Pierpont Community and Technical College

Financial Statements as of and for the
Year Ended June 30, 2010, and
Independent Auditors' Reports

PIERPONT COMMUNITY AND TECHNICAL COLLEGE

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INDEPENDENT AUDITORS' REPORT

To the Governing Board of
Pierpont Community and Technical College:

We have audited the statement of net assets of Pierpont Community and Technical College ("Pierpont") as of June 30, 2010, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the management of Pierpont. Our responsibility is to express an opinion on the respective financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pierpont as of June 30, 2010, and the changes in net assets and cash flows of Pierpont for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis on pages 3 to 24 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of Pierpont's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2010, on our consideration of Pierpont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

October 29, 2010

PIERPONT COMMUNITY & TECHNICAL COLLEGE

(Includes the following Component Units: Unrestricted, Restricted and Other Funds and Board of Governors Support Funds)

Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2010

About Pierpont Community & Technical College

Pierpont Community & Technical College ("Pierpont"), headquartered in Fairmont, WV, is a comprehensive community college serving thirteen counties in north central West Virginia. Pierpont shares a 120-acre main campus with its partner institution Fairmont State University ("Fairmont State"). With an enrollment of more than 2,900 academic credit students, Pierpont offers more than 50 associates degree programs, one-year certificates and skill sets, as well as a variety of courses at more than 15 sites throughout our region, including at its Braxton County and Lewis County Centers. Through its Center for Workforce Education, Pierpont provides workforce training and community education opportunities to more than 2,000 non-credit continuing education students. Through the Robert C. Byrd National Aerospace Education Center in Bridgeport, WV Pierpont offers programs in flight and aviation maintenance.

The mission of Pierpont is to provide opportunities for learning, training, and further education that enrich the lives of individuals and promote the economic growth of our region and state.

The institution now known as Pierpont Community & Technical College was founded in 1974 as Fairmont State Community & Technical College (FSC&TC), a component of Fairmont State College (now known as Fairmont State University). In 2003, FSC&TC received independent accreditation from the Higher Learning Commission. In 2004 State legislation gave FSC&TC its own president. In 2006, the West Virginia Legislature approved a bill allowing FSC&TC to once again share one accreditation with Fairmont State. On July 1, 2006, FSC&TC became a Division of Fairmont State and was renamed Pierpont Community & Technical College. The name "Pierpont" is historically and symbolically significant. Francis H. Pierpont, a Fairmont native, served as Governor of the Restored State of Virginia during the Civil War and played a key role in the birth of West Virginia. He also serves as an example of a successful "non-traditional" student, working his way through school as a tanner and brick layer. Effective July 1, 2008, the State Legislature established a separate governing board for Pierpont Community & Technical College and again required Pierpont to obtain its own separate accreditation.

As part of the July 1, 2008 legislation that required separate accreditation and a separate governing board, the two institutions were required to complete a separation of assets and liabilities that was to be effective retroactively to July 1, 2008. However, the two institutions requested and received an extension of time to complete the separation of assets and liabilities agreement. This agreement was executed on December 15, 2009 and was effective retroactively to July 1, 2009. The legislation requires a separate financial statement audit for Pierpont for fiscal year 2010. Although Fairmont State and Pierpont are now separate institutions with separate governing boards and separate missions, they continue to share a main campus and services. Fairmont State continues to provide services to Pierpont as outlined in the chargeback agreement for continued operating effectiveness.

Pierpont is governed by a 12 member Board of Governors consisting of nine lay members, appointed by the Governor, and three constituent members elected by the faculty, classified staff, and student body, respectively. This Board determines, controls, supervises and manages the financial, business and educational polices and affairs of the institution.

Overview

The Governmental Accounting Standards Board ("GASB") released Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, which requires management to provide discussion and analysis to cover the following elements; financial highlights, comparative analysis for each basic financial statement, additional administrative notes, capital and long-term debt activity, leadership information and economic outlook for the entity.

For the last years (fiscal years 2002-2009), Fairmont State (which included Fairmont State University ("Fairmont State"), Pierpont Community and Technical College (Pierpont), and Board of Governors Support ("BOG Support") which were component parts of Fairmont State) presented combined financial statements under this GASB standard. Supplementary information was provided in accordance with the requirements of GASB Statement No. 35, and the Higher Education Policy Commission ("Commission") and the Council for Community and Technical Colleges as it relates to reporting of the financial condition and operations of all components. With the legislative changes of July 2008 and separation of assets and liabilities agreement the reporting structure has changed. Pierpont Community and Technical College has a separately audited financial report which includes additional information for Pierpont's ownership in Board of Governors Support (BOG Support). BOG Support consists primarily of Educational and General (E&G) and Infrastructure funds for the repair and replacement of buildings and capital assets. This component accounts for capital assets, depreciation and debt obligations. Pierpont's educational and general (E&G) operating funds will also be presented separately in the additional information.

The Fairmont State Foundation financial information will not be presented in these financial statements. This presentation is not required to comply with GASB Statement No. 39 due to the fact that the Fairmont State Foundation supports both Pierpont and Fairmont State.

This section of the annual financial report focuses on an overview of Pierpont Community & Technical College's financial performance during the fiscal year ended June 30, 2010.

As required by GASB No. 35 reporting standards, Pierpont's annual report consists of three basic financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets ("SRECNA"); and the Statement of Cash Flows. These statements focus on Pierpont's financial condition, results of operations, and cash flows as a whole. Each of these statements is discussed below.

Financial Highlights

During fiscal year 2010, the most significant financial change was the division of all assets and liabilities in accordance with the Separation of Assets and Liabilities Agreement. The Board of Governors of Pierpont Community and Technical College and the Board of Governors of Fairmont State University recognize the historical association between the two institutions and the benefit of collaboration to the students. The preamble to the Separation of Assets and Liabilities Agreement that supports these statements reads as follows:

"The Board of Governors of Fairmont State University (BoG-FSU) and the Board of Governors of Pierpont Community and Technical College (BoG-PCTC) jointly endeavor to separate assets and liabilities in accordance with the provisions of HB3215, 2008. Despite the legal separation of the two institutions, the BoG-FSU and the BoG-PCTC wish to maintain the collaborative and cooperative spirit that has characterized the historical relationship between the University and the College.

The BoG-FSU and the BoG-PCTC recognize the historical association between the two institutions. The institution that is today Pierpont Community and Technical College grew from and was sponsored by Fairmont State University. Both institutions have been and, for the foreseeable future, will be co-located on a single campus in Fairmont, West Virginia. Both institutions have proportionally coordinated, shared, and paid for instructional services, course schedules, facilities, information systems, admissions processes, auxiliary functions, housing, debt service, development and advancement services, student activities and programs, and all the other resources necessary to deliver a high-quality postsecondary education experience.

Students have benefited and will continue to benefit from the relationship between Fairmont State University (FSU) and Pierpont Community and Technical College (PCTC). Those benefits include a wider range of instructional programs than would be available through an individual institution's offerings; a lower cost of attendance realized from shared institutional infrastructure and reduced duplication of facilities, personnel, and services; and a more diverse mix of student backgrounds, interests, experiences, abilities, and ambitions.

Although the BoG-FSU and the BoG-PCTC recognize the necessity of separation of assets and liabilities, both pledge themselves to continuing, fostering, and promoting collaborative and cooperative relationships between the two institutions. Such relations respect the historical association that has existed between FSU and PCTC. Such relations are to the benefit and best interest of the students at both institutions. Such relations recognize the proportional participation in institutional operations. Such relations recognize that the two institutions have been, are, and will be co-located on one site. Such relations demonstrate responsible stewardship of public resources by achieving efficiencies and synergies that would otherwise not be possible. Therefore, the Board of Governors of Fairmont State University and the Board of Governors of Pierpont Community and Technical College incorporate into their agreement to separate assets and liabilities this pledge of perpetual cooperation and collaboration."

This Agreement was executed to comply with the guidelines established through West Virginia Legislation as stated in the agreement as follows:

*“**WHEREAS**, West Virginia Code – §18B-2A-7a(e)(2008 supp.) states “For purposes of generating audited financial statements for inclusion in the West Virginia Higher Education Fund and State single audits, the division of all assets and liabilities shall be effective retroactively to the first day of July, two thousand nine.”*

and

***WHEREAS**, West Virginia Code – §18B-2A-7a(2008 supp.) states as follows:*

“(g) Each former sponsoring institution and community and technical college shall enter into a comprehensive agreement to address the division of assets and liabilities and the allocation of revenues and expenditures between former sponsoring institutions and newly independent community and technical colleges.

(h) Absent manifest injustice as determined jointly by the Council and Commission, the following general principles apply to the division of assets and liabilities and allocation of revenues and expenditures between former sponsoring institutions and the newly independent community and technical colleges:

(1) For accounting purposes, the institution that assumes responsibility for any asset also shall assume responsibility for any associated liabilities.

(2) Although one institution may assume responsibility for an asset and associated liabilities for accounting purposes, both institutions shall agree on their respective responsibilities for reducing and ultimately eliminating the liability over time if the asset was originally acquired and/or is being used for the benefit of both institutions.

(A) Any agreement to allocate system and institutional educational and general and auxiliary debt service payments shall be consistent with the provisions of all applicable bond covenants.

(B) Absent a controlling bond covenant or other agreement, debt service payments associated with bond indebtedness presumptively shall be allocated based on the relative full-time equivalent student enrollment of the two institutions either as a whole or on the campus where the asset is located and may be adjusted annually to reflect enrollment changes at the two institutions.

(3) The institutions shall agree to allocate educational and auxiliary capital fees in excess of those needed to cover bonded indebtedness to ensure that assets of both institutions are maintained in proper repair and that the institutions assume responsibility for a reasonable share of the total costs of maintaining the facilities.

(4) The institutions shall develop a plan that ensures the financial stability of auxiliary enterprises, including but not limited to, student housing, student centers, dining services, parking, and athletics through fiscal year two thousand twelve.

(A) If community and technical college students pay a mandatory athletics fee for the benefit of a sponsoring institution, but receive no direct benefit from that fee, the community and technical college may phase out that fee over a five-year period.

(B) If certain community and technical college students were required to live in institution housing consistent with rules or policies in effect on the effective date of this section, the former sponsoring institution may continue to require these students to live in institution housing for at least one year." "

The Agreement provides specific language in relation to outstanding bond indebtedness as follows:

"***WHEREAS,*** *there is currently outstanding the following bonded indebtedness:*

(A) Board of Governors of Fairmont State College College Facilities Revenue Bonds, Series 2002 A (the "Series 2002A Bonds"), issued in the principal amount of $18,170,000 pursuant to a Bond Trust Indenture and Security Agreement dated as of August 1, 2002 (the "2002A Indenture"), with WesBanco Bank, Inc., as Trustee (the "Bond Trustee"), and currently outstanding in the principal amount of $15,595,000 as of June 30, 2010;

(B) Board of Governors of Fairmont State College College Infrastructure Revenue Bonds, Series 2002 B (the "Series 2002B Bonds"), issued in the principal amount of $9,310,000 pursuant to a Bond Trust Indenture and Security Agreement dated as of August 1, 2002 (the "2002B Indenture"), with the Bond Trustee and currently outstanding in the principal amount of $7,860,000 as of June 30, 2010;

(C) Board of Governors of Fairmont State College College Facilities Revenue Bonds, Series 2003 A (the "Series 2003A Bonds"), issued in the principal amount of $13,320,000 pursuant to a Bond Trust Indenture and Security Agreement dated as of March 1, 2003 (the "2003A Indenture"), supplementing and amending the 2002A Indenture, with the Bond Trustee and currently outstanding in the principal amount of $11,850,000 as of June 30, 2010;

(D) Board of Governors of Fairmont State College Student Activity Revenue Bonds, Series 2003 B (the "Series 2003B Bonds"), issued in the principal amount of $22,925,000 pursuant to a Bond Trust Indenture and Security Agreement dated as of March 1, 2003 (the "2003B Indenture"), with the Bond Trustee and currently outstanding in the principal amount of $20,385,000 as of June 30, 2010; and

(E) Fairmont State University Board of Governors Subordinate Facilities Improvement Revenue Bonds, Series 2006 (the "Series 2006 Bonds"; the Series 2002A Bonds, the Series 2002B Bonds, the Series 2003A Bonds, the Series 2003B Bonds and the Series 2006 Bonds are hereinafter referred to together as the "Bonds"), issued in the principal amount of $8,500,000 pursuant to a Bond Authorizing Resolution adopted on May 3, 2006 (as

supplemented and amended, the "2006 Resolution"; the 2002A Indenture, the 2002B Indenture, the 2003A Indenture, the 2003B Indenture and the 2006 Resolution, together with the other documents authorizing, securing or otherwise relating to the Bonds, are hereinafter referred to together as the "Bond Documents"), and currently outstanding in the principal amount of $7,306,452.73 as of June 30, 2010.

and

***WHEREAS**, in addition to the statutory requirements described above, the Bond Documents define the College or University to include any successor thereto and, as such, bind both FSU and PCTC, and both FSU and PCTC have copies of the Bond Documents.*

and

***WHEREAS**, the Bond Documents set forth controlling bond covenants and require pledged revenues, and the intent of this document is to adhere to all existing and future bond covenants.*"

The Board of Governors of Pierpont Community and Technical College and Fairmont State University agreed to the following terms for Separation of Assets and Liabilities to comply with State Code and bond covenants stated above.

