Eastern West Virginia Community and Technical College

Financial Statements as of and for the
Years Ended June 30, 2011 and 2010, and
Independent Auditors' Reports

EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Governing Board of
Eastern West Virginia Community and Technical College:

We have audited the accompanying statements of net assets of Eastern West Virginia Community and Technical College (the "College") as of June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets, and of cash flows for the years then ended. These financial statements are the responsibility of the management of the College. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2011 and 2010, and the changes in net assets and cash flows of the College for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 to 9, which is the responsibility of the College's management, is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Deloitte & Touche LLP

October 31, 2011

Overview of the Financial Statements and Financial Analysis

The Governmental Accounting Standards Board ("GASB") issued directives for presentation of college and university financial statements which were adopted in Fiscal Year 2002 by Eastern West Virginia Community and Technical College (the "College"). The previous reporting format presented financial balances and activities by fund groups. The current format places emphasis on the overall economic resources of the College.

The following discussion and analysis of the College's financial statements provides an overview of its financial activities during the fiscal years ended June 30, 2011 and June 30, 2010 with the primary focus on 2011. This discussion and analysis is required supplementary information. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

Statement of Net Assets

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

From the data presented, readers of the Statement of Net Assets are able to determine the availability of net assets for expenditure to continue the operations of the College. They are also able to determine how much the College owes vendors and employees.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the College's equity in equipment and library books owned by the College. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. Nonexpendable restricted net assets are for the Endowment Program where funds are invested and the earnings are available for expenditure but the original investment (corpus) is not. The College does not currently have nonexpendable restricted net assets since all funds of this nature would generally be directed to The Eastern West Virginia Community and Technical College Foundation, Incorporated. Expendable restricted net assets are available for expenditure by the College but have a specific purpose (i.e. time or purpose restrictions). The final category is unrestricted net assets. Unrestricted net assets are available to the College for any lawful purpose of the College.

Condensed Statements of Net Assets
As of June 31, 2011, 2010 and 2009

	June 30, 2011	June 30, 2010	June 30, 2009
Assets:			
Current assets	$2,510,888	$2,237,801	$2,159,707
Noncurrent assets	9,085,824	8,846,421	8,084,185
Total Assets	11,596,712	11,084,222	10,243,892
Liabilities:			
Current Liabilities	1,113,299	1,236,937	1,168,931
Noncurrent Liabilities	1,018,511	848,422	323,901
Total Liabilities	2,131,810	2,085,359	1,492,832
Net Assets:			
Invested in capital assets, net of debt	8,245,645	8,048,967	7,662,207
Restricted-expendable	222,014	179,242	144,270
Unrestricted	997,243	770,654	944,583
Total Net Assets	$9,464,902	$8,998,863	$8,751,060

Financial Highlights:

- *Assets*

  Current assets as of June 30, 2011 increased $273,087 from June 30, 2010. Cash increased by $367,317 in part due to increased enrollment and grant funding. Accounts receivable remained relatively the same in 2011 with a small increase of $7,496. Current assets as of June 30, 2010 reflect an increase of $78,094 from June 30, 2009. Cash, as of June 20, 2010, increased by $208,421 from June 30, 2009 in part due to increased tuition and grant funding.

  Non-current assets increased by $239,403 as of June 30, 2011 from June 30, 2010 at which time reflected an increase of $762,236 in comparison to June 30, 2009. The increase from 2010 to 2011 was due to increase grant funding which purchased fixed assets. The 2009 to 2010 is due to the completion of Eastern's new facility. At the close of fiscal year 2011, the College had occupied the new facility for 22 months.

- *Liabilities*

  Current Liabilities as of June 30, 2011 decreased by $123,638 from the previous year as compared to an increase of $68,006 from June 30, 2009 to June 30, 2010. Accounts payable reflects an increase of $29,450 from June 30, 2010 to June 30, 2011. Deferred revenue decreased by $201,163 from June 30, 2010 and June 30, 2011 as a result of several grants that required the money to be requested for reimbursement. Deferred revenue increased $261,492 from June 30, 2009 to June 30, 2010 due to increased grant funding.

  Non-current or long-term liabilities represent accrued compensated absences, other post employment benefits liability (OPEB) and a long-term liability for a capital project. Included in compensation absences are employees' balances of annual leave which are in excess of one year's annual leave rate for June 30, 2011 and 2010 and sick leave for those employees hired before July 1, 2002 as of June

30, 2011. The total noncurrent balance increased by $170,089 from June 30, 2010 to June 30, 2011 primarily as a result of an increase OPEB liability. The total noncurrent balance increased by $524,521 from June 30, 2009 to June 30, 2010 also as part of securing funds for a capital project and an increase in OPEB liability.

- *Net Assets*

  Investment in capital assets reports an increase of $196,678 in fixed assets (net of depreciation) between June 30, 2010 and June 30, 2011. The comparison of June 30, 2009 to June 30, 2010 reflects an increase of $386,760 in fixed assets (net of depreciation), as described in the above highlighted "Non-current Assets" section.

  Restricted net assets shows an increase of $42,772 and $34,972 between 2011 and 2010, and 2010 and 2009, respectively. This is the result of the increase in collections of education and general tuition & fees capital fee that is expendable but restricted for capital projects.

