 of these bonds to pay for capital projects. State Lottery funds will be used to repay the debt, although College revenues are pledged if Lottery funds prove insufficient.

During December 2009, the Commission, on behalf of the Council, issued \$78,295,000 of Community and Technical Colleges Improvement Revenue Bonds, 2009 Series A (the "2009 Bonds"). The proceeds of the 2009 Bonds will be used to finance the acquisition, construction, equipping, or improvement of community and technical college facilities in West Virginia. The bond projects listed in the bond offering for the 2009 Bonds proposes bond funding of \$6,000,000 for the College. State lottery funds will be used to repay the debt.

NOTE 10 - UNRESTRICTED NET ASSETS

The College did not have any designated unrestricted net assets as of June 30, 2010 or 2009.

	<u>2010</u>	<u>2009</u>
Total unrestricted net assets before OPEB liability	\$ 2,686,810	\$ 2,675,142
Less: OPEB liability	<u>1,607,674</u>	<u>236,905</u>
 Total unrestricted net assets	 <u>\$ 1,079,136</u>	 <u>\$ 2,438,237</u>

NOTE 11 - RETIREMENT PLANS

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

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the Educators Money 401(a) basic retirement plan (Educators Money). New hires have the choice of either plan. As of June 30, 2010, there were no employees enrolled in the Educators Money 401(a) basic retirement plan.

The STRS is a cost sharing, public employee retirement system. Employer and employee contribution rates are established annually by the State Legislature. The contractual maximum contribution rate is 15%. The College accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for years ended June 30, 2010, 2009, and 2008. Required employee contributions were at the rate of 6% of total annual salary for years ended June 30, 2010, 2009, and 2008. Participants in the STRS may retire with full benefits upon reaching age 60 with 5 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 5 years' salary out of the last 15 years) multiplied by the number of years of service.

NOTE 11 - RETIREMENT PLANS (Continued)

Total contributions to the STRS for the years ended June 30, 2010, 2009 and 2008 were \$307,926, \$345,093 and \$316,770, respectively, which consisted of \$219,947, \$246,495 and \$226,265 from the College in 2010, 2009 and 2008, respectively, and \$87,979, \$98,598 and \$90,505 from the covered employees in 2010, 2009 and 2008, respectively.

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

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

Total contributions to the TIAA-CREF for the years ended June 30, 2010, 2009 and 2008 were \$858,360, \$871,634 and \$816,734 respectively, which consisted of equal contributions from the College and covered employees in 2010, 2009 and 2008 of \$429,180, \$435,817 and \$408,367, respectively.

The College's total payroll for the years ended June 30, 2010, 2009, and 2008 were \$9,478,014, \$9,872,822 and \$9,311,903, respectively; total covered employees' salaries in the STRS and TIAA-CREF were \$1,466,309 and \$7,078,607 in 2010, respectively; \$1,643,646 and \$7,263,617 in 2009, respectively; and \$1,508,429 and \$6,806,119 in 2008, respectively.

NOTE 12 - FOUNDATION

The Foundation is a separate nonprofit organization incorporated in the State and has as its purpose “to support, encourage and assist in the development and growth of the College, to render service and assistance to the College, and through it to the citizens of the State of West Virginia...” Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy and maintains fiscal accountability over funds administered by the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is therefore discretely presented with the College’s financial statements in accordance with GASB.

The Foundation’s net assets totaled \$2,672,782 and \$2,709,093 at December 31, 2009 and 2008, respectively. The net assets include amounts which are restricted by donors to use for specific projects or departments of the College. During the years ended June 30, 2010 and 2009, the Foundation made \$258,197 and \$710,379, respectively, in contributions to the College. As of June 30, 2010 and 2009, the College had accounts receivable of \$10,815 and \$90,305 due from the Foundation. Complete financial statements for the Foundation can be obtained from the Southern West Virginia Community College Foundation.