Education and General Equipment Assets:

1. *Equipment assets regardless of whether they are charged back, whether they be presently owned or purchased in the future by either the FSU or the PCTC will be owned by the institution that the equipment was intended for and reflected on the appropriate institution's equipment schedule.*

Education and General Buildings and Infrastructure:

2. *All capital and infrastructure fees assessed to both FSU and PCTC students for the purpose of paying E&G building and infrastructure bonds, and provide for repair and renovation of same, continue to be collected under the terms outlined in the bond covenants.*

3. *All E&G Capital Fee Revenue and Infrastructure Capital Fee Revenue in excess of bond payments will be used for repair and renovation projects. When sufficient E&G and Infrastructure Capital excess revenues are available to bond for additional new capital project improvements, the E&G, and Infrastructure Capital Fees will be utilized and/or retained for that specific purpose. Both the FSU and the PCTC assume a shared responsibility proportionate to the full-time equivalent (FTE) enrollment of each institution for the total cost of maintaining the facilities.*

4. *Joint ownership of the E&G and Infrastructure Capital Assets and Liabilities shall be reflected on each Institution's Financial Statements at the end of each year. The percentage of ownership of assets and liabilities will be assigned and based on the average fall term census date credit hour enrollments (FTE) over the most recent ten (10) years.*

5. *All land assets will be owned by FSU and land deeds will stay in the name of FSU Board of Governors.*

6. *Should either institution, after paying off <u>all</u> E&G and Auxiliary bond debt, upon proper acknowledgement of its ongoing obligations under existing bond covenants, decide to build and move its own campus, that institution agrees to sell its ownership rights to the E&G building assets to the other institution at an agreed upon price.*

7. *All new capital projects that are provided to FSU and PCTC through state appropriations, bonding and/or student capital fee initiatives, that add to the joint ownership of assets and liabilities on a shared campus, will be assigned proportionately based on the average fall term census date credit hour enrollments (FTE) over the most recent ten (10) years. Any capital project designated to only FSU or only to PCTC and not located on a shared campus will be added to the assets and liabilities of the institution to which the capital project is specified.*

Auxiliary Enterprises:

1. *Assets and related liabilities of the Auxiliary Enterprises (Athletics, Bookstore, Conference Center, Convenience Store, Copy Center, Facilities [Parking & Security], Housing, and Recreation Center) are owned by FSU and all students of both FSU and PCTC who attend class on the main campus and/or pay user fees will have access to these facilities and activities.*

2. *All auxiliary-related student fees approved by the FSU BOG and the PCTC BOG and the Higher Education Policy Commission and the Community and Technical College Council, for the operation, debt service, and repair and maintenance of auxiliary enterprise facilities will be dedicated and provided to those specific Auxiliary Funds for appropriate indicated purposes.*

   All Auxiliary net revenues annually are designated to support future costs of the auxiliary enterprise fund(s) and are managed by FSU for the benefit of each auxiliary enterprise.

3. *Auxiliary Enterprise Bond Covenant obligations of FSU and PCTC will be met by continuing to honor the requirements stipulated in those covenants, and both FSU and PCTC students will be required to pay the fees stipulated in all Bond Document covenants.*

4. *FSU is responsible for managing the operation of the Auxiliary Enterprises, and maintaining the Auxiliary facilities in good repair.*

5. *All capital projects for the Auxiliary Enterprises will be approved by the FSU BOG.*

6. *Scholarship dollars provided from the non-athletic auxiliary enterprise funds will be allocated proportionately to FSU and PCTC students based on the percentage (%) of student fee contributions made to these funds from the respective FSU and PCTC students."*

The Agreement further specifies the methodology for the assignment of bond debt as follows and quotes the initial allocation effective for the split as of July 1, 2009:

"*The Bond Debt assigned to each institution's balance sheet for E&G facilities is allocated based on the average of the past ten (10) years of credit hour enrollments. This average allocated 65.66% of the debt to FSU and 34.34% to the PCTC. The assignment of debt for the Auxiliary facilities will be with the FSU since the FSU will own the assets. However, the PCTC students will continue to pay all Auxiliary fees based on the requirements of those bonds. The allocation of Bond Debt by this Agreement does not affect the obligation of both FSU and PCTC to the bondholders to pay the principal of and interest on the Bonds as the same come due.*

For purposes of financial statements and continuing disclosure required by the Bond Documents, FSU and PCTC must present combined financial statement information along with each Institution's separately audited financial statements, and as well must present audits of the bond funds of all 2002A, 2002B, 2003A, 2003B and 2006 Bonds annually. "

The separation of assets and liabilities was completed according to the agreement above. The Pierpont and Fairmont State Boards of Governors were provided individual Statements of Net Assets as of July 1, 2009. Both Boards voted to accept the presentation of the new statements based on their agreement. The approved separation of assets and liabilities is reflected in the audited financial statements.

Other financial highlights include the increase in other postemployment benefits (OPEB) liability and changes in net assets.

- Pierpont C&TC has adopted GASB Statement No.45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.* This statement provides standards for the measurement, recognition, and display of other postemployment benefit ("OPEB") expenditures, assets and liabilities. The compensated absences liabilities for sick leave calculated as of June 30, 2007 following GASB Statement No. 16 for approximately $850,000 were removed from the financial statements. This accrual was replaced by the OPEB liability accrual. The historical activity dealing with the OPEB liability in the past is as follows:
  - For fiscal years 2009 and 2008, the OPEB liability accruals were $124,854 and $148,255, respectively, for a total unfunded liability of $273,110 at June 30, 2009.
  - The additional OPEB liability for fiscal year 2010 was recorded in the amount of $982,213 for a total unfunded liability of $1,255,323 as of June 30, 2010.

  The OPEB liability is recorded based on records maintained by the West Virginia Public Employee Insurance Agency (PEIA). The OPEB liability is expected to increase annually unless funding from the State becomes available to manage the liability.

- Total net assets decreased by $1,048,122 or 4.80%. The decrease can be attributed to the following:
  - Re-appropriated funding was recognized as revenue in fiscal year 2009 in the amount of $375,000. Net Assets at June 30, 2009 were increased by the unexpended re-appropriated funding recorded as a receivable. The expenditure of $161,228 of the $375,000 in fiscal year 2010 decreased net assets as of June 30, 2010.
  - Net assets also decreased by $982,213 as a direct result of the increase in the OPEB liability at June 30, 2010 as explained above.

Statement of Net Assets

The Statement of Net Assets presents the assets (current and non-current), liabilities (current and non-current), and net assets (assets minus liabilities) of Pierpont as of the fiscal year end. Assets denote the resources available to continue the operations of Pierpont. Liabilities indicate how much Pierpont owes its vendors, employees, and lenders. Net assets provide a way to measure the financial position of Pierpont.

Net assets are divided into three major categories:

1. ***Invested in capital assets, net of related debt***. This category represents Pierpont's total investment in capital assets, net of depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of this category.

2. ***Restricted net assets***. This category includes net assets whose use is restricted either due to externally imposed constraints or restrictions imposed by law. They are further divided into two additional components -- expendable and non-expendable. **Expendable restricted net assets** include resources for which Pierpont is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. **Non-expendable restricted net assets** include endowment and similar type funds for which donors or other outside sources have stipulated, as a condition of the gift instruments, 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. Pierpont has no non-expendable net assets.

3. ***Unrestricted net assets***. This category includes resources that are not subject to externally imposed stipulations. Such resources are derived from tuition and fees (not restricted as to use), state appropriations, sales and services of educational activities, and auxiliary enterprises. Unrestricted net assets are used for transactions related to the educational and general operations of Pierpont and may be designated for specific purposes by action of management or the Board of Governors.

Condensed Statement of Net Assets

	JUNE 30 2010
Assets	
Current Assets	$ 9,347,362
Non-Current Assets	21,415,029
Total Assets	30,762,391
Liabilities	
Current Liabilities	2,807,921
Non-Current Liabilities	7,224,327
Total Liabilities	10,032,248
Net Assets	
Invested in capital assets, net of related debt	15,186,148
Restricted for:	
Expendable:	
Scholarships	171,323
Sponsored projects	922,225
Capital projects	1,261,715
Debt service	25
Total Restricted	2,355,288
Unrestricted	3,188,707
Total Net Assets	$ 20,730,143

- Total current assets increased by $678,553 or 7.83% resulting primarily from an increase in cash and cash equivalents of $554,243.
  - The increase in cash consisted primarily of;
    - A decrease within the State Scholarship funds including WV HEAPS grant, WV Higher Education Grants and Neighborhood Investment Program Scholarship funds in the amount of $241,386.
    - Cash increases also include increases in Educational and General (E&G) funds of $856,734.
  - Other changes in current assets consisted of an increase in student accounts receivable in the amount of $271,473.
  - Appropriation due from Council initially recorded at June 30, 2009 in the amount of $375,000 decreased by $161,228 to $213,772.

- Total non-current assets comprised of capital assets including buildings and equipment decreased by $233,685 or 1.08%.
    - The primary cause for the decrease in non-current assets is due to the decrease in capital assets in the amount of $185,475. This decrease is due to the posting of accumulated depreciation for the year and also to the change in ownership percentage from June 30, 2009 to June 30, 2010. The change in ownership percentage resulted in a decrease in capital assets of $97,950.
    - Also, noncurrent cash decreased by $48,210. This is due primarily to the expenditure of bond funds in the 2006 Series bond construction fund. All bond funds were expended as of June 30, 2010.

- Total current liabilities increased by $968,844 or 52.70% due primarily to increases in due to Fairmont State and deferred revenue of $445,113 and $515,190, respectively.
    - The increase in due to Fairmont State is primarily for the accrual of administrative and operating costs provided by Fairmont State through June 30th. For fiscal year 2010, the June chargeback was posted in July and recorded as a payable in the amount of $462,410. The June chargeback was recorded before year end in 2009.
    - The increases in deferred revenue of $515,190 are primarily due to recording advances from State grants as a liability until expenses are incurred.

- Total non-current liabilities increased by $572,381 or 7.67%.
    - The increase is due primarily to an increase in other post employment benefits (OPEB) liability of $982,213 due to the third year of accruals as required by GASB Statement No. 45 discussed above.
    - The increase in the OPEB liability is offset by payments on debt obligations to the Commission and to Fairmont State and increases in the current portion of these liabilities of $191,371 and $166,510, respectively.

- The total assets of Pierpont exceeded its liabilities at the close of the most recent fiscal year by $20,730,143 (net assets). Of this amount, $3,188,707 (unrestricted net assets) may be used to meet the educational and general operations of Pierpont. Unrestricted Net Assets were in the Unrestricted, Restricted and Other funds component at June 30, 2010.

Pierpont's unrestricted net assets balance of $3,188,707 includes fund manager funds of $722,452. Also, Pierpont's unrestricted President's control net asset amount decreased by $547,840 to $2,435,365 at June 30, 2010. This decrease is primarily due to re-appropriated State funding that was recorded as a receivable and revenue in fiscal year 2009 and was spent in fiscal year 2010 in the amount of $161,228 and the recording of the increase in OPEB liability for fiscal year 2010 in the amount of $982,213. These decreases were offset by an increase in net assets in Pierpont's E&G funds of $817,633 at June 30th.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of Pierpont for the fiscal year. The purpose of the statement is to present Pierpont's revenues (operating and non-operating), expenses (operating and non-operating), and any other revenues, expenses, gains, and losses. State appropriations, while budgeted for operations, are considered and reported as non-operating revenues. This is because State appropriations are provided by the Legislature to Pierpont. Likewise, Pell grants are reported as non-operating, because of specific guidance in the AICPA industry audit guide. Student tuition and fees are reported net of scholarship discounts and allowances. Financial aid to students is reported using the alternative method. Under this method certain aid, such as loans and Federal Direct Lending, is accounted for as third party payment, while all other aid is reflected either as operating expenses or scholarship allowances, which reduce revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

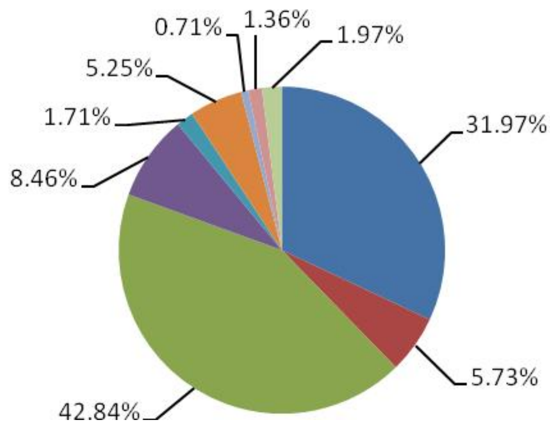
Condensed Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30:

	2010
Operating Revenue	$ 10,791,206
Operating Expenses	25,731,226
Operating Loss	(14,940,020)
Total Net Nonoperating Revenues	13,948,536
Loss Before Other Revenues, Expenses, Gains or Losses	(991,484)
Capital Projects and Bond Proceeds from the Commission	97,610
Decrease in Net Assets before Transfers	(893,874)
Transfer of Net Assets to Fairmont State	(154,248)
Transfer of Net Assets from Fairmont State	21,778,265
Increase in Net Assets	20,730,143
Net Assets – Beginning Year	
Net Assets – End of Year	$ 20,730,143

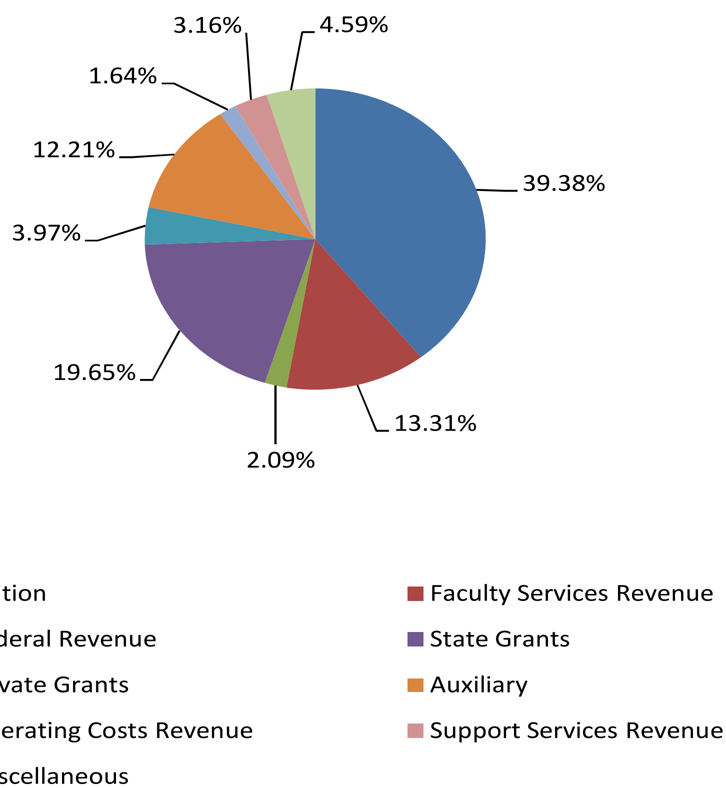
Revenues:

The following are graphic illustrations of Pierpont's revenues by source.