  Unrestricted net assets increased by $226,589 as of June 30, 2011 in comparison to June 30, 2010 and decreased by $173,929 as of June 30, 2010 in comparison to June 30, 2009.

  In total, net assets as of June 30, 2011 increased by $466,039 from June 30, 2010 as compared to an increase of $247,803 between June 30, 2010 and June 30, 2009.

Statement of Revenues, Expenses and Changes in Net Assets

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

Operating revenues are generated by providing goods and services to the College's customers and constituencies and in the form of federally-funded and state-funded grants. *Operating expenses* are expenses incurred by the College in order to generate operating revenue and to carry out the mission of the College.

Non-operating revenue is revenue received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the West Virginia Legislature to the College without the West Virginia Legislature directly receiving commensurate goods and services for those revenues.

Condensed Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 31, 2011, 2010 and 2009

	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009
Operating revenues	$2,186,626	$1,027,571	$1,306,388
Operating expenses	5,295,607	4,344,492	3,351,649
Operating loss	(3,108,981)	(3,316,921)	(2,045,261)
Nonoperating revenues	3,527,204	3,040,546	2,488,365
Income (Loss) before other revenues, expenses, gains, or losses	418,223	(276,375)	443,104
Capital projects and bond proceeds	10,281	197,672	2,151,763
Capital grants	37,535	324,301	75,000
Gain on sale of fixed assets	-	2,205	-
Increase in Net Assets	466,039	247,803	2,669,867
Net Assets-beginning of year	8,998,863	8,751,060	6,081,193
Net Assets-end of year	$9,464,902	$8,998,863	$8,751,060

Financial Highlights:

Operating revenues increased by $1,159,055 in fiscal year 2011 as compared to fiscal year 2010. Tuition and fee revenue increased by $196,480 due to increased enrollment as the College continues to grow and a downturn in the economy results in an increased need for students gain new skills. Workforce fees increase by $89,777 in fiscal year 2011 as compared to fiscal year 2010. Revenue from grants and contracts reflected an increase of $923,278 during this period. Grants and contracts are cyclical by nature and cannot be relied upon for sustained revenue from one year to the next.

Operating expenses in fiscal year 2011 increased by $951,115 from fiscal year 2010. Fiscal year 2010 also showed an increase in operating expenses of $992,843 as compared to fiscal year 2009. The increase in 2011 is increase payroll wages, benefits, student financial aid, other services and utilities. Payroll increased in 2011 by $242,379 as a result of salary increases, full staffing and the need for additional staff.

The increase in supplies and other services of $218,931 is a result of implementation of new programs and promotional strategies. Student financial aid increased $383,617 in 2011 as compared to 2010. Depreciation reflected an increase of $112,009 in fiscal 2011 as compared to fiscal 2010. The startup of the Wind Tech and Nursing programs allowed for the purchase of additional fixed assets. There was an increase of $208,569 in fiscal year 2010 as compared to fiscal year 2009 as a result of the completion of the new building.

Non-operating revenue increased by $486,658 in fiscal year 2011 as compared to fiscal year 2010. Federal Pell grants showed an increase of $479,276 in 2011 compared to 2010. The College also received $162,255 of American Recovery and Reinvestment Act (ARRA) funding from the State of West Virginia. Fiscal year 2010 as compared to fiscal year 2009 resulted in a $552,181 increase in nonoperating revenue primarily due to the College processing Pell grants for the first time. The College participates in the investment pool managed by the state.

Other revenues decreased by $476,362 in fiscal year 2011 from fiscal year 2010 as compared to a decrease of $1,702,585 in fiscal year 2010 from fiscal 2009. The decrease in 2011 and 2010 both are a result of the completion of the Eastern complex, which required less Bond revenue and capital grants.

Statement of Cash Flows

The final statement presented by the College is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the College during the year. The statement is divided into five sections.

The ***first section*** reflects cash in-flows/out-flows generated from operating activities. The ***second section*** reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The ***third section*** deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The ***fourth section*** reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The ***fifth section*** reconciles the net cash used to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

Condensed Statements of Cash Flows
For the Years Ended December 31, 2011, 2010 and 2009

	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009
Cash provided by (used in)			
Operating activities	($2,660,621)	($2,073,559)	($2,012,454)
Noncapital financing activities	3,639,160	2,756,039	2,475,506
Capital and related financing activities	(615,641)	(477,356)	(322,549)
Investing activities	4,419	3,297	18,498
Increase in cash	367,317	208,421	159,001
Cash and cash equivalents--beginning of year	1,607,168	1,398,747	1,239,746
Cash and cash equivalents--end of year	$1,974,485	$1,607,168	$1,398,747

Financial Highlights:

Cash flows used in operating activities increased by $587,062 in fiscal year 2011 from the previous year. An increase of $219,781 in cash flows from tuition and fees is a result of an increase in the enrollment rate and increase revenue from Workforce education. Cash flow from grants and contracts saw an increase of $70,090 from fiscal 2010 to fiscal 2011 due to an increase in grants and contracts received by the College. Cash flows for payments to and on behalf of employees increased by $194,235 in fiscal 2011 as compared to fiscal 2010 as a result of the increase in the “salary & wages” and “benefits”. Cash flows for payments for scholarships also saw an increase of $383,617 from fiscal 2010 to fiscal 2011. Fiscal year 2011 also experienced an increase of $203,392 in cash flows for payments to suppliers over fiscal year 2010.