NOTE 13 - AFFILIATED ORGANIZATION

The College has a separately incorporated affiliated organization, the Southern Alumni Association. Oversight responsibility for this entity rests with an independent board and management not otherwise affiliated with the College. Accordingly, the financial statements of such organizations are not included in the accompanying financial statements under the blended component unit requirements. They are not included in the College’s accompanying financial statements under directly presented component unit requirements as, they (1) are not material or (2) have dual purposes (i.e., not entirely or almost entirely for the benefit of the College).

NOTE 14 - CONTINGENCIES

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

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

NOTE 15 COMPONENT UNIT DISCLOSURES

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Southern West Virginia Community College Foundation, Inc. (the “Foundation”) was incorporated in September 1971 as a tax-exempt, not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code for the purpose of collecting donations from individuals, corporations, and foundations to be distributed as scholarships to persons attending what is now known as Southern West Virginia Community and Technical College (the “College”), and to be used for other purposes benefiting the College. The Foundation is classified as other than a private foundation by the Internal Revenue Service and is exempt from income taxes.

Basis of Accounting and Financial Statement Presentation – The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles (“U.S. GAAP”). The accompanying financial statements of the Foundation present information regarding its net assets and activities in the following three categories:

Unrestricted – Net assets are under the discretionary control of the Board of Directors (the “Board”) and include amounts designated by the Board for specified purposes.

Temporarily Restricted – Net assets are restricted by the donor for a specific purpose (generally scholarships or educational development programs) or use in a future time period. The income on these net assets is either temporarily restricted or unrestricted based on the intentions of the donor.

Permanently Restricted – Net assets are subject to the donor’s restriction that the principal remain invested in perpetuity. The income on these net assets generally is used for scholarships or educational development programs.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents – Cash and cash equivalents include cash in checking accounts and short-term investments with an original maturity of 3 months or less.

Investments – Investments are reported at fair value.

Unconditional Promises to Give – Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of the net realizable value, using the federal prime rate plus two percent as applicable to the years in which the promises are received to discount the amounts. The majority of the promises to give are received from local individual and business contributors as a result of the VISION 2020 campaign.

An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end. At December 31, 2009, management determined that all outstanding promises to give are fully collectible.

Contributions – Contributions and grants, including bequests, special gifts, and other donations, are recorded as revenue when received or, if by pledge, when an unconditional pledge is made. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Noncash bequests, gifts, and donations, if any, would be recorded at the fair market value of the asset at the date of donation.

Program Services Expenses – All scholarships and other program services distributions are approved by the Board. Unconditional grants to the College are recognized when approved. Grants approved by the Board that are payable upon performance of specified conditions by the grantee (if any) are recognized in the statement of activities and change in net assets when the specified conditions are satisfied.

Fixed Assets – The Foundation's fixed assets are carried at cost. Depreciation is computed using the straight-line method with estimated useful lives of three and five years for software and equipment, respectively.

SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 2 - INVESTMENTS

The cost and estimated fair values of investments at December 31 are as follows:

	<u>2009</u>		<u>2008</u>	
	<u>Estimated Fair Value</u>	<u>Cost</u>	<u>Estimated Fair Value</u>	<u>Cost</u>
Equity securities	\$ 1,005,629	\$ 1,149,457	\$ 863,890	\$ 1,097,910
U.S. government obligations	<u>622,188</u>	<u>599,854</u>	<u>848,002</u>	<u>799,582</u>
Total	<u>\$ 1,627,817</u>	<u>\$ 1,749,311</u>	<u>\$ 1,711,892</u>	<u>\$ 1,897,492</u>

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give at December 31 are as follows:

	<u>2009</u>	<u>2008</u>
Receivable in less than one year	\$ 301,731	\$ 400,288
Receivable in one to five years	<u>143,267</u>	<u>401,800</u>
Total unconditional promises to give	444,998	802,088
Less discounts to net present value	<u>(7,584)</u>	<u>(19,237)</u>
Net unconditional promises to give	<u>\$ 437,414</u>	<u>\$ 782,851</u>

The discount rates used on long-term promises to give were 3.25 percent in 2009 and 2008.