Before GASB Statement No. 35 Adjustment



After GASB Statement No. 35 Adjustment



The total gross operating revenues for fiscal year 2010 prior to GASB Statement No. 35 adjustments and reclassification were $25,071,849. This amount was adjusted for scholarship allowance in the amount of $3,766,597 and direct loans in the amount of $10,514,046. Total operating revenues for fiscal year 2010 after GASB No. 35 after adjustments and reclassification is $10,791,206.

	Prior to GASB No. 35 Changes	After GASB No. 35 Changes
Tuition and Fees	$ 8,016,696	$4,250,099
Federal Revenues	$10,739,776	$ 225,730

Highlights of the information presented on the statement of revenues, expenses, and changes in net assets are as follows:

- Tuition and fees revenue, after adjustment for scholarship allowance, increased by $610,931 or 16.79%.
  - Tuition and fees increased prior to scholarship allowance by $1,289,122 or 19.16%. The scholarship allowance increased by $678,181 for a total increase in tuition and fees of $610,931.
  - Tuition and fee rates for Pierpont were increased by 3.5%.

- Federal Financial Aid and Federal Grants revenues after the adjustment for Direct Loans increased by $21,420 or 10.48% to $225,730.
  - Federal Work Study revenue increased by $42,336 to $80,314.
  - Federal Academic Competitiveness Grants (ACG) revenue increase by $22,181 to $44,336.
  - Decreases in federal grant revenues included the Expedite grant project by $21,160 and the Federal Supplemental Education Opportunity Grant (SEOG) decrease of $14,841.

- State contracts and grants decreased by $1,358,679 or 39.06% to $2,119,950. State contracts and grants include institutional grants from other state agencies. This category also includes federal funds received through another State agency or other entity. State grants and contracts also include state funded student financial aid. The decrease in State contracts and grants funding is due primarily to:
  - A decreased in revenues received from the Allied Health Expansion Program in the amount of $950,164. These funds were received in advance from the State and recognized as revenue in the prior year.
  - Other State grants contributing to the decrease in revenues were the Power Plant Technician Program in the amount of $215,000 and the Oil and Gas Training grant in the amount of $119,420.
  - The WV State Higher Education Grants revenues increased by approximately $358,167 for fiscal year 2010 to $1,415,706.

- Private contracts and grants decreased by $431,675 or 50.18% to $428,507.
    - Alternative student loans decreased by $140.539.
    - In fiscal year 2009, Pierpont recorded private gifts received to match the Power Plant Technician grant and funds for the Culinary Entrepreneurship grant which decreased by $121,620 and $80,000, respectively for fiscal year 2010.

- Auxiliary enterprises revenue increased by $152,331 or 13.08% to $1,317,276.
    - This increase was primarily a result of an increase in student activity, athletic and facilities fees which increased by $151,731. These fees are transferred to Fairmont State to support operating costs, capital repairs and maintenance and debt obligations.

- Miscellaneous revenues increased by $61,596 or 14.21% to $495,153.
    - Miscellaneous revenues earned by Pierpont were recorded in the amount of $495,153. These revenues consisted primarily of;
        - Off-Campus outreach in the amount of $195,479
        - Economic Development Continuing Education in the amount of $101,039
        - Community Education revenues in the amount of $99,257
        - Contract revenues from Glenville State College for operations of the Braxton County Center in the amount of $41,393 and
        - Aladdin contact revenues in support of Culinary Arts in the amount of $20,000.

- State appropriations decreased by $933,876 or 10.73%. State appropriation excluding the 2009 re-appropriated State funding of $375,000 decreased in the amount of $558,876 or 6.71%.

- State fiscal stabilization funds were provided through the Governor's Office from the Federal American Recovery and Reinvestment Act (ARRA) funding in the amount $558,876 to cover the decrease in State appropriations.

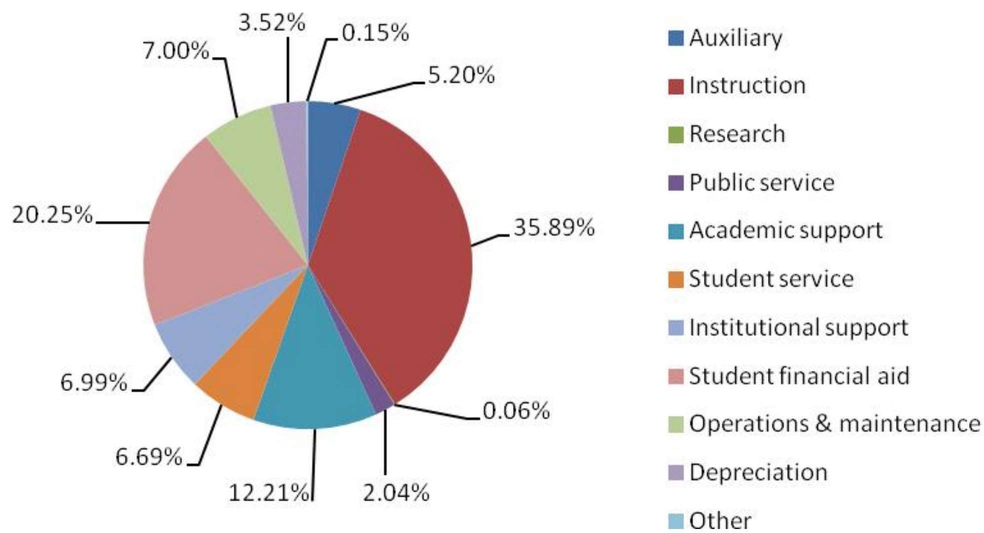
- As noted above, Pell grants are reported as nonoperating revenues because of specific guidance in the AICPA industry audit guide. Pell grants increased by $2,212,665 or 58.58% to $5,990,411.

FUNCTIONAL CLASSIFICATION CHART

Operating Expenses:

The following is a graphic illustration of operating expenses by function.

2010



Breakdown of Expense by Function:

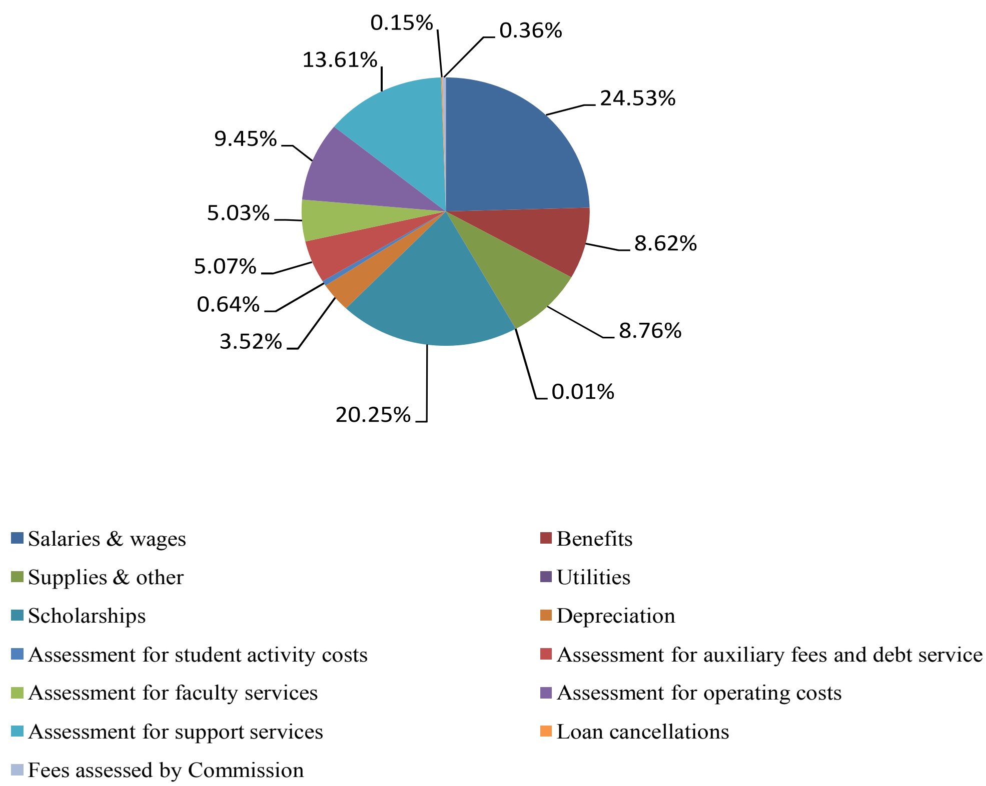
For fiscal year 2010, Pierpont's total operating expenses were $25,731,226. Instruction expenses totaled $9,231,551 or 35.89% of the total operating budget. The following reflects the amounts and percentage for these expenses:

	2010	%
Auxiliary	$ 1,337,820	5.20%
Instruction	9,231,551	35.89%
Research	16,239	0.06%
Public service	523,841	2.04%
Academic support	3,142,755	12.21%
Student services	1,721,303	6.69%
General institutional support	1,799,626	6.99%
Student financial aid	5,210,582	20.25%
Operation & maintenance	1,801,916	7.00%
Depreciation	906,398	3.52%
Other	39,195	0.15%
Total	$ 25,731,226	100%

NATURAL CLASSIFICATION CHARTS

The following is a graphic illustration of operating expenses by natural classification:

2010



Breakdown of Expenses by Natural Classification:

For fiscal year 2010, Pierpont's total operating expenses were $25,731,226. A major portion of the total operating expenses is for direct salaries and wages, and benefits amounting to $8,526,430 or 33.15%. In addition, indirect salaries and wages, and benefits paid to Fairmont State through the chargeback services agreement for Assessment for support services totaled $3,502,324 or 13.61% and Assessment for faculty services totaled $1,295,106 or 5.03%. The combined cost of direct and indirect salaries and wages, and benefits was $13,323,860 or 51.79% of Pierpont's total operating expenses. The following reflects the amounts and percentages for the expenses.

		2010	%
Salaries and wages	$	6,308,302	24.53%
Benefits		2,218,128	8.62%
Supplies and other services		2,253,609	8.76%
Utilities		3,143	0.01%
Scholarships and fellowships		5,210,582	20.25%
Depreciation		906,398	3.52%
Assessment for student activity costs		165,870	0.64%
Assessment for auxiliary fees and debt service		1,303,703	5.07%
Assessemnt for faculty services		1,295,106	5.03%
Assessment for operating costs		2,432,600	9.45%
Assessment for support services		3,502,324	13.61%
Loan cancellations & write offs		39,195	0.15%
Fees assessed by the Commission		92,266	0.36%
Total	$	25,731,226	100%

- Salaries and wages increased by $397,150 or 1.05%.
  - In fiscal year 2010, pay raises were provided to classified staff based on the Mercer classification system. These raises were effective November 1 with a cost of approximately $14,688. Classified staff that were not at their years of service rate on the Mercer classification system were brought up to scale.
  - Also, payroll accrued liabilities at June 30, 2010 increased by $22,456 due to an increase in the liability for arrears pay and nine month faculty paid over twelve months. The remainder of the increase in salaries would be for variances between fiscal years due to new hires, vacant positions, and reclassifications of staff and faculty promotions.

- Benefits increased by $780,843 or 54.33%.
  - The increase is due to the OPEB liability and corresponding expenses for fiscal year 2010. The OPEB liability expense for fiscal year 2010 increased from $148,255 for fiscal year 2009 to $982,213 which resulted in an increase to benefits expense of $833,958. Financial statement note number 8 provides additional information on the OPEB liability and expenses.

- Supplies and other services expense increased by $202,210 or 9.86%.
  - The increase is due primarily to an increase in contractual and professional expenses and advertising expense in the amounts of $99,428 and $78,619, respectively.

- Utilities expense decreased minimally by $352 or 10.07%. The majority of utilities expenses for Pierpont are included in the Assessment for operating costs per the chargeback agreement.

- Scholarships expense increased by $1,848,212 or 54.97%. Scholarships and Fellowships increased by $2,415,350 before scholarship allowance. This increase is primarily due to an increase in Federal Pell awards in the amount of $2,212,665.

- Depreciation expense for fiscal year 2010 was $906,398 and was 3.41% of total operating expenses. An estimated comparison to fiscal year 2009 is not available due to the allocation of assets out of the BOG Support funds to the appropriate Institution based on the Separation of Assets and Liabilities Agreement.