Cash flows from noncapital financing activities increased by $883,121 in fiscal year 2011 as compared to fiscal year 2010 primarily as a result of Federal Pell grants. Fiscal Year 2010 noncapital financing activities reflected an increase in cash flows of $280,533 over fiscal year 2009.

Cash flows used in capital financing increased in fiscal year 2011 from fiscal year 2010 by $138,285 and $154,807 in 2010 as compared to 2009. The use of cash in both years is primarily due to the construction payments for the new building in excess of the amounts received for capital projects and other capital purchases.

Cash flows from investing activities increased in fiscal year 2011 from fiscal year 2010 by $1,122. There was a decrease in fiscal year 2010 from fiscal year 2009 by $15,201. This decrease was due to less invested monies and lower investment returns.

Overall cash increased by $367,317 in fiscal year 2011 as compared to an overall cash increase of $208,421 in fiscal year 2010.

Capital Activity

During August 2004 the West Virginia Higher Education Policy Commission issued $167,260,000 of 2004 Series B Revenue Bonds (Higher Education Facilities). The College has been approved for $8,000,000 for capital projects from this bond issuance. This bond is to be repaid by excess State lottery funds with no debt responsibility for the College.

As of July 27, 2011, the College moved into its first Classroom/Laboratory/General Support building that is being funded through the 2004 Revenue Bond. A ten-year Campus Facility Master Plan and a five-year Capital Expenditure Plan were developed and approved by the West Virginia Community and Technical College Council.

The College has agreements with the West Virginia Development Office (WVDO) totaling $2,485,000. These funds were used to construct a new sewer system and access road for the College's new facility. The College will repay the WVDO "if nonoperating funds become available" or "when an appropriate nonoperating income stream is established" or if the College "sells or disposes of the two acres of property." The amount owed to the WVDO, in the event that one of the previous conditions are met, is recorded as a noncurrent liability in the statement of net assets.

Eastern has consulted with an architect to provide plans for a 16,000 square foot wing to accommodate additional classroom space. The total project will cost around $5,000,000. Eastern currently has $3,200,000 available for the project.

Economic Outlook

Eastern's headcount enrollment is projected to increase and fall 2011 Full Time Equivalent (FTE) increased over 6% compared to last year's 357.7 FTEs. Enrollment growth increased tuition dollars received, however the college reviewed its conservative $86.00 tuition rate and submitted a request to West Virginia Community and Technical College Council to increase the tuition rate to $91.00 effective summer 2011. A 5% increase was approved. The College's Board of Governors will annually assess enrollment and expenses to determine the need for future tuition increases. The College continues to offer the lowest tuition rate compared to the other nine community colleges within the system.

FY 2012 state funding received was equal to 2009 appropriations which helped transition dependency from ARRA funding. Eastern does not anticipate reductions in state funding, but the College continues to practice conservative fiscal planning and management. The West Virginia Community College System is developing two proposals to fund high cost technical programs and performance based fiscal awards for colleges increasing the number of completers.

The college developed a new strategic plan for 2011-2015. An important goal is to link the Strategic plan to the College's budget. Strategies developed will contribute to increase enrollment and tuition dollars.

In 2006, due to high market costs during the "bid phase" of the Moorefield campus, the College was forced to eliminate critical classroom space.   Due to recent increased headcount, the campus has reached its capacity. An architect has provided Eastern plans for a 16,000 square foot wing that will accommodate academic classrooms, a Workforce/Community Education space that can be divided into two sections, a wet and dry lab for science and allied health instruction, Nursing and a needed Student Center. The College has reserved $3 million to construct a $4.2 million building. Construction estimates do not include technology or furnishings which would bring the total project to $5 million. A compromise is being discussed to build a 16,000 square foot wing that would finish the first floor for occupancy and complete the second floor at a later date when funds are available.

EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,974,485	$ 1,607,168
Appropriations due from primary government	167,156	283,106
Accounts receivable — net	355,023	347,527
Prepaid assets	14,224	-
Total current assets	2,510,888	2,237,801
NONCURRENT ASSETS:		
Cash and cash equivalents	220,247	177,522
Capital assets — net	8,865,577	8,668,899
Total noncurrent assets	9,085,824	8,846,421
TOTAL	$ 11,596,712	$ 11,084,222
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 125,504	$ 96,054
Amount due to the Commission	16,914	18,758
Accrued liabilities and deposits	110,667	66,328
Compensated absences — current portion	84,555	78,975
Deferred revenue	775,659	976,822
Total current liabilities	1,113,299	1,236,937
NONCURRENT LIABILITIES:		
Compensated absences	21,394	18,403
Other post employment benefits liability	377,185	210,087
Funds due to West Virginia Development Office	619,932	619,932
Total noncurrent liabilities	1,018,511	848,422
Total liabilities	2,131,810	2,085,359
NET ASSETS:		
Invested in capital assets, net of related debt	8,245,645	8,048,967
Restricted — expendable for capital projects	222,014	179,242
Unrestricted	997,243	770,654
Total net assets	9,464,902	8,998,863
TOTAL	$ 11,596,712	$ 11,084,222

See notes to financial statements.

EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowance of $578,411 and $482,752 in 2011 and 2010, respectively	$ 730,708	$ 534,228
Contracts and grants:		
State	1,343,255	450,857
Private	71,706	40,826
Sales and Services of educational activities	842	-
Miscellaneous — net	40,115	1,660
Total operating revenues	2,186,626	1,027,571
OPERATING EXPENSES:		
Salaries and wages	1,851,318	1,608,939
Benefits	537,302	552,918
Supplies and other services	1,396,465	1,177,534
Rent	90,040	94,844
Utilities	100,842	88,846
Student financial aid — scholarships	875,974	492,357
Depreciation	434,004	321,995
Fees assessed by the Commission for operations	9,662	7,059
Total operating expenses	5,295,607	4,344,492
OPERATING LOSS	(3,108,981)	(3,316,921)
NONOPERATING REVENUES:		
State appropriations	1,906,570	1,925,638
State fiscal stabilization funds (federal)	162,255	136,477
Federal Pell grants	1,454,385	975,109
Investment income	3,994	3,322
Total nonoperating revenues	3,527,204	3,040,546
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	418,223	(276,375)
CAPITAL PROJECTS AND BOND PROCEEDS FROM THE COMMISSION	10,281	197,672
CAPITAL GRANTS	37,535	324,301
GAIN ON SALE OF FIXED ASSETS	-	2,205
INCREASE IN NET ASSETS	466,039	247,803
NET ASSETS — Beginning of year	8,998,863	8,751,060
NET ASSETS — End of year	$ 9,464,902	$ 8,998,863

See notes to financial statements.

EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 733,471	$ 513,690
Contracts and grants	1,188,763	1,258,853
Payments to and on behalf of employees	(2,168,612)	(1,974,377)
Payments to suppliers	(1,380,467)	(1,177,075)
Payments to utilities	(190,882)	(183,690)
Payments for scholarships	(875,974)	(492,357)
Sales and service of educational activities	15,005	(11,145)
Fees retained by the Commission	(9,662)	(7,059)
Other (payments) receipts — net	27,737	(399)
Net cash used in operating activities	(2,660,621)	(2,073,559)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	2,022,520	1,644,453
State fiscal stabilization funds (federal)	162,255	136,477
Federal Pell grants	1,454,385	975,109
Cash provided by noncapital financing activities	3,639,160	2,756,039
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital project proceeds from the Commission	10,281	177,622
Capital project proceeds from the WV Development Office	-	605,332
Capital grants	37,535	-
Purchases of capital assets	(620,732)	(1,228,469)
Proceeds from sale of disposed assets	-	2,205
Draws from noncurrent cash and cash equivalents	1,696	1,484
Deposits to noncurrent cash and cash equivalents	(44,421)	(35,530)
Net cash used in capital financing activities	(615,641)	(477,356)
CASH FLOWS FROM INVESTING ACTIVITIES — Interest on investments	4,419	3,297
INCREASE IN CASH AND CASH EQUIVALENTS	367,317	208,421
CASH AND CASH EQUIVALENTS — Beginning of year	1,607,168	1,398,747
CASH AND CASH EQUIVALENTS — End of year	$ 1,974,485	$ 1,607,168
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Net operating loss	$ (3,108,981)	$ (3,316,921)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	434,004	321,995
Changes in assets and liabilities:		
Accounts receivable	(7,921)	147,635
Prepaid expenses	(14,224)	-
Accounts payable/amounts due	17,656	459
Accrued liabilities and deposits	44,339	(3,104)
Other post employment benefits liability	167,098	186,735
Compensated absences	8,571	3,849
Deferred revenue	(201,163)	585,793
NET CASH USED IN OPERATING ACTIVITIES	$ (2,660,621)	$ (2,073,559)
NONCASH TRANSACTION — Capital assets additions included in accounts payable	$ 9,950	$ -

See notes to financial statements.

1. ORGANIZATION

Eastern West Virginia Community and Technical College (the "College") is governed by the Eastern West Virginia Community and Technical College Governing Board (the "Board"). The Board was established by Senate Bill 653.

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity — The College is an operating unit of the West Virginia Higher Education Fund and represents separate funds of the State that are not included in the State's general fund. The College is a separate entity, which along with all State institutions of higher education, the Council, and 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 the College. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities. A related foundation and another affiliate of the College are not part of the College reporting entity and are not included in the accompanying financial statements since the College has no ability to designate management, cannot significantly influence operations of these entities, and is not accountable for the fiscal matters of these entities 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 the College as a whole. Net assets are classified into four categories according to external donor restrictions or availability of assets for satisfaction of College obligations. The College's net assets are classified as follows:

Invested in Capital Assets — Net of Related Debt — This represents the College's total investment in capital assets, net of 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 the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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

Restricted Net Assets — Nonexpendable — This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College does not have any restricted nonexpendable net assets at June 30, 2011 or 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 the College, and may be used at the discretion of the Board to meet current expenses for any purpose.

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

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

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

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts, three of which the College may invest in. These pools have been structured as multiparticipant variable 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 those annual reports can be obtained from the following address: 1900 Kanawha Blvd., E. Room E-122, Charleston, WV 25305 or http://vvbti.com.