NOTE 4 – RELATED PARTY TRANSACTIONS

The Foundation scholarships are awarded by the College. The College awarded \$246,030 and \$189,943 in scholarships to students on behalf of the Foundation in 2009 and 2008, respectively. The College also presented the faculty of the College with educational awards totaling \$3,000 per period ended December 31, 2009 and 2008. Each of these transactions was recorded as a payable on the Foundation's financial statements.

At December 31, 2009 and 2008, the Foundation's related party payables to the College for scholarships and faculty educational awards were \$125,324 and \$79,490, respectively. This balance outstanding at December 31, 2009, was paid in full by the Foundation in February 2010.

SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

The Foundation also received a non-interest bearing advance from the College to aid in the payment of a contractor that specializes in fundraising. At December 31, 2008, the aggregate amount received by the Foundation and owed to the College was \$225,500. This balance was paid in full by the Foundation in June 2009.

Contributed services received from the College and from unrelated volunteers have not been recorded, as the value of the services cannot be determined.

NOTE 5 – NET ASSETS

Temporary and permanent restrictions on net assets at December 31, 2009 and 2008 are for scholarships and educational development.

Net assets were released from restriction for the following purposes during the years ended December:

	<u>2009</u>	<u>2008</u>
Scholarships	\$ 246,030	\$ 189,943
Educational development	128,957	237,775
Fundraising	23,524	40,000
Other	<u>156,323</u>	<u>105,247</u>
Total	<u>\$ 554,834</u>	<u>\$ 572,965</u>

NOTE 6 – FIXED ASSETS

At December 31, fixed assets consist of the following:

	<u>2009</u>	<u>2008</u>
Software	\$ 48,627	\$ 48,627
Equipment	1,723	1,723
Accumulated depreciation	<u>(49,705)</u>	<u>(45,653)</u>
Fixed assets, net	<u>\$ 645</u>	<u>\$ 4,697</u>

SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 7 – CAPITAL LEASE OBLIGATION

The Foundation is the lessee of computer software under a capital lease expiring in January 2009. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under the capital lease is shown as depreciation expense in the fiscal year ended December 31, 2008.

Depreciation on assets under the capital lease charged to expense in the period ended December 31, 2008 was \$13,867. No depreciation expense resulting from this capital lease was incurred in the fiscal year ended December 31, 2009.

The following is a summary of property held under the capital lease:

Software	\$ 41,602
Less accumulated depreciation	<u>(41,602)</u>
Net	<u><u>\$ -</u></u>

The implied interest rate on the capitalized lease is 8.25 percent and is imputed based on the Foundation's borrowing rate at the inception of the lease. Interest expense recognized on this implied rate is \$-0- and \$693 in the periods ended December 31, 2009 and 2008, respectively.

NOTE 8 – FAIR VALUE MEASUREMENTS

Accounting standards require that the Foundation adopt fair value measurement for financial assets and financial liabilities. This enhanced guidance for using fair value to measure assets and liabilities applies whenever other standards require or permit assets or liabilities to be measured at fair value. This guidance does not expand the use of fair value in any new circumstances.

Accounting standards establish a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring assets and liabilities at fair value. The three broad levels defined by these standards are as follows:

Level I: Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

NOTE 8 – FAIR VALUE MEASUREMENTS (CONTINUED)

Level II: Pricing inputs other than quoted prices available in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities include items for which quoted prices are available but traded less frequently, and items that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level III: Assets or liabilities that have little or no pricing observability as of the reported date. These items do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

The following table presents assets reported on the financial statements at their fair value, by level within the fair value hierarchy. As required by accounting standards, financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
December 31, 2009				
Assets:				
Investments available-for-sale	\$ 1,005,629	\$ 622,188	\$ -	\$ 1,627,817
December 31, 2008				
Assets:				
Investments available-for-sale	\$ 863,890	\$ 848,002	\$ -	\$ 1,711,892

NOTE 9 - SUBSEQUENT EVENTS

The Foundation assessed events occurring subsequent to December 31, 2009, through May 13, 2010, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements which were issued May 13, 2010.