Statement of Cash Flows

The Statement of Cash Flows provides information about the cash receipts, cash payments, and net change in cash resulting from the operating, investing, and financing activities during the year. This statement helps users assess Pierpont's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

The Statement of Cash Flows is divided into five parts:

1. ***Cash flows from operating activities***. This section shows the net cash used by the operating activities.
2. ***Cash flows from non-capital financing activities***. This section reflects the cash received and paid for non-operating, non-investing, and non-capital financing purposes.
3. ***Cash flows from capital and related financing activities***. This section includes cash used for the acquisition and construction of capital and related items.
4. ***Cash flows from investing activities***. This section shows the purchases, proceeds, and interest received from investing activities.
5. ***Reconciliation of net cash provided by (used) in operating activities.*** This section provides a schedule that reconciles the accrual-based operating income (loss) and net cash used in operating activities.

Condensed Statement of Cash Flows
For the Fiscal Year Ended June 30:

	2010
Cash Provided By (Used in):	
Operating Activities	$ (12,380,188)
Non-Capital Financing Activities	22,369,186
Capital and Financing Related Activities	(1,452,933)
Investing Activities	6,220
Net Change in Cash and Cash Equivalents	8,542,285
Cash, Beginning of Year	
Cash, End of Year	$ 8,542,285

Major sources of funds included in operating activities consist of tuition and fees of $3,940,955, contracts and grants of $3,134,763, and auxiliary enterprise charges of $1,305,269. Major uses of funds under this category were payments made to and on behalf of employees for salaries and benefits amounting to $7,535,529, to suppliers amounting to $2,116,143, and payments for scholarships and fellowships $5,110,547.

Major sources of cash flow provided from non-capital financing activities consist of State appropriations amounting to $7,930,747 and Federal Pell grant revenues of $5,990,411.

The major cash flow used in capital financing activity was for purchases of capital assets of $610,426 and purchases of equipment of $194,054.

Additional Administrative Notes

During fiscal year 2010, separate budgets were maintained and reported for the components of Pierpont. These component parts are: 1) Unrestricted, Restricted and Other Funds and 2) Pierpont's ownership of the BOG Support funds. Pierpont management has included the Board of Governors Support component which provides capital funds that support both academic institutions, as a separate reporting component. The following supplemental schedules were developed to show the component parts of Pierpont along with a combined column:

1. The Schedule of Net Assets
2. The Schedule of Revenues, Expenses, and Changes in Net Assets
3. The Schedule of Natural Classification vs. Functional Classification

The above schedules can be found in the additional information section of this report.

The component reporting structure for Pierpont has allowed administration to provide reports to the Pierpont's Board of Governors separated by Unrestricted E&G funds and Restricted E&G funds. The reporting structure recognizes separate budgeted entities which provide the administration and the Governing Boards the information to manage their respective components.

Capital Asset and Long-Term Debt Activity

As described in financial statement note number 10, Fairmont State was issued significant outstanding debt when the two institutions were still one. It has been agreed that Fairmont State and Pierpont will share the outstanding bond debt proportionately based on the 10-year average of enrollments. The 2002B Series Bonds were issued to acquire improvements to infrastructure and the 2006 Series Bonds were issued to improve facilities of the main campus including the addition of a technology wing, elevator and HVAC improvements.

The original bonds are payable over thirty years and the 2006 bonds are payable over twenty years from the time of issuance. The remaining debt obligation assigned to Pierpont as of June 30, 2010 was $4,754,734. Principal repayment made during the year by Pierpont amounted to $166,510. The current portion of bonds payable due in fiscal year 2011 is $172,549 and the long term portion of bonds payable is $4,582,185.

The Infrastructure bond issuance was audited for the year ended June 30, 2010 with an unqualified opinion on the modified cash basis of accounting as required by the Bond Indenture. Pierpont also complied with the debt service coverage ratio requirements of the 2006 Bonds.

During 2010, the Commission was paid for debt incurred from bonds sold in previous years for the State's colleges and universities. The remaining debt obligation assigned to Pierpont as of June 30, 2010 was $1,434,513. As of June 30, 2010, the current portion due to the Commission is $199,847 and long-term portion is $1,234,666.

In addition to the debt described above, the separation of assets and liabilities agreement also documents Pierpont's obligation to continue to collect certain auxiliary fees from students and transfer 100% of these fees to Fairmont State in support of auxiliary operations and bonds indebtedness incurred when the Institutions were still one. These original bonds are also payable over the thirty years from the time of issuance in 2002 and 2003. This obligation is discussed in detail in financial statement note 15.

The Pierpont Community & Technical College Leadership

The Pierpont Community & Technical College Governing Board Members for fiscal year 2010:

Name	Position Held	End of 2010 Status
Linda Aman	Lay Member	Member
Dixie Copley	Lay Member	Vice Chair
James E. Griffin	Lay Member	Chairman
Kyle Hamilton	Lay Member	Member
Beverly Jones	Classified Staff Representative	Secretary
Ryan Houser	Student Representative	Member - Student
Earl W. McConnell	Lay Member	Member
Rick Pruitte	Lay Member	Member
Sharon Shaffer	Lay Member	Member
Leslie Lovett	Faculty Representative	Member
Jeff Tucker	Lay Member	Member
L. Eugene Weaver	Lay Member	Member

The Governing Boards receive a financial report at each meeting.

Economic Outlook

For fiscal year 2011, State appropriations decreased by $396,790. This represents a 4.91% decrease in State appropriations for Pierpont from the fiscal year 2010 State appropriations funding level. This decrease in State appropriations is to be offset by State Fiscal Stabilization Funding of $659,838, thereby effectively returning Pierpont's funding to the fiscal year 2009 levels. At the request of the Governor, Pierpont did not increase tuition and fees for fiscal year 2011.

Pierpont continues to maintain stable unrestricted net assets with a goal to maintain this stable position for years into the future. Cash reserves in unrestricted resources increased due to excess operating revenues from the previous year. Education and General (E&G) capital funds decreased due to several capital projects occurring to improve student life on the shared campus. The E&G capital reserves are more than sufficient to continue efforts to maintain and repair campus facilities as those projects are approved by Pierpont's and Fairmont State's Governing Boards.

Pierpont's unofficial enrollment numbers for the Fall 2010 Semester saw an increase in enrollment of 220 students or 7.40% based on headcount and 171 students or 8.74% in full time equivalents (FTE's). This follows enrollment growth for fall 2009 of 75 students or 2.82% based on headcount and 148 students or 8.20% in full time equivalents (FTE's). This enrollment growth for fall 2010 allowed Pierpont to meet and exceed initial revenue projections without the benefit of increased tuition and fees. Pierpont has experienced this enrollment growth, while undergoing a two-year restructuring that included the establishment of a new independent Board of Governors in fiscal year 2009 and searching for and hiring a new President in June 2010. With these substantial changes to leadership completed, Pierpont is well positioned for continued success and future growth.

The budget for the fiscal year 2011 will remain balanced after revenue budget adjustments are made for the student enrollments. Pierpont's leadership has made the necessary fiscal planning adjustments to assure stabilization of net assets in the unrestricted fund group for the current fiscal year.

Pierpont has been able to adjust our plans to assure stable outcomes in fiscal year 2011 and beyond in our unrestricted E&G funds. Please know that Pierpont in partnership with Fairmont State has been investing in the campus to improve campus accessibility and provide improved student life. These campus investments have been made while maintaining a healthy unrestricted net asset balance.

PIERPONT COMMUNITY AND TECHNICAL COLLEGE

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 8,542,260
Accounts receivable — net	745,262
Inventories	59,840
Total current assets	9,347,362
NONCURRENT ASSETS:	
Cash and cash equivalents	25
Capital assets — net	21,415,004
Total noncurrent assets	21,415,029
TOTAL	$30,762,391
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	$ 444,903
Due to Commission	13,925
Due to Fairmont State	533,017
Accrued liabilities — payroll	629,040
Retainages payable	5,296
Deferred revenue and deposits	515,190
Compensated absences — current portion	294,154
Debt obligation due to Commission — current portion	199,847
Debt obligation due to Fairmont State — current portion	172,549
Total current liabilities	2,807,921
NONCURRENT LIABILITIES:	
Other post employment benefits liability	1,255,323
Compensated absences	152,153
Debt obligation due to Commission	1,234,666
Debt obligation due to Fairmont State	4,582,185
Total noncurrent liabilities	7,224,327
Total liabilities	10,032,248
NET ASSETS:	
Invested in capital assets — net of related debt	15,186,148
Restricted for — expendable:	
Scholarships	171,323
Sponsored projects	922,225
Capital projects	1,261,715
Debt service	25
Total restricted	2,355,288
Unrestricted	3,188,707
Total net assets	20,730,143
TOTAL	$30,762,391

See notes to financial statements.

PIERPONT COMMUNITY AND TECHNICAL COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

OPERATING REVENUES:	
Student tuition and fees — net of scholarship allowance of $3,766,597	$ 4,250,099
Auxiliary enterprise revenue	1,317,276
Contracts and grants:	
Federal	225,730
State/local	2,119,950
Private	428,507
Faculty services revenue	1,436,654
Operating costs revenue	176,861
Support services revenue	340,976
Miscellaneous — net	495,153
Total operating revenues	10,791,206
OPERATING EXPENSES:	
Salaries and wages	6,308,302
Benefits	2,218,128
Supplies and other services	2,253,609
Utilities	3,143
Student financial aid — scholarships and fellowships	5,210,582
Depreciation	906,398
Assessment for student activity costs	165,870
Assessment for auxiliary fees and debt service	1,303,703
Assessment for faculty services	1,295,106
Assessment for operating costs	2,432,600
Assessment for support services	3,502,324
Loan cancellations and write-offs	39,195
Fees assessed by the Commission for operations	92,266
Total operating expenses	25,731,226
OPERATING LOSS	(14,940,020)
NONOPERATING REVENUES (EXPENSES):	
State appropriations	7,769,519
State fiscal stabilization funds (federal)	558,876
Federal Pell grant revenue	5,990,411
E&G capital and debt service support revenue	861,466
Investment income	3,154
Loss on disposal of fixed assets	(6,601)
Assessment for E&G capital and debt service costs	(867,345)
Fees assessed by the Commission for debt service	(156,947)
Fees assessed by the Fairmont State for debt service	(203,997)
Net nonoperating revenues (expenses)	13,948,536
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES, AND TRANSFER	(991,484)
CAPITAL PROJECTS AND BOND PROCEEDS FROM THE COMMISSION	97,610
DECREASE IN NET ASSETS BEFORE TRANSFER	(893,874)
TRANSFER OF NET ASSETS TO FAIRMONT STATE	(154,248)
TRANSFER OF NET ASSETS FROM FAIRMONT STATE	21,778,265
NET INCREASE IN NET ASSETS	20,730,143
NET ASSETS — Beginning of year	
NET ASSETS — End of year	$ 20,730,143

See notes to financial statements.

PIERPONT COMMUNITY AND TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Student tuition and fees	$ 3,940,955
Contracts and grants	3,134,763
Payments to and on behalf of employees	(7,535,529)
Payments to suppliers	(2,116,143)
Payments to utilities	(3,383)
Payments for scholarships and fellowships	(5,110,547)
Auxiliary enterprise charges	1,305,269
Fees assessed by Commission	(92,266)
Other receipts — net	471,093
Assessment support services	(3,208,826)
Support services revenue	316,291
Assessment for student activity costs	(165,870)
Assessment for auxiliary fees & debt service	(1,303,703)
Faculty services revenue	1,436,654
Assessment for faculty services	(1,295,106)
Operating support services revenue	168,735
Assessment for operating cost	(2,322,575)
Net cash used in operating activities	(12,380,188)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	7,930,747
State fiscal stabilization funds (federal)	558,876
Federal Pell grant revenues	5,990,411
William D. Ford direct lending receipts	10,506,005
William D. Ford direct lending payments	(10,514,046)
Transfer of cash from Fairmont State	7,986,608
Transfers to Fairmont State	(89,415)
Net cash provided by noncapital financing activities	22,369,186
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Capital Projects bond proceeds from Commission	97,610
E&G capital and debt service support revenue	861,466
Fees assessed by the Commission	(156,947)
Purchases of capital assets	(610,426)
Purchases of equipment	(194,054)
Assessment for E&G capital and debt service costs	(867,345)
Payments to the Commission on debt obligation	(191,372)
Payments to the Fairmont State on debt obligation	(170,227)
Fees assessed by Fairmont State	(221,676)
Interest income	38
Net cash used in capital financing activities	(1,452,933)
CASH FLOWS FROM INVESTING ACTIVITY — Investment income	6,220
INCREASE IN CASH AND CASH EQUIVALENTS	8,542,285
CASH AND CASH EQUIVALENTS — Beginning of year	
CASH AND CASH EQUIVALENTS — End of year	$ 8,542,285

(Continued)

PIERPONT COMMUNITY AND TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	$ (14,940,020)
Depreciation expense	906,398
Changes in assets and liabilities:	
Receivables — net	(284,493)
Inventories	(1,620)
Accounts payable	422,962
Accrued liabilities — payroll	50,986
Compensated absences	(31,805)
Other post employment benefits liability	982,213
Deferred revenue	471,388
Undistributed receipts — deposits	43,803
NET CASH USED IN OPERATING ACTIVITIES	$ (12,380,188)
NONCASH TRANSACTIONS:	
Construction in progress additions in accounts payable	$ 34,315
Construction in progress additions in retainage	$ 5,296
Transfer from Fairmont State (exclusive of $7,986,608 of cash)	$ 13,791,657
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS:	
Cash and cash equivalents classified at current	$ 8,542,260
Cash and cash equivalents classified at noncurrent	25
	$ 8,542,285

See notes to financial statements. (Concluded)

1. ORGANIZATION

Pierpont Community and Technical College ("Pierpont") is governed by the Pierpont Technical College Board of Governors (the "Board"). The Board was established by House Bill 3215, effective July 1, 2008, which clarified and redefined relationships between and among certain higher education boards and institutions. This legislation defines the statewide network of independently accredited community and technical colleges. As required, the newly established Pierpont Board of Governors and Fairmont State University ("Fairmont State") Board of Governors jointly agreed on a division of assets and liabilities of Fairmont State. The division of all assets and liabilities was effective July 1, 2009. The amount of net assets transferred from Fairmont State to Pierpont is summarized as follows:

Cash and cash equivalents	$ 7,986,608
Other assets	682,201
Capital assets — net	21,600,479
Compensated absences	(478,112)
Debt obligation to Commission	(1,633,495)
Bonds payable	(4,944,277)
Other liabilities	(1,435,139)
Transfer of net assets from Fairmont State	$ 21,778,265

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

Fairmont State continued to provide agreed upon services to Pierpont through a contractual agreement. The costs for these services are recorded by Pierpont as assessments. Fiscal year 2010 assessments included faculty services, operating costs and support services in the amounts of $1,295,106, $2,432,600 and $3,502,324, respectively. A contractual agreement may be negotiated for Fairmont State to provide services to Pierpont until July 1, 2011 or until the governing boards of both institutions mutually agree to end the contract agreement.