Appropriations Due from Primary Government — For financial reporting purposes, appropriations due from the State are presented separate from cash and cash equivalents, as amounts are not specific deposits with the State Treasurer but are obligations of the State.

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

Capital Assets — Capital assets include land, building/improvements, construction in progress, furniture and equipment, and books and materials that are part of a catalogued library. Capital assets are stated at cost at the date of acquisition or construction or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years of buildings, 7 years for library books and 3 to 10 years for furniture and equipment. The College's capitalization threshold is $1,000.

Deferred Revenue — Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as deferred revenue.

Compensated Absences and Other Post Employment Benefits (OPEBs) — 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. Effective July 1, 2007, the College was required to participate in this multiple-employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State. Details regarding this plan can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, WV 25305-0710 or http://www.wvpeia.com.

GASB requires entities to accrue for employees' rights to receive compensation for vacation leave or other postretirement benefits as such benefits are earned and payment becomes probable.

The College's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1 1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988 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 on 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 of teaching service extend health insurance for one year of family coverage. The same hire date mentioned above applies to coverage for faculty employees also. Faculty hired after July 1, 2009, will no longer receive years of service credit toward insurance premiums when they retire. Employees hired after July 1, 2010 receive no health insurance premium subsidy from the College. Two groups of employees hired after July 1, 2010 will not be required to pay the unsubsidized rate: 1) active employees who were originally hired before July 1, 2010, who have a break in service of fewer than two years after July 1, 2010; and 2) retired employees who retired before July 1, 2010, return to active service after July 1, 2010, and then go back into retirement. In those cases, the original hire date will apply.

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

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

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

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

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

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

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

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

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

Federal Financial Assistance Programs — Federal Direct Loan receivables are not included in the College's statements of net assets, as the loans are repayable directly to the U.S. Department of Education. In 2011 and 2010, the College received and disbursed approximately $394,000 and $443,000, respectively, under the Federal Direct Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net assets.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the federal Pell Grant program. The activity of this program is recorded in the accompanying financial statements. In 2011 and 2010, the College received and disbursed approximately $1,454,000 and $975,000, respectively, under this federal student aid program. Prior to 2010, the College did not distribute student financial assistance funds on behalf of the federal government to students under the federal Pell Grant program. Pell Grant funds distributed for 2009 were made through Southern West Virginia Community and Technical College.

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

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

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

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

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

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

Risks 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 2011, the College adopted Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes new categories for reporting fund balance and revised the definitions for governmental fund types. The adoption of this statement did not have a material impact on its financial statements.

The College also adopted Statement No. 59, *Financial Instruments Omnibus*, effective for fiscal years beginning after June 15, 2010. This statement improves financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards related to certain financial instruments and external investment pools. The adoption of this statement did not have a material impact on the financial statements.

Recent Statements Issued by the Governmental Accounting Standards Board —The Governmental Accounting Standards Board has issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective for fiscal years beginning after December 15, 2011. This statement addresses how to account for and report service concession arrangements (SCAs) by establishing recognition, measurement, and disclosure requirements for SCAs for both tranferors and governmental operators. The College has not yet determined the effect that the adoption of GASB Statement No. 60 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, effective for fiscal years beginning after June 15, 2012. This statement improves financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of the entity. The College has not yet determined the effect that the adoption of GASB Statement No. 61 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for fiscal years beginning after December 15, 2011. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance included in the FASB and ACIPA pronouncements issued on or before November 30, 1989. This statement will improve financial reporting by contribution to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The College has not yet determined the effect that the adoption of GASB Statement No. 62 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for fiscal years beginning after December 15, 2011. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related disclosures. The College has not yet determined the effect that the adoption of GASB Statement No. 63 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, effective for fiscal years beginning after June 15, 2011. The objective of this statement is to improve financial reporting by clarifying whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The College has not yet determined the effect that the adoption of GASB Statement No. 64 may have on its financial statements

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents as of June 30, 2011 and 2010, was held as follows:

2011	**Current**	**Noncurrent**	**Total**
State Treasurer	$ 1,962,758	$ 220,247	$ 2,183,005
Bank	11,427	-	11,427
Cash on hand	300	-	300
	$ 1,974,485	$ 220,247	$ 2,194,732

2010	**Current**	**Noncurrent**	**Total**
State Treasurer	$ 1,595,159	$ 177,522	$ 1,772,681
Bank	11,709	-	11,709
Cash on hand	300	-	300
	$ 1,607,168	$ 177,522	$ 1,784,690

Amounts held by the State Treasurer include $220,247 and $177,522 of restricted cash for purposes specified by West Virginia State Code as of June 30, 2011 and 2010, respectively.

The combined carrying amount of cash in the bank was $11,427 and $11,709, at June 30, 2011 and 2010, respectively. The combined bank balance was equal to the carrying amount of cash in the bank at both June 30, 2011 and 2010. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, interest bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Non-interest bearing accounts are 100% insured through December 31, 2012.