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 16 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

These tables represent operating expenses within both natural and functional classifications for the years ended June 30:

	2010							
	Salaries and <u>Wages</u>	<u>Benefits</u>	Supplies and Other <u>Services</u>	<u>Utilities</u>	Scholarships and <u>Fellowships</u>	<u>Depreciation</u>	Fees Assessed by the <u>Commission</u>	<u>Total</u>
Instruction	\$ 4,899,757	\$ 1,255,340	\$ 693,700	\$ 23,773	\$ 8,524	\$ -	\$ -	\$ 6,881,094
Public service	199,018	53,699	298,350	1,059	-	-	-	552,126
Academic support	643,814	175,324	707,948	5,100	-	-	-	1,532,186
Student services	948,648	255,684	212,625	-	49,391	-	-	1,466,348
General institutional support	2,457,750	2,864,289	542,477	433	1,428	-	-	5,866,377
Operations and maintenance of plant	145,409	67,082	340,167	542,185	-	-	-	1,094,843
Student financial aid	-	-	-	-	3,479,172	-	-	3,479,172
Auxiliary enterprises	186,719	52,966	861,739	-	-	-	-	1,101,424
Depreciation	-	-	-	-	-	1,052,051	-	1,052,051
Other	-	-	-	-	-	-	48,509	48,509
Total	\$ 9,481,115	\$ 4,724,384	\$ 3,657,006	\$ 572,550	\$ 3,538,515	\$ 1,052,051	\$ 48,509	\$ 23,074,130

	2009							
	Salaries and <u>Wages</u>	<u>Benefits</u>	Supplies and Other <u>Services</u>	<u>Utilities</u>	Scholarships and <u>Fellowships</u>	<u>Depreciation</u>	Fees Assessed by the <u>Commission</u>	<u>Total</u>
Instruction	\$ 5,254,928	\$ 1,383,251	\$ 1,062,768	\$ 16,222	\$ 4,573	\$ -	\$ -	\$ 7,721,742
Public service	441,093	146,335	121,663	1,143	8,043	-	-	718,277
Academic support	592,755	355,428	107,486	182	3,861	-	-	1,059,712
Student services	926,860	349,555	169,252	-	4,780	-	-	1,450,447
General institutional support	2,366,150	1,225,518	177,595	(6,017)	16,311	-	-	3,779,557
Operations and maintenance of plant	514,004	182,917	892,910	480,153	-	-	-	2,069,984
Student financial aid	-	-	-	-	3,051,717	-	-	3,051,717
Auxiliary enterprises	181,572	46,993	742,061	-	-	-	-	970,626
Depreciation	-	-	-	-	-	1,179,223	-	1,179,223
Other	-	-	-	-	-	-	43,274	43,274
Total	\$ 10,277,362	\$ 3,689,997	\$ 3,273,735	\$ 491,683	\$ 3,089,285	\$ 1,179,223	\$ 43,274	\$ 22,044,559



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
Southern West Virginia Community and Technical College
Mt. Gay, West Virginia

We have audited the financial statements of Southern West Virginia Community and Technical College (the College) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 12, 2010, which states reliance on other auditors for the discretely presented component unit. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of The Southern West Virginia Community College Foundation, Inc., as described in our report on the College's financial statements. This report does not include results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 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 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.

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Compliance and Other Matters

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

We noted certain matters that we have reported to management of the College in a separate letter dated October 12, 2010.

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



Charleston, West Virginia
October 12, 2010