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 Pierpont under its jurisdiction, the duty to develop a master plan for Pierpont, the power to prescribe the specific functions and College's budget request, the duty to review, at least every five years, all academic programs offered at Pierpont, and the power to fix tuition and other fees for the different classes or categories of students enrolled at Pierpont.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Pierpont have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board standards (GASB). The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of Pierpont's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows and replaces the fund-group perspective previously required.

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

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

The accompanying financial statements present all funds under the authority of Pierpont. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from Pierpont's ability to significantly influence operations and accountability for fiscal matters of related entities. Fairmont State Foundation, Inc. (the "Foundation") and the Fairmont State Alumni Association (the "Association") are not part of Pierpont's reporting entity and are not included in the accompanying financial statements, since Pierpont has no ability to designate management, cannot significantly influence operations, and is not accountable for the fiscal matters of the Foundation or the Association under GASB.

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

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

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

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. Pierpont does not have any restricted nonexpendable net assets at June 30, 2010.

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 Pierpont, and may be used at the discretion of the Board to meet current expenses for any purpose.

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

Cash and Cash Equivalents — For purposes of the statement of net assets, Pierpont 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, provisions of bond indentures, and the 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.

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

Noncurrent Cash, Cash Equivalents, and Investments — Cash and investments that are (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 settle long-term liabilities, and (3) permanently restricted net assets, are classified as noncurrent assets in the accompanying combined statements of net assets.

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

Capital Assets — Capital assets include plant, and equipment; books and materials that are part of a catalogued library; and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or at fair value at the date of donation in the case of gifts. Interest on related borrowings, net of interest earnings on invested proceeds, is capitalized during the period of construction and was $23,256 for the year ended June 30, 2010. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 15 years for land improvements, 7 years for library books, and 3 to 10 years for furniture and equipment. The accompanying 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. Financial aid and other deposits are separately classified as deposits.

Compensated Absences and Other Postemployment Benefits — Pierpont accounts for compensated absences in accordance with the provisions of GASB.

GASB provides standards for the measurement, recognition and display of OPEB expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. Pierpont is required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State. Details regarding this plan can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, WV 25305-0710 or http://www.wvpeia.com.

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.

Pierpont'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 or who were hired before 1988 but did not choose such coverage until after 1988 but before July 1, 2001, 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. Additionally, all retirees have the option to purchase continued coverage regardless of their eligibility for premium credits. This liability is now provided for under the multiple-employer, cost-sharing plan sponsored by the State.

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

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

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

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

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

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

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

Nonoperating Revenues — Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as state appropriations and investment income.

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

Use of Restricted Net Assets — Pierpont 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, Pierpont attempts to utilize restricted net assets first when practicable.

Federal Financial Assistance Programs — Pierpont makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through universities like Pierpont. Direct student loan receivables are not included in Pierpont's statement of net assets as the loans are repayable directly to the U.S. Department of Education. In 2010, Pierpont received and disbursed approximately $10.5 million under the Federal Direct Student Loan Program on behalf of the U.S. Department of

Education, which is not included as revenue and expense on the statement of revenues, expenses, and changes in net assets.

Pierpont also distributes other student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2010, Pierpont was awarded approximately $6.2 million under these federal student aid programs. The distribution of these awards was made on their behalf by Fairmont State.

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

Government Grants and Contracts — Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. Pierpont 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 — Pierpont is exempt from income taxes, except for unrelated business income, as a nonprofit organization under federal income tax laws and regulations of the Internal Revenue Service.

Cash Flows — Any cash and cash equivalents, including escrowed, restricted for noncurrent assets, or in funded reserves, are included as cash and cash equivalents for the purpose of the statements of cash flows.

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

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

Newly Adopted Statements Issued by the Governmental Accounting Standards Board — During 2010, Pierpont adopted 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 the statement did not have a material impact on the financial statements.

Pierpont also adopted 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 the 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. Pierpont has not yet determined the effect that the adoption of Statement No. 59 may have on its financial statements.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents as of June 30, 2010, are held as follows:

2010	Current	Noncurrent	Total
State Treasurer	$8,495,606	$ -	$8,495,606
Trustee		25	25
In bank	44,854		44,854
On hand	1,800		1,800
	$8,542,260	$ 25	$8,542,285

The combined carrying amount of cash in the bank and the combined bank balance was $44,854 at June 30, 2010. The bank balances were covered by federal depository insurance or were collateralized by securities held by the State's agent.

Amounts with the State Treasurer as of June 30, 2010, are comprised of the following investment pools:

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

WV Money Market Pool

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the year ended June 30, 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, the WV Money Market Pool investments had a total carrying value of $2,876,711 of which Pierpont's ownership represents 0.23%.

WV Government Money Market Pool

Credit Risk — For the year ended June 30, 2009, the WV Government Money Market Pool has been rated AAAm by Standard & Poor's. A Fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2010, the WV Government Money Market Pool investments had a total carrying value of $221,183,000, of which Pierpont's ownership represents 0.02%.

WV Short Term Bond Pool

Credit Risk — The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated A by Standards & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standards & Poor's and P1 by Moody's. The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands) at June 30, 2010:

	Credit Rating*		2010	
Security Type	**Moody's**	**S&P**	**Carrying Value**	**Percent of Pool Assets**
Corporate asset backed securities	Aaa	AAA	$ 24,330	5.37 %
	Aaa	NR *	10,353	2.28
	Aa3	AAA	1,000	0.22
	Ba1	CC**	45	0.01
	Ba2	BB**	219	0.05
	B1	BBB**	605	0.13
	B1	CCC**	857	0.19
	B2	CCC**	366	0.08
	B3	B**	442	0.10
	B3	BBB**	247	0.05
	B3	CCC**	554	0.12
	Caa1	CCC**	230	0.05
	Caa2	CCC**	779	0.17
	NR *	AAA	3,538	0.78
			43,565	9.60
Corporate bonds and notes	Aaa	AAA	72,549	16.00
	Aaa	AA	2,060	0.46
	Aa1	AA	5,430	1.20
	Aa2	AA	6,650	1.47
	Aa3	AA	6,722	1.48
	Aa3	A	13,850	3.05
	A1	AA	15,485	3.41
	A1	A	21,098	4.65
	A2	A	41,093	9.06
	A3	A	4,158	0.92
			189,095	41.70
U.S. agency bonds	Aaa	AAA	40,180	8.86
U.S. Treasury notes***	Aaa	AAA	158,423	34.93
U.S. agency mortgage backed securities****	Aaa	AAA	4,540	1.00
Money market funds	Aaa	AAA	17,715	3.91
			$453,518	100 %

* NR = Not Rated

** The securities were not in compliance with BTI Investment Policy at June 30, 2010. 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, Pierpont's ownership represents 0.12% of these amounts held by the BTI.

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

The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool at June 30, 2010:

	2010	
Security Type	**Carrying Value (In thousands)**	**WAM (Days)**
Repurchase agreements	$ 174,980	1
U.S. Treasury notes	65,153	140
U.S. Treasury bills	476,670	35
Commercial paper	855,844	18
Certificates of deposit	281,000	45
U.S. agency discount notes	606,048	52
Corporate bonds and notes	20,000	19
U.S. agency bonds/notes	246,990	55
Money market funds	150,026	1
	$ 2,876,711	33

The overall weighted average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool at June 30, 2010:

	2010	
Security Type	**Carrying Value (In thousands)**	**WAM (Days)**
Repurchase agreements	$ 66,600	1
U.S. Treasury notes	8,526	114
U.S. Treasury bills	29,982	72
U.S. agency discount notes	36,465	115
U.S. agency bonds/notes	79,532	30
Money market funds	78	1
	$ 221,183	44

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:

	2010	
Security Type	**Carrying Value (In thousands)**	**Effective Duration (Days)**
U. S. Treasury bonds/notes	$ 158,423	583
Corporate notes	189,095	560
Corporate asset backed securities	43,565	679
U.S. agency bonds/notes	40,180	288
U.S. agency mortgage backed securities	4,540	360
Money market funds	17,715	1
	$ 453,518	530

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

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

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

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

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

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2010, are as follows:

Student tuition and fees — net of allowance for doubtful account of $407,995	$ 351,328
Due from other State agencies	123,300
Due from Council	221,830
Other accounts receivable	65
Due from Fairmont State	42,604
Grants and contracts receivable	6,135
	$ 745,262

5. CAPITAL ASSETS

Summary of capital assets transactions for Pierpont as of June 30, 2010, are as follows:

	Beginning Balance	Transfers	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated:						
Land	$ -	$ -	$ -	$ -	$ -	$ -
Construction in progress		377,226	476,586	(779,413)	(1,758)	72,641
Total capital assets not being depreciated	$ -	$ 377,226	$ 476,586	$ (779,413)	$ (1,758)	$ 72,641
Other capital assets:						
Land improvements	$ -	$ 418,620	$ 20,002	$ -	$ (1,950)	$ 436,672
Infrastructure		5,232,139			(24,378)	5,207,761
Buildings		22,804,354	749,936		(106,252)	23,448,038
Equipment		1,417,327	346,424	(208,398)	(1,289)	1,554,064
Computer software		312,450		(89,450)		223,000
Library books		2,308,645	17,952	(75,596)	(10,757)	2,240,244
Total other capital assets	-	32,493,535	1,134,314	(373,444)	(144,626)	33,109,779
Less accumulated depreciation for:						
Land improvements		103,197	28,629		(481)	131,345
Infrastructure		1,423,885	347,183		(6,634)	1,764,434
Buildings		6,413,667	447,163		(29,883)	6,830,947
Equipment		903,492	119,058	(200,636)	(795)	821,119
Computer software		142,238	27,028	(84,598)		84,668
Library books		2,283,803	(62,663)	(75,596)	(10,641)	2,134,903
Total accumulated depreciation	-	11,270,282	906,398	(360,830)	(48,434)	11,767,416
Other capital assets — net	$ -	$21,223,253	$ 227,916	$ (12,614)	$ (96,192)	$21,342,363
Capital asset summary:						
Capital assets not being depreciated	$ -	$ 377,226	$ 476,586	$ (779,413)	$ (1,758)	$ 72,641
Other capital assets		32,493,535	1,134,314	(373,444)	(144,626)	33,109,779
Total cost of capital assets	-	32,870,761	1,610,900	(1,152,857)	(146,384)	33,182,420
Less accumulated depreciation		11,270,282	906,398	(360,830)	(48,434)	11,767,416
Capital assets — net	$ -	$21,600,479	$ 704,502	$ (792,027)	$ (97,950)	$21,415,004

Pierpont has construction commitments of approximately $105,000 as of June 30, 2010.

Title for certain assets recorded above remains with Fairmont State.

6. LONG-TERM LIABILITIES

Long-term obligation activities for the year ended June 30, 2010, are as follows:

	Beginning Balance	Transfers	Additions	Reductions	Ending Balance	Current Portion
Other postemployment benefits liability	$ -	$ 273,110	$ 982,213	$ -	$1,255,323	$ -
Accrued compensated absences		478,112	225,495	(257,300)	446,307	294,154
Payable to the Commission		1,625,884		(191,371)	1,434,513	199,847
Payable to the University		4,921,244		(166,510)	4,754,734	172,549
Total long-term liabilities	$ -	$7,298,350	$1,207,708	$(615,181)	$7,890,877	

7. LEASES

Operating Leases — Pierpont leases office and storage spaces and various equipment. These obligations are accounted for as operating leases.

Future annual minimum lease payments on operating leases for years subsequent to June 30, 2010, are as follows:

Year Ending June 30	
2011	$ 161,356
2012	159,715
2013	173,390
2014	176,149
2015	29,358
Total	$ 699,968

Total lease expense for the years ended June 30, 2010, was $144,364.

Capital Leases — Pierpont currently has no leases classified as capital.

8. OTHER POSTEMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2010, the noncurrent liability related to OPEB costs was $1,255,323. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $1,212,569 and $32,475 during 2010. As of the year ended June 30, 2010, there were 53 retirees receiving these benefits.

9. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

Pierpont is a State institution of higher education, and Pierpont receives a State appropriation to finance its operations. In addition, it is subject to the legislative and administrative mandates of the State government. Those mandates affect all aspects of Pierpont’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 Pierpont. Financing for these facilities was provided through revenue bonds issued by the former Board of Regents or the former Boards of the University and College Systems (the "Boards"). These obligations administered by the Commission are the direct and total responsibility of the Commission, as successor to the former Boards.

The Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as a capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission. During 2010, Pierpont paid $191,371 to the Commission against the debt obligation. The amount due to Commission at June 30, 2010 is $1,434,513.