Amounts with the State Treasurer as of June 30, 2011 and 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 is to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. Due to the short-term nature of BTI's Consolidated Fund, the BTI believes that it is imperative to review and adjust the investment policy in reaction to interest rate market fluctuations/trends on a regular basis and has adopted a formal review schedule. Investment policies have been established for each investment pool and account of the BTI's Consolidated Fund. Of the BTI's Consolidated Fund pools and accounts in which the Commission invest, all are subject to credit risk.

WV Money Market Pool — Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the years ended June 30, 2011 and 2010, 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 P-1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2011 and 2010, the WV Money Market Pool investments had a total carrying value of $3,018,560,000 and $2,876,711,000, respectively, of which the College's ownership represents .06% and .05%, respectively.

WV Government Money Market Pool — Credit Risk — For the years ended June 30, 2011 and 2010, 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, 2011 and 2010, the WV Government Money Market Pool investments had a total carrying value of $262,692,000 and $221,183,000, respectively, of which the College's ownership represents .01% and 0.05%, respectively.

WV Short Term Bond Pool:

Credit Risk — The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated A by Standards & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standards & Poor's and P-1 by Moody's. As this pool has not been rated, the following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

	Credit Rating*		2011		2010	
Security Type	**Moody's**	**S&P**	**Carrying Value**	**Percent of Pool Assets**	**Carrying Value**	**Percent of Pool Assets**
Corporate asset backed securities	Aaa	AAA	$ 87,197	18.40 %	$ 24,330	5.37 %
	Aaa	NR *	19,891	4.20	10,353	2.28
	Aa3	AAA	-	-	1,000	0.22
	Aa3	AA+ **	454	0.10	-	-
	Ba1	CC **	-	-	45	0.01
	Ba2	BB **	-	-	219	0.05
	B1	BBB **	-	-	605	0.13
	B1	CCC **	885	0.19	857	0.19
	B2	CCC **	-	-	366	0.08
	B3	B **	366	0.08	442	0.10
	B3	BBB **	631	0.13	247	0.05
	B3	CCC **	-	-	554	0.12
	Ca	CCC **	664	0.14	-	-
	Caal	CCC **	-	-	230	0.05
	Caa2	CCC **	473	0.10	779	0.17
	Caa3	CCC **	393	0.08	-	-
	Caa3	D **	27	0.01	-	-
	NR *	AAA	-	-	3,538	0.78
	NR *	NR *	4,000	0.84	-	-
			114,981	24.27	43,565	9.60
Corporate bonds and notes	Aaa	AAA	-	-	72,549	16.00
	Aaa	AA	2,043	0.43	2,060	0.46
	Aa1	AA	-	-	5,430	1.20
	Aa1	A	4,143	0.87	-	-
	Aa2	AAA	-	-	-	-
	Aa2	AA	11,866	2.50	6,650	1.47
	Aa3	AA	7,064	1.49	6,722	1.48
	Aa3	A	13,040	2.75	13,850	3.05
	A1	AA	8,107	1.71	15,485	3.41
	A1	A	22,731	4.80	21,098	4.65
	A2	AA	2,555	0.54	-	-
	A2	A	23,976	5.06	41,093	9.06
	A3	A	8,770	1.85	4,158	0.92
			104,295	22.00	189,095	41.70
			-	-	-	-
Commercial paper	P-1	A-1	15,995	3.38	-	-
U.S. agency bonds	Aaa	AAA	20,017	4.22	40,180	8.86
U.S. Treasury notes***	Aaa	AAA	25,034	5.28	158,423	34.93
U.S. agency mortgage backed securities****	Aaa	AAA	97,296	20.53	4,540	1.00
Money market funds	Aaa	AAAm	96,287	20.32	-	-
Money market funds	Aaa	AAA	-	-	17,715	3.91
			$ 473,905	100 %	$ 453,518	100 %

* NR = Not Rated

** The securities were not in compliance with BTI Investment Policy at June 30, 2011 and/or 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 explicitly guaranteed by the United States government and are not subject to credit risk.

At June 30, 2011 and 2010, the College's ownership represents .05% and .01%, respectively, of these amounts held by the BTI.

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

The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

	2011		2010	
Security Type	**Carrying Value (In thousands)**	**WAM (Days)**	**Carrying Value (In thousands)**	**WAM (Days)**
Repurchase agreements	$ 84,357	1	$ 174,980	1
U.S. Treasury notes	298,345	137	65,153	140
U.S. Treasury bills	231,051	34	476,670	35
Commercial paper	1,069,576	35	855,844	18
Certificates of deposit	140,000	58	281,000	45
U.S. agency discount notes	697,164	45	606,048	52
Corporate bonds and notes	127,000	20	20,000	19
U.S. agency bonds/notes	170,788	66	246,990	55
Money market funds	200,279	1	150,026	1
	$ 3,018,560	46	$ 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, except for government floating rate notes, which can be up to 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

	2011		2010	
Security Type	**Carrying Value (In thousands)**	**WAM (Days)**	**Carrying Value (In thousands)**	**WAM (Days)**
Repurchase agreements	$ 98,400	1	$ 66,600	1
U.S. Treasury notes	45,811	131	8,526	114
U.S. Treasury bills	-	-	29,982	72
U.S. agency discount notes	60,852	74	36,465	115
U.S. agency bonds/notes	57,498	22	79,532	30
Money market funds	131	1	78	1
	$ 262,692	45	$ 221,183	44