10. FAIRMONT STATE UNIVERSITY INDEBTEDNESS

Due to HB 3215, which mandated a separation between Fairmont State and Pierpont, an agreement was made with regards to outstanding bond debt that was issued to Fairmont State while the two institutions were still as one. It was agreed upon that Fairmont State and Pierpont would share the outstanding bond debt proportionately based on a 10-year average of enrollments, due to the fact that the two institutions maintain a shared campus where the shared facilities funded by the bonds are located. Although the bonds remain as a capital obligation of Fairmont State, an estimate of the obligation of Pierpont is reported as a long-term payable to Fairmont State on Pierpont's financial statements and as a receivable of Fairmont State on their financial statements. During 2010, Pierpont paid $166,510 to Fairmont State against the debt obligation. The amount due to Fairmont State at June 30, 2010 is $4,754,734.

11. NET ASSETS

Pierpont's net assets at June 30, 2010, include certain designated net assets, as follows:

	Before OPEB Liability	Less OPEB Liability	Total Net Assets
Invested in capital assets — net of related debt	$ 15,186,148	$ -	$ 15,186,148
Restricted for — expendable:			
Loans			
Scholarships	171,323		171,323
Sponsored projects	922,225		922,225
Capital projects	1,261,715		1,261,715
Debt service	25		25
Total restricted	2,355,288	-	2,355,288
Unrestricted:			
Designated for auxiliaries	30,890		30,890
Designated for Fund managers	722,452		722,452
Undesignated	3,690,688	1,255,323	2,435,365
Total unrestricted	4,444,030	1,255,323	3,188,707
Total net assets	$ 21,985,466	$ 1,255,323	$ 20,730,143

12. RETIREMENT PLANS

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

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

The STRS is a cost-sharing, defined benefit, public employee retirement system. Employer and employee contribution rates are established annually by the West Virginia State Legislature. The contractual maximum contribution rate is 15%. Pierpont accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for the year ended June 30, 2010. Required employee contributions were at the rate of 6% of total annual salary for the year ended June 30, 2010. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest five years' salary out of the last 15 years) multiplied by the number of years of service.

Total contributions to the STRS for the year ended June 30, 2010, were approximately $34,522, which consisted of approximately $24,659 from Pierpont and approximately $9,863 from the covered employees.

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

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

Total contributions to the TIAA-CREF for the year ended June 30, 2010, were approximately $550,878, which consisted of equal contributions from Pierpont and covered employees of approximately $275,439.

Total contributions to Great West for the year ended June 30, 2010, was approximately $15,708, which consisted of approximately $7,854 from both Pierpont and from covered employees, respectively.

Pierpont's total payroll for the year ended June 30, 2010, was approximately $6,375,764 and total covered employees' salaries in the STRS, TIAA-CREF, and Great West were approximately $164,390, $4,590,647, and $130,900, respectively.

13. AFFILIATED ORGANIZATION

Pierpont has a separately incorporated affiliated organization, the Fairmont State Alumni Association. Oversight responsibility for this entity rests with an independent board and management not otherwise affiliated with Pierpont. Accordingly, the financial statements of this organization are not included in Pierpont's accompanying financial statements under the blended component unit requirements. They are not included in Pierpont's accompanying financial statements under the discretely presented component unit requirements as they are not entirely for the benefit of Pierpont.

14. RELATED PARTY TRANSACTIONS

Pierpont and Fairmont State enter into an annual contractual agreement to establish the contractual services that will be provided by both institutions. These contract services are referred to as chargeback services and occur from each institution to the other. The definition of chargeback services is services provided from teaching, administrative, academic support, student services, and physical plant support areas of Pierpont to Fairmont State and vice versa. Chargeback services costs range from teaching services to everyday upkeep of the facilities. The chargeback agreement also provides for the transfer of auxiliary, capital, and student activity fee revenues from the institution which the student is enrolled to the fund from which the operating, capital and debt service expenditures will be paid. These transfers are primarily pledged revenues to bond funds and required by bond covenants. A contractual agreement may be negotiated for services to be provided until July 1, 2011 or until the governing boards of both institutions mutually agree to end the contract agreement. Currently, a chargeback agreement for fiscal year 2011 has been negotiated and has conditional approval from the Boards of Governors of both

Pierpont and Fairmont State. Additional information regarding these transactions may be found in the Component Financial Data section of the Note to Schedules.

Fiscal year 2010 transactions associated with the chargeback agreement for FY10 are as follows:

	Pierpont
Revenues:	
Faculty service revenue	$ 1,436,654
Operating cost revenue	176,861
Support service revenue	340,976
E&G capital and debt service support revenue	861,466
Expenses:	
Assessment for student activity costs	$ 165,870
Assessment for auxiliary fees and debt service	1,303,703
Assessment for faculty service	1,295,106
Assessment for operating costs	2,432,600
Assessment for support service	3,502,324
Assessment for E&G capital and debt service costs	867,345

Pierpont does not show any revenue for Auxiliary Support Services due to Fairmont State's ownership of the Auxiliaries.

15. SEPARATION OF ASSETS AND LIABILITIES AGREEMENT

House Bill 3215, effective July 1, 2008, provided for a separate governing board for Pierpont Community and Technical College. This new legislation defines a statewide network of independently accredited community and technical colleges and required the newly established Pierpont Board of Governors and Fairmont State Board of Governors to jointly agree on a division of assets and liabilities. This agreement was executed on December 15, 2009 and was effective retroactively to July 1, 2009. The new legislation requires a separate financial statement audit for Pierpont effective for fiscal year 2010.

The Board of Governors of Pierpont Community and Technical College and the Board of Governors of Fairmont State University recognize the historical association between the two institutions and the benefit of collaboration to the students. The preamble to the Separation of Assets and Liabilities Agreement that supports these statements reads as follows:

"The Board of Governors of Fairmont State University (BOG-FSU) and the Board of Governors of Pierpont Community and Technical College (BOG-PCTC) jointly endeavor to separate assets and liabilities in accordance with the provisions of HB3215, 2008. Despite the legal separation of the two institutions, the BOG-FSU and the BOG-PCTC wish to maintain the collaborative and cooperative spirit that has characterized the historical relationship between the University and Pierpont.

The BOG-FSU and the BOG-PCTC recognize the historical association between the two institutions. The institution that is today Pierpont Community and Technical College grew from and was sponsored by Fairmont State University. Both institutions have been and, for the foreseeable future, will be co-located on a single campus in Fairmont, West Virginia. Both institutions have proportionally coordinated, shared, and paid for instructional services, course schedules, facilities, information systems, admissions processes, auxiliary functions, housing, debt service, development and advancement services, student activities and programs, and all the other resources necessary to deliver a high-quality postsecondary education experience.

Students have benefited and will continue to benefit from the relationship between Fairmont State University (FSU) and Pierpont Community and Technical College (PCTC). Those benefits include a wider range of instructional programs than would be available through an individual institution's offerings; a lower cost of attendance realized from shared institutional infrastructure and reduced duplication of facilities, personnel, and services; and a more diverse mix of student backgrounds, interests, experiences, abilities, and ambitions.

Although the BOG-FSU and the BOG-PCTC recognize the necessity of separation of assets and liabilities, both pledge themselves to continuing, fostering, and promoting collaborative and cooperative relationships between the two institutions. Such relations respect the historical association that has existed between FSU and PCTC. Such relations are to the benefit and best interest of the students at both institutions. Such relations recognize the proportional participation in institutional operations. Such relations recognize that the two institutions have been, are, and will be co-located on one site. Such relations demonstrate responsible stewardship of public resources by achieving efficiencies and synergies that would otherwise not be possible. Therefore, the Board of Governors of Fairmont State University and the Board of Governors of Pierpont Community and Technical College incorporate into their agreement to separate assets and liabilities this pledge of perpetual cooperation and collaboration."

With both Pierpont and Fairmont State Board of Governors promoting collaboration, the Separation of Assets and Liabilities Agreement was executed to comply with the guidelines established through West Virginia Legislation as stated in the agreement as follows:

*"**WHEREAS**, West Virginia Code — §18B-2A-7a(e)(2008 supp.) states "For purposes of generating audited financial statements for inclusion in the higher education fund and state single audits, the division of all assets and liabilities shall be effective retroactively to the first day of July, two thousand nine."*

and

***WHEREAS**, West Virginia Code — §18B-2A-7a(2008 supp.) states as follows:*

"(g) Each former sponsoring institution and community and technical college shall enter into a comprehensive agreement to address the division of assets and liabilities and the allocation of revenues and expenditures between former sponsoring institutions and newly independent community and technical colleges.

(h) Absent manifest injustice as determined jointly by the Council and Commission, the following general principles apply to the division of assets and liabilities and allocation of revenues and expenditures between former sponsoring institutions and the newly independent community and technical colleges:

(1) For accounting purposes, the institution that assumes responsibility for any asset also shall assume responsibility for any associated liabilities.

(2) *Although one institution may assume responsibility for an asset and associated liabilities for accounting purposes, both institutions shall agree on their respective responsibilities for reducing and ultimately eliminating the liability over time if the asset was originally acquired and/or is being used for the benefit of both institutions.*

(A) *Any agreement to allocate system and institutional educational and general and auxiliary debt service payments shall be consistent with the provisions of all applicable bond covenants.*

(B) *Absent a controlling bond covenant or other agreement, debt service payments associated with bond indebtedness presumptively shall be allocated based on the relative full-time equivalent student enrollment of the two institutions either as a whole or on the campus where the asset is located and may be adjusted annually to reflect enrollment changes at the two institutions.*

(3) *The institutions shall agree to allocate educational and auxiliary capital fees in excess of those needed to cover bonded indebtedness to ensure that assets of both institutions are maintained in proper repair and that the institutions assume responsibility for a reasonable share of the total costs of maintaining the facilities.*

(4) *The institutions shall develop a plan that ensures the financial stability of auxiliary enterprises, including but not limited to, student housing, student centers, dining services, parking, and athletics through fiscal year two thousand twelve.*

(A) *If community and technical college students pay a mandatory athletics fee for the benefit of a sponsoring institution, but receive no direct benefit from that fee, the community and technical college may phase out that fee over a five-year period.*

(B) *If certain community and technical college students were required to live in institution housing consistent with rules or policies in effect on the effective date of this section, the former sponsoring institution may continue to require these students to live in institution housing for at least one year." "*

The Agreement also provides specific language in relation to outstanding bond indebtedness as follows:

*"**WHEREAS**, there is currently outstanding the following bonded indebtedness:*

(A) *Board of Governors of Fairmont State College College Facilities Revenue Bonds, Series 2002 A (the "Series 2002A Bonds"), issued in the principal amount of $18,170,000 pursuant to a Bond Trust Indenture and Security Agreement dated as of August 1, 2002 (the "2002A Indenture"), with WesBanco Bank, Inc., as Trustee (the "Bond Trustee"), and currently outstanding in the principal amount of [$15,595,000] updated as of June 30, 2010;*

(B) *Board of Governors of Fairmont State College College Infrastructure Revenue Bonds, Series 2002 B (the "Series 2002B Bonds"), issued in the principal amount of $9,310,000 pursuant to a Bond Trust Indenture and Security Agreement dated as of August 1, 2002 (the "2002B Indenture"), with the Bond Trustee and currently outstanding in the principal amount of [$7,860,000] updated as of June 30, 2010;*

(C) Board of Governors of Fairmont State College College Facilities Revenue Bonds, Series 2003 A (the "Series 2003A Bonds"), issued in the principal amount of $13,320,000 pursuant to a Bond Trust Indenture and Security Agreement dated as of March 1, 2003 (the "2003A Indenture"), supplementing and amending the 2002A Indenture, with the Bond Trustee and currently outstanding in the principal amount of [$11,850,000] updated as of June 30, 2010;

(D) Board of Governors of Fairmont State College Student Activity Revenue Bonds, Series 2003 B (the "Series 2003B Bonds"), issued in the principal amount of $22,925,000 pursuant to a Bond Trust Indenture and Security Agreement dated as of March 1, 2003 (the "2003B Indenture"), with the Bond Trustee and currently outstanding in the principal amount of [$20,385,000] updated as of June 30, 2010; and

(E) Fairmont State University Board of Governors Subordinate Facilities Improvement Revenue Bonds, Series 2006 (the "Series 2006 Bonds"; the Series 2002A Bonds, the Series 2002B Bonds, the Series 2003A Bonds, the Series 2003B Bonds and the Series 2006 Bonds are hereinafter referred to together as the "Bonds"), issued in the principal amount of $8,500,000 pursuant to a Bond Authorizing Resolution adopted on May 3, 2006 (as supplemented and amended, the "2006 Resolution"; the 2002A Indenture, the 2002B Indenture, the 2003A Indenture, the 2003B Indenture and the 2006 Resolution, together with the other documents authorizing, securing or otherwise relating to the Bonds, are hereinafter referred to together as the "Bond Documents"), and currently outstanding in the principal amount of [$7,306,452.73] updated as of June 30, 2010.

and

***WHEREAS**, in addition to the statutory requirements described above, the Bond Documents define Pierpont or University to include any successor thereto and, as such, bind both FSU and PCTC, and both FSU and PCTC have copies of the Bond Documents.*

and

***WHEREAS**, the Bond Documents set forth controlling bond covenants and require pledged revenues, and the intent of this document is to adhere to all existing and future bond covenants."*

The Board of Governors of Pierpont and Fairmont State agreed to the following terms for Separation of Assets and Liabilities to comply with the above stated West Virginia State Code and bond covenants:

Education and General Equipment Assets:

1. *Equipment assets regardless of whether they are charged back, whether they be presently owned or purchased in the future by either the FSU or the PCTC will be owned by the institution that the equipment was intended for and reflected on the appropriate institution's equipment schedule.*