The overall effective duration of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum effective duration 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:

	2011		2010	
Security Type	**Carrying Value (in Thousands)**	**Effective Duration (Days)**	**Carrying Value (in Thousands)**	**Effective Duration (Days)**
U. S. Treasury bonds/notes	$ 25,034	227	$ 158,423	583
Commercial paper	15,995	55	-	
Corporate notes	104,295	234	189,095	560
Corporate asset backed securities	114,981	268	43,565	679
U.S. agency bonds/notes	20,017	85	40,180	288
U.S. agency mortgage backed securities	97,296	18	4,540	360
Money market funds	96,287	1	17,715	1
	$ 473,905	138	$ 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 a pool managed by the securities lending agent. 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, 2011 and 2010, were as follows:

	2011	2010
Student tuition and fees — net of allowance for doubtful accounts of $185,593 and $150,685 in 2011 and 2010, respectively	$ 57,072	$ 74,006
Due from Commission/Council	263,067	226,472
Due from other State Agencies	32,862	14,600
Accrued interest receivable	20	445
Other accounts receivable	2,002	32,004
	$ 355,023	$ 347,527

5. CAPITAL ASSETS

A summary of capital asset transactions for the College for the years ended June 30, 2011 and 2010, is as follows:

	2011			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated — Land	$ 50,000	$ -	$ -	$ 50,000
Other capital assets:				
Building/improvements	$ 7,690,672	$ 4,405	$ -	$ 7,695,077
Equipment	2,898,523	626,277	736,028	2,788,772
Library books	6,477	-	6,477	-
Total other capital assets	10,595,672	630,682	742,505	10,483,849
Less accumulated depreciation for:				
Building/improvements	153,480	154,429	-	307,909
Equipment	1,816,840	279,551	736,028	1,360,363
Library books	6,453	24	6,477	-
Total accumulated depreciation	1,976,773	434,004	742,505	1,668,272
Other capital assets — net	$ 8,618,899	$ 196,678	$ -	$ 8,815,577
Capital asset summary:				
Capital assets not being depreciated	$ 50,000	$ -	$ -	$ 50,000
Other capital assets	10,595,672	630,682	742,505	10,483,849
Total cost of capital assets	10,645,672	630,682	742,505	10,533,849
Less accumulated depreciation	1,976,773	434,004	742,505	1,668,272
Capital assets — net	$ 8,668,899	$ 196,678	$ -	$ 8,865,577

	2010			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 50,000	$ -	$ -	$ 50,000
Construction in progress	7,513,503	-	7,513,503	-
Total capital assets not being depreciated	$ 7,563,503	$ -	$ 7,513,503	$ 50,000
Other capital assets:				
Building/improvements	$ -	$ 7,690,672	$ -	$ 7,690,672
Equipment	2,064,389	873,016	38,882	2,898,523
Library books	6,477	-	-	6,477
Total other capital assets	2,070,866	8,563,688	38,882	10,595,672
Less accumulated depreciation for:				
Building/improvements	-	153,480	-	153,480
Equipment	1,687,207	168,515	38,882	1,816,840
Library books	6,453	-	-	6,453
Total accumulated depreciation	1,693,660	321,995	38,882	1,976,773
Other capital assets — net	$ 377,206	$ 8,241,693	$ -	$ 8,618,899
Capital asset summary:				
Capital assets not being depreciated	$ 7,563,503	$ -	$ 7,513,503	$ 50,000
Other capital assets	2,070,866	8,563,688	38,882	10,595,672
Total cost of capital assets	9,634,369	8,563,688	7,552,385	10,645,672
Less accumulated depreciation	1,693,660	321,995	38,882	1,976,773
Capital assets — net	$ 7,940,709	$ 8,241,693	$ 7,513,503	$ 8,668,899

As of June 30, 2011, the College had no outstanding construction commitments.

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

6. LONG-TERM LIABILITIES

A summary of long-term obligation transactions for the College for the years ended June 30, 2011 and 2010, is as follows:

	2011				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued compensated absences	$ 97,378	$ 8,571	$ -	$ 105,949	$ 84,555
Funds due to West Virginia Development Office	619,932	-	-	619,932	
OPEB liability	210,087	167,098	-	377,185	
Total long-term liabilities	$ 927,397	$ 175,669	$ -	$ 1,103,066	

	2010				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued compensated absences	$ 93,529	$ 3,849	$ -	$ 97,378	$ 78,975
Funds due to West Virginia Development Office	278,502	341,430	-	619,932	
OPEB liability	23,352	186,735	-	210,087	
Total long-term liabilities	$ 395,383	$ 532,014	$ -	$ 927,397	

7. LEASE OBLIGATIONS

Future minimum payments under operating leases, which consist primarily of office space, with initial or remaining terms of one year or more, as of June 30, 2011, are as follows:

Years Ending June 30	
2012	$ 98,766
2013	45,834
2014	9,227
	$ 153,827

Lease agreements related to the building were renewed in July 2006 for a three-year lease period. However, the College moved into its new building on July 27, 2009, and terminated its lease with HARCO Investments on July 31, 2009. The College does not have any noncancelable leases.

Total rent expense for operating leases amounted to $90,446 and $96,155 for the years ended June 30, 2011 and 2010, respectively.