Education and General Buildings and Infrastructure:

1. *All capital and infrastructure fees assessed to both FSU and PCTC students for the purpose of paying E&G building and infrastructure bonds, and provide for repair and renovation of same, continue to be collected under the terms outlined in the bond covenants.*

2. *All E&G Capital Fee Revenue and Infrastructure Capital Fee Revenue in excess of bond payments will be used for repair and renovation projects. When sufficient E&G and Infrastructure Capital excess revenues are available to bond for additional new capital project improvements, the E&G, and Infrastructure Capital Fees will be utilized and/or retained for that specific purpose. Both the FSU and the PCTC assume a shared responsibility proportionate to the full-time equivalent (FTE) enrollment of each institution for the total cost of maintaining the facilities.*

3. *Joint ownership of the E&G and Infrastructure Capital Assets and Liabilities shall be reflected on each Institution's Financial Statements at the end of each year. The percentage of ownership of assets and liabilities will be assigned and based on the average fall term census date credit hour enrollments (FTE) over the most recent ten (10) years.*

4. *All land assets will be owned by FSU and land deeds will stay in the name of FSU Board of Governors.*

5. *Should either institution, after paying off all E&G and Auxiliary bond debt, upon proper acknowledgement of its ongoing obligations under existing bond covenants, decide to build and move its own campus, that institution agrees to sell its ownership rights to the E&G building assets to the other institution at an agreed upon price.*

6. *All new capital projects that are provided to FSU and PCTC through state appropriations, bonding and/or student capital fee initiatives, that add to the joint ownership of assets and liabilities on a shared campus, will be assigned proportionately based on the average fall term census date credit hour enrollments (FTE) over the most recent ten (10) years. Any capital project designated to only FSU or only to PCTC and not located on a shared campus will be added to the assets and liabilities of the institution to which the capital project is specified.*

Auxiliary Enterprises:

1. *Assets and related liabilities of the Auxiliary Enterprises (Athletics, Bookstore, Conference Center, Convenience Store, Copy Center, Facilities [Parking & Security], Housing, and Recreation Center) are owned by FSU and all students of both FSU and PCTC who attend class on the main campus and/or pay user fees will have access to these facilities and activities.*

2. *All auxiliary-related student fees approved by the FSU BOG and the PCTC BOG and the Higher Education Policy Commission and the Community and Technical College Council, for the operation, debt service, and repair and maintenance of auxiliary enterprise facilities will be dedicated and provided to those specific Auxiliary Funds for appropriate indicated purposes. All Auxiliary net revenues annually are designated to support future costs of the auxiliary enterprise fund(s) and are managed by FSU for the benefit of each auxiliary enterprise.*

3. *Auxiliary Enterprise Bond Covenant obligations of FSU and PCTC will be met by continuing to honor the requirements stipulated in those covenants, and both FSU and PCTC students will be required to pay the fees stipulated in all Bond Document covenants.*

4. *FSU is responsible for managing the operation of the Auxiliary Enterprises, and maintaining the Auxiliary facilities in good repair.*

5. *All capital projects for the Auxiliary Enterprises will be approved by the FSU BOG.*

6. *Scholarship dollars provided from the non-athletic auxiliary enterprise funds will be allocated proportionately to FSU and PCTC students based on the percentage (%) of student fee contributions made to these funds from the respective FSU and PCTC students.*

The Agreement further specifies the methodology for the assignment of bond debt as follows:

"The Bond Debt assigned to each institution's balance sheet for E&G facilities is allocated based on the average of the past ten (10) years of credit hour enrollments. This average allocated 65.66% of the debt to FSU and 34.34% to the PCTC as of July 1, 2009. The assignment of debt for the Auxiliary facilities will be with the FSU since the FSU will own the assets. However, the PCTC students will continue to pay all Auxiliary fees based on the requirements of those bonds. The allocation of Bond Debt by this Agreement does not affect the obligation of both FSU and PCTC to the bondholders to pay the principal of and interest on the Bonds as the same come due.

The Agreement also provides for disclosure of financial data to bond rating agencies as follows:

For purposes of financial statements and continuing disclosure required by the Bond Documents, FSU and PCTC must present combined financial statement information along with each Institution's separately audited financial statements, and as well must present audits of the bond funds of all 2002A, 2002B, 2003A, 2003B and 2006 Bonds annually. "

The separation of assets and liabilities was completed according to the agreement above. Pierpont and Fairmont State Boards of Governors were provided individual Statements of Net Assets as of July 1, 2009. Both boards voted to accept the agreement and presentation of the new statements. The approved separation of assets and liabilities is reflected in these financial statements.

16. CONTINGENCIES

The nature of the educational industry is such that, from time-to-time, claims will be presented against Pierpont 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 Pierpont would not have a significant financial impact on the financial position of Pierpont.

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. Pierpont's management believes disallowances, if any, will not have a significant financial impact on Pierpont's financial position.

17. FAIRMONT STATE UNIVERSITY FOUNDATION, INCORPORATED (UNAUDITED)

The Fairmont State University Foundation, Inc. (the "Foundation") is a separate nonprofit organization incorporated in the State whose purpose is to benefit the work and services of Fairmont State and Pierpont and their affiliated nonprofit organizations. The Foundation has a board of directors authorized to have 40 members selected by its Board members. At present, there are 27 members, including the President of Pierpont as a nonvoting ex-officio member. 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. The Foundation does not meet the criteria for determination as a component unit of Pierpont as described in GASB Statement No. 39. The economic resources of the

Foundation do not entirely benefit Pierpont. Since Pierpont was part of Fairmont State for many years, the Foundation has obtained resources designated for Pierpont's programs and /or students. The Foundation currently supports both Fairmont State and Pierpont and there is no specific allocation plan at this time. Pierpont's endowments are under the control and management of the Foundation.

The Foundation's assets totaled $14,801,161 at June 30, 2010 with net assets of $14,720,632. Gifts, grants and bequests to the Foundation totaled $3,194,835 in fiscal year 2010.

Total funds expended by the Foundation in support of College activities totaled $293,831 during the year. This support and the related expenditures are primarily recorded in Pierpont's combined financial statements.

18. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the year ended June 30, 2010, the following tables represent operating expenses within both natural and functional classifications:

	Salaries and Wages	Benefits	Assessment for Faculty Services	Assessment for Support Services	Supplies and Other Services	Assessment for Operating Costs	Utilities	Scholarships and Fellowships	Assessment for Student Activity Costs	Assessment for Auxiliary Fees and Debt Service	Depreciation	Loan Cancellations	Fees Assessed by the Commission	Total
Auxiliary	$ 33,806	$ 311	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$1,303,703	$ -	$ -	$ -	$ 1,337,820
Instruction	4,648,652	1,424,712	1,295,106	285,407	1,404,851	172,758	65							9,231,551
Research	9,685	1,498			5,056									16,239
Public service	229,164	83,170			211,507									523,841
Academic support	1,329,380	352,350		679,537	404,233	375,922	1,333							3,142,755
Student services	76,274	112,958		990,311	32,939	342,951			165,870					1,721,303
General institutional support	(19,019)	136,234		932,526	84,568	573,051							92,266	1,799,626
Operations and maintenance of plant	360	106,895		614,543	110,455	967,918	1,745							1,801,916
Student financial aid								5,210,582						5,210,582
Depreciation											906,398			906,398
Other												39,195		39,195
Total	$6,308,302	$2,218,128	$1,295,106	$3,502,324	$2,253,609	$2,432,600	$3,143	$5,210,582	$ 165,870	$1,303,703	$906,398	$39,195	$92,266	$25,731,226

19. SUBSEQUENT EVENT

During August 2010, the West Virginia Development Office issued approximately $162 million of Education, Arts, Science and Tourism (EAST) bonds. The Commission, as provided in the State Code, received 60%, or $97.2 million, of the proceeds to help fund various building and campus renewal projects. Fairmont State has been approved to receive $18.7 million of these proceeds. The proceeds will fund four major renovation projects on the shared campus of Pierpont and Fairmont State. The projects include renovations to the Turley Center, Hardway Hall, Wallman Hall and the addition of an elevator to the Musick Library. The bond proceeds and the capital asset additions will be accounted for as prescribed in the Separation of Assets and Liabilities Agreement between Pierpont and Fairmont State. Upon completion, the increase in capitalized assets for Pierpont and Fairmont State are estimated to be approximately $6.4 million and $12.3 million, respectively. The West Virginia Development Office is responsible for repayment of the debt.

* * * * * *

ADDITIONAL INFORMATION

PIERPONT COMMUNITY AND TECHNICAL COLLEGE

SCHEDULE OF NET ASSETS INFORMATION
AS OF JUNE 30, 2010

All Funds	Board of Governors Support Fund	Unrestricted, Restricted and Other Funds	Component Eliminations	Total Institution
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 1,495,726	$7,046,534	$ -	$ 8,542,260
Accounts receivable — net	22,886	722,747	(371)	745,262
Inventories		59,840		59,840
Total current assets	1,518,612	7,829,121	(371)	9,347,362
NONCURRENT ASSETS:				
Cash and cash equivalents	25			25
Capital assets — net	20,627,068	787,936		21,415,004
Total noncurrent assets	20,627,093	787,936		21,415,029
TOTAL	$22,145,705	$8,617,057	$(371)	$30,762,391
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	$ 52,484	$ 392,419	$ -	$ 444,903
Due to the Commission		13,925		13,925
Due to Fairmont State	27,082	505,935		533,017
Due to other funds	371		(371)	
Accrued liabilities — payroll		629,040		629,040
Retainages payable	5,296			5,296
Deferred revenue	43,802	471,388		515,190
Compensated absences — current portion		294,154		294,154
Debt obligation payable to the Commission — current portion	199,847			199,847
Debt obligation due to Fairmont State — current portion	172,549			172,549
Total current liabilities	501,431	2,306,861	(371)	2,807,921
Noncurrent liabilities:				
Other post employment benefits liability		1,255,323		1,255,323
Compensated absences		152,153		152,153
Debt obligation to the Commission	1,234,666			1,234,666
Debt obligation due to Fairmont State	4,582,185			4,582,185
Total noncurrent liabilities	5,816,851	1,407,476		7,224,327
Total liabilities	6,318,282	3,714,337	(371)	10,032,248
NET ASSETS:				
Invested in capital assets — net of related debt	14,398,211	787,937		15,186,148
Restricted for — expendable:				
Scholarships	167,472	3,851		171,323
Sponsored projects		922,225		922,225
Capital projects	1,261,715			1,261,715
Debt service	25			25
Total restricted	1,429,212	926,076		2,355,288
Unrestricted E&G Plant and President's Control		2,435,365		2,435,365
Unrestricted Auxiliary and Fund Manager Funds		753,342		753,342
Total unrestricted		3,188,707		3,188,707
Total net assets	15,827,423	4,902,720		20,730,143
TOTAL	$22,145,705	$8,617,057	$(371)	$30,762,391

See note to schedules.

PIERPONT COMMUNITY AND TECHNICAL COLLEGE

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS INFORMATION FOR THE YEAR ENDED JUNE 30, 2010

All Funds	Board of Governors Support Fund	Unrestricted, Restricted and Other Funds	Component Eliminations	Total Institution
OPERATING REVENUES:				
Student tuition and fees — net	$ -	$ 4,250,099	$ -	$ 4,250,099
Auxiliary enterprise revenue		1,317,276		1,317,276
Contracts and grants:				
Federal	1,187	224,543		225,730
State/local	10,593	2,109,357		2,119,950
Private	7,601	420,906		428,507
Faculty services revenue		1,436,654		1,436,654
Operating costs revenue		176,861		176,861
Support services revenue		340,976		340,976
Miscellaneous — net	9,448	485,705		495,153
Total operating revenues	28,829	10,762,377		10,791,206
OPERATING EXPENSES:				
Salaries and wages		6,308,302		6,308,302
Benefits		2,218,128		2,218,128
Supplies and other services	110,455	2,143,154		2,253,609
Utilities	1,745	1,398		3,143
Student financial aid — scholarships and fellowships	3,479	5,207,103		5,210,582
Depreciation	778,497	127,901		906,398
Assessment for student activity costs		165,870		165,870
Assessment for auxiliary fees and debt service		1,303,703		1,303,703
Assessment for faculty services		1,295,106		1,295,106
Assessment for operating costs		2,432,600		2,432,600
Assessment for support services		3,502,324		3,502,324
Loan cancellations and write-offs		39,195		39,195
Fees assessed by the Commission for operations		92,266		92,266
Total operating expenses	894,176	24,837,050		25,731,226
OPERATING INCOME (LOSS)	(865,347)	(14,074,673)		(14,940,020)
NONOPERATING REVENUES (EXPENSES):				
State appropriations		7,769,519		7,769,519
State fiscal stabilization funds (federal)		558,876		558,876
Federal Pell grant revenues	271	5,990,140		5,990,411
E&G capital and debt service support revenue	1,311,874		(450,408)	861,466
Investment income	3,150	4		3,154
Loss on disposal of fixed assets	(3,571)	(3,030)		(6,601)
Assessment for E&G capital and debt service costs		(1,317,753)	450,408	(867,345)
Fees assessed by the Commission for debt service	(156,947)			(156,947)
Fees assessed by Fairmont State for debt service	(203,997)			(203,997)
Total nonoperating revenues (expenses)	950,780	12,997,756		13,948,536
(LOSS) INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFER	85,433	(1,076,917)		(991,484)
CAPITAL PROJECTS AND BOND PROCEEDS FROM THE COMMISSION	97,610			97,610
Decrease in net assets before transfers	183,043	(1,076,917)		(893,874)
TRANSFER OF NET ASSETS (TO) FROM FAIRMONT STATE	(363,179)	208,931		(154,248)
TRANSFER OF NET ASSETS FROM FAIRMONT STATE	16,007,559	5,770,706		21,778,265
INCREASE IN NET ASSETS	15,644,380	5,979,637		21,624,017
NET ASSETS — Beginning of year				
NET ASSETS — End of year	$15,827,423	$ 4,902,720	$ -	$ 20,730,143

See note to schedules.

PIERPONT COMMUNITY AND TECHNICAL COLLEGE

SCHEDULE OF CASH FLOW INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

	Board of Governors Support Fund	Unrestricted, Restricted and Other Funds	Component Eliminations	Total Institution
CASH FLOWS FROM OPERATING ACTIVITIES:				
Student tuition and fees	$ 43,802	$ 3,897,153	$ -	$ 3,940,955
Contracts and grants	(177,176)	3,311,939		3,134,763
Payments to and on behalf of employees	47	(7,535,576)		(7,535,529)
Payments to suppliers	(101,578)	(2,014,565)		(2,116,143)
Payments to utilities	(1,745)	(1,638)		(3,383)
Payments for scholarships and fellowships	(2,138)	(5,108,409)		(5,110,547)
Auxiliary enterprise charges		1,305,269		1,305,269
Fees assessed by the Commission		(92,266)		(92,266)
Other receipts — net	18,337	452,756		471,093
Assessment support services		(3,208,826)		(3,208,826)
Support services revenue		316,291		316,291
Assessment for student activity costs		(165,870)		(165,870)
Assessment for auxiliary fees & debt service		(1,303,703)		(1,303,703)
Faculty services revenue		1,436,654		1,436,654
Assessment for faculty services		(1,295,106)		(1,295,106)
Operating support services revenue		168,735		168,735
Assessment for operating cost		(2,322,575)		(2,322,575)
Net cash provided by (used in) operating activities	(220,451)	(12,159,737)		(12,380,188)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State appropriations		7,930,747		7,930,747
State fiscal stabilization funds (federal)		558,876		558,876
Federal Pell grant revenues	271	5,990,140		5,990,411
William D. Ford direct lending receipts	(8,041)	10,514,046		10,506,005
William D. Ford direct lending payments		(10,514,046)		(10,514,046)
Transfer of cash from Fairmont State	1,958,920	6,027,688		7,986,608
Transfers to Fairmont State	(297,398)	207,983		(89,415)
Net cash provided by noncapital financing activities	1,653,752	20,715,434		22,369,186
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Capital Projects bond proceeds from Board	97,610			97,610
E&G capital and debt service support revenue	1,311,874		(450,408)	861,466
Fees assessed by the Commission	(156,947)			(156,947)
Purchases of capital assets	(610,426)			(610,426)
Purchases of equipment		(194,054)		(194,054)
Assessment for E&G capital and debt service costs		(1,317,753)	450,408	(867,345)
Payments to the Commission on debt obligation	(191,372)			(191,372)
Payments to the Fairmont State on debt obligation	(170,227)			(170,227)
Fees assessed by Fairmont State	(221,676)			(221,676)
Interest income	38			38
Net cash used in capital financing activities	58,874	(1,511,807)		(1,452,933)
CASH FLOW FROM INVESTING ACTIVITY — Interest on investments	3,576	2,644		6,220
INCREASE IN CASH AND CASH EQUIVALENTS	1,495,751	7,046,534		8,542,285
CASH AND CASH EQUIVALENTS — Beginning of year				
CASH AND CASH EQUIVALENTS — End of year	$ 1,495,751	$ 7,046,534	$ -	$ 8,542,285

(Continued)

PIERPONT COMMUNITY AND TECHNICAL COLLEGE

SCHEDULE OF CASH FLOW INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

	Board of Governors Support Fund	Unrestricted, Restricted and Other Funds	Total Institution
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES:			
Operating income (loss)	$ (865,347)	$ (14,074,673)	$ (14,940,020)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities:			
Depreciation expense	778,497	127,902	906,399
Changes in assets and liabilities:			
Receivables — net	1,296	(285,789)	(284,493)
Inventories		(1,620)	(1,620)
Accounts payable	(178,699)	601,661	422,962
Accrued liabilities — payroll		50,986	50,986
Compensated absences		(31,805)	(31,805)
Other postemployment benefits liability		982,213	982,213
Deferred revenue		471,388	471,388
Undistributed receipts — deposits	43,802		43,802
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (220,451)	$ (12,159,737)	$ (12,380,188)
NONCASH TRANSACTIONS:			
Construction in progress additions in accounts payable	$ 34,315	$ -	$ 34,315
	-		
Construction in progress additions in retainage	$ 5,296	$ -	$ 5,296
Transfer from Fairmont State (exclusive of $7,986,608 of cash)	$ 14,048,639	$ (256,982)	$ 13,791,657
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS:			
Cash and cash equivalents classified at current	$ 1,495,726	$ 7,046,534	$ 8,542,260
Cash and cash equivalents classified at noncurrent	25		25
	$ 1,495,751	$ 7,046,534	$ 8,542,285

See note to schedules.

(Concluded)

PIERPONT COMMUNITY AND TECHNICAL COLLEGE

SCHEDULE OF NATURAL VS. FUNCTIONAL CLASSIFICATIONS INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

COMPONENT: BOG Support

Function	Salaries and Wages	Benefits	Supplies and Others	Utilities	Scholarships	Depreciation	Loan Cancellations	Function Total
Auxiliary enterprises	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Instruction								-
Research								-
Public service								-
Academic support								-
Student services								-
General institutional support								-
Student financial aid					3,479			3,479
Operation and maintenance			110,455	1,745				112,200
Depreciation						778,497		778,497
Loan cancellations and write-offs								-
TOTAL	$ -	$ -	$110,455	$1,745	$3,479	$778,497	$ -	$894,176

(Continued)

PIERPONT COMMUNITY AND TECHNICAL COLLEGE

SCHEDULE OF NATURAL VS. FUNCTIONAL CLASSIFICATIONS INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

COMPONENT: PIERPONT COMMUNITY AND TECHNICAL COLLEGE

Function	Salaries and Wages	Benefits	Assessment for Faculty Services	Assessment for Support Services	Supplies and Others	Assessment for Operating Costs	Utilities	Scholarships	Depreciation	Assessment for Student Activity Costs	Assessment for Auxiliary Fees and Debt Service	Loan Cancellations	Fees Assessed by the Commission	Function Total
Auxiliary enterprises	$ 33,806	$ 311	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$1,303,703	$ -	$ -	$ 1,337,820
Instruction	4,648,652	1,424,712	1,295,106	285,407	1,404,851	172,758	65							9,231,551
Research	9,685	1,498			5,056									16,239
Public service	229,164	83,170			211,507									523,841
Academic support	1,329,380	352,350		528,319	404,233	254,604	1,333							2,870,219
Student services	76,274	112,958		766,099	32,939	177,709				165,870				1,331,849
General institutional support	(19,019)	136,234		1,307,956	84,568	859,611							92,266	2,461,616
Student financial aid								5,207,103						5,207,103
Operation and maintenance	360	106,895		614,543		967,918								1,689,716
Depreciation									127,901					127,901
Loan cancellations and write-offs												39,195		39,195
TOTAL	$6,308,302	$2,218,128	$1,295,106	$3,502,324	$2,143,154	$2,432,600	$1,398	$5,207,103	$127,901	$ 165,870	$1,303,703	$39,195	$92,266	$24,837,050

See note to schedules.

(Concluded)

1. COMPONENT FINANCIAL DATA

The additional information schedules are included to comply with the requirements of the Council to provide financial information for all component parts of Pierpont. This presentation provides financial information for Pierpont, and BOG Support. The BOG Support component comprises Pierpont's ownership based on the Separation of Assets and Liabilities Agreement which was 34.18% as of June 30, 2010. The BOG Support component consists of capital funds for all E&G shared bonding and plant repairs and replacements, plant and other capitalized assets, and grants in support of capital projects.

Financial Schedules — The financial schedules for Pierpont and BOG Support are driven by rollup of funds to fund type. Separate fund types for each component part were established in each net asset category (unrestricted, restricted, etc.). This setup has allowed Fairmont State and Pierpont to produce separate financial statements (net assets, statement of revenues, expenses, and changes in net assets ("SRECNA"), and Natural versus Functional Classification reports) from a shared financial accounting system. These supplemental schedules are produced as a by-product financial reporting system.

The following represents additional footnotes outlining faculty teaching services shared between Pierpont and Fairmont State University, services that are charged to both Pierpont and Fairmont State, and student fee distributions. These representations are based on the approved chargeback agreement between Pierpont and Fairmont State University and legislative actions:

a. *Revenues* — State appropriations are allocated by the Legislature each year. Appropriations decreased by 6.71% for the two-year college.

   Student fee revenues are directly credited to the appropriate two-and four-year college funds based on the students' program major. Student enrollment in each college drives the fee revenue dollars available to each component, as follows:

   1. Required auxiliary, capital, and student activity fee revenues are recorded as revenues to the institution in which the student is enrolled. Under the contract agreement, all (100%) of these revenues will be transferred as an expense to the capital, auxiliary, and student activity funds from which the operating, capital, and debt service expenditures are paid (primarily Fairmont State state funds). Most of these fees are pledged on revenue bonds and must be transferred to maintain compliance with bond covenants.

   2. User fees collected from students of either institution are deposited directly to the appropriate auxiliary revenue account and are not recorded as revenues by separate institutions. Examples of this type of revenue are parking, books, meals, and rent.

   3. Grant revenues are deposited in the institution's fund to which the grant was awarded.

   4. Student payments made via lockbox, Web, etc., are deposited to the four-year clearing fund and are moved daily to the appropriate operating state fund for each institution.

5. Interest income is allocated by the Commission to both institutions based on current allocation methods.

b. *Expenses* —

Direct Expenditures:

1. Direct expenditures will be assigned directly to either Fairmont State or Pierpont.

2. Full- and part-time faculty personnel services and fringe benefit expenditures are paid from the institution where the personnel are employed.

Chargeback Expenditures:

1. Teaching service expenses are charged back from one institution to the other based on the number of credit hours taught. This chargeback process includes instructional salary and benefit costs. The calculation includes the faculty member's salary and benefit costs, courses taught, the student being taught, and the number of student credit hours being taught. The teaching chargeback services calculations are performed once each semester. The teaching chargeback calculation results in a value allocated for each institution for the credit hours taught to both Pierpont and Fairmont State students.

2. Support service chargebacks are for salary and benefit costs from one institution to the other and/or services provided from the administrative, academic support, student service, and physical plant support areas of Fairmont State to the community and technical college and vice versa. The salary and benefit chargeback services from each institution to the other for support services are based on the percentage of total credit hours (full-time equivalent (FTE) enrollment) taken by the Pierpont and Fairmont State students.

   Support service chargebacks for staff located in the academic schools, for salary and benefit costs:

   The chargeback services for support staff located in the academic units are based on enrollment percentages within that academic unit.

   Support service chargebacks for adjunct and/or supplemental pay contracts:

   Chargebacks at 100% of cost occur when one institution's employee is hired to teach or work part-time by the other institution. This action of chargeback allows the employee to maintain one payroll account and ensures that one W-2 is issued to this employee.

   Support Services salary and benefit chargebacks are performed each pay cycle and are supported with detailed reports showing employee costs being charged by Pierpont to Fairmont State and vice versa.

3. Operating (Nonlabor) expenses for all support offices are charged back based on state code requirements. The organization manager of those offices has budget authority to expend against these budgets during the fiscal year. All unspent budgets at the end of each fiscal year are not carried forward to future fiscal years. Therefore, unspent budget increases the fund balance of both institutions. These fund balances are under the direct control of the respective Presidents of each institution.

Academic operating costs are funded directly by Educational & General (“E&G”) revenues received by each institution. In some academic units, a portion of the operating (nonlabor) expense budgets are based on the percentage of total credit hours taken by PC&TC and Fairmont State students in that academic unit. The chargeback for these operating expenses is driven by the state code requirements. The organization manager of those academic units has budget authority to spend against these budgets during the fiscal year. All unspent budgets at the end of each fiscal year are not carried forward to future fiscal years. Once again, any unspent budget increases the fund balance of the appropriate institutions. These fund balances are under the direct control of the respective Presidents of each institution.

4. Support staff actual liability costs:

   The liability costs incurred annually from employee benefits provided to support staff, such as retiree health premiums and severance payable are allocated to the institutions based on the percentage of total credit hours (FTE enrollment) taken by the Pierpont and Fairmont State students.

5. Support staff accrued liabilities:

   Accrued liabilities (OPEB liability, annual leave, severance payable, etc.) required to be recorded in the financial statements annually for all support staff are allocated to the institutions based on the percentage of total credit hours (FTE enrollment) taken by the Pierpont and Fairmont State students.

6. PEIA retiree and severance payables in the current year:

   Compensated Absences — As of June 30, 2010, PEIA retiree and severance costs and liabilities are distributed to the component units based on funding source. However, the chargeback agreement for fiscal year 2010 between the institutions reads as follows: Payout of PEIA retiree and severance costs incurred during the year will be allocated to the institutions based on the percentage defined in the chargeback agreement. For fiscal year 2010, the percentages are 32.11 % for the two-year institution and 67.89% for the four-year institution.

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

To the Governing Board of
Pierpont Community and Technical College:

We have audited the financial statements of Pierpont Community and Technical College ("Pierpont") as of and for the year ended June 30, 2010, and have issued our report thereon dated October 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pierpont'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 Pierpont's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pierpont'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.

Compliance and Other Matters

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

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

Deloitte & Touche LLP

October 29, 2010