8. OTHER POST EMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarially determined amounts. At June 30, 2011 and 2010, the noncurrent liability related to OPEB costs was $377,185 and $210,087, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $204,611 and $39,428, respectively, during 2011, and $221,558 and $35,163, respectively, during 2010. As of and for the years ended June 30, 2011 and 2010, there was one retiree receiving these benefits.

9. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

The State has chartered the Commission with the responsibility to construct or renovate, finance, and maintain various academic and other facilities of the State's universities and colleges. As of June 30, 2010, the College had completed the construction of its new facility, which is being funded as noted below.

During the year ended June 30, 2005, the Commission issued $167 million of 2004 Series B 30-year Revenue Bonds to fund capital projects at various higher education institutions in the State. The College had been approved to receive $8 million of these funds. State lottery funds will be used to repay the debt, although College revenues are pledged if lottery funds prove insufficient. The College has recognized approximately $7,517,000 from these committed funds through June 30, 2011.

10. WEST VIRGINIA DEVELOPMENT OFFICE OBLIGATION

The College entered into two financial assistance agreements with the West Virginia Development Office (WVDO) for $685,000 and $2,000,000; these funds will be used to construct a new sewer system and access road for the College's new facility at 316 Eastern, respectively. Under the terms of both agreements, the College agrees to repay the WVDO "if nonoperating funds become available or when an appropriate nonoperating income stream is established" or "if the College sells or disposes of the two acres of property."

11. UNRESTRICTED NET ASSETS

The College did not have any designated unrestricted net assets as of June 30, 2011 or 2010.

	2011	2010
Total unrestricted net assets before OPEB liability	$ 1,374,428	$ 980,741
Less: OPEB liability	377,185	210,087
Total unrestricted net assets	$ 997,243	$ 770,654

12. RETIREMENT PLANS

Substantially all full-time employees of the College participate in the Teachers' Insurance and Annuities Association — College Retirement Equities Fund (TIAA-CREF).

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the Educators Money 401(a) basic retirement plan ("Educators Money"). New hires have the choice of either plan. As of June 30, 2011 and 2010, no employees were enrolled in Educators Money.

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

Total contributions to the TIAA-CREF for the years ended June 30, 2011, 2010, and 2009, were $154,735, $143,758, and $141,977, respectively, which consisted of contributions of $77,367, $71,879, and $70,988 for 2011, 2010, and 2009, respectively, from both the College and covered employees.

The College's total payroll for the years ended June 30, 2011 and 2010, was $1,843,647 and $1,591,162, respectively; total covered employees' salaries in TIAA-CREF were $1,301,084 and $1,217,113, in 2011 and 2010, respectively.

13. FOUNDATION (UNAUDITED)

The Eastern West Virginia Community and Technical College Foundation, Inc. (the "Foundation"), which was incorporated in fiscal year 2001, is a separate nonprofit organization incorporated in the State and has as its purpose "to support, encourage and assist in the development and growth of the College, to render service and assistance to the College, and through it to the citizens of the State of West Virginia." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy, and maintains fiscal accountability over funds administered by the Foundation. Accordingly, the financial statements of the Foundation are not included in the accompanying financial statements under GASB Statement No. 14, and they are not included in the College's accompanying financial statements under GASB Statement No. 39 because they are not significant.

The Foundation's net assets totaled approximately $31,000 and $25,000 at June 30, 2011 and 2010, respectively. The net assets include amounts which are restricted by donors to use for specific projects or departments of the College and its affiliated organizations. Contributions to the Foundation, which are not reflected in the accompanying financial statements, totaled $6,225 and $115 for the years ended June 30, 2011 and 2010, respectively. No contributions were made to the College during either the year ended June 30, 2011 or 2010.

14. AFFILIATED ORGANIZATION

The College has an affiliation agreement with Eastern Workforce Opportunity Regional Center and Services ("Eastern WORCS"). Although Eastern WORCS has been created "to foster and support applied research and workforce development" at the College, it is a separate nonprofit organization incorporated in the State of West Virginia. Oversight of Eastern WORCS is the responsibility of a separate and independently elected Board of Directors. Accordingly, the financial statements of Eastern WORCS are not included in the accompanying financial statements under GASB Statement No. 14, and they are not included in the College's accompanying financial statements under GASB Statement No. 39, because the economic resources held by Eastern WORCS do not entirely or almost entirely benefit the College. No contributions were made to the College during either the year ended 2011 or 2010.

15. CONTINGENCIES

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

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

16. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The following tables represent operating expenses within both natural and functional classifications for the years ended June 30, 2011 and 2010:

2011

	Salaries and Wages	Benefits	Supplies and Other Services	Rent	Utilities	Scholarships	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 615,060	$ 79,036	$ 212,526	$ -	$ -	$ -	$ -	$ -	$ 906,622
Public service	164,686	39,277	426,733	900	-	-	-	-	631,596
Academic support	439,496	80,165	181,044	37,678	-	-	-	-	738,383
Student services	183,526	51,398	50,947	510	-	-	-	-	286,381
General institutional support	405,544	282,736	470,657	125	-	-	-	-	1,159,062
Operations and maintenance of plant	43,006	4,690	53,873	50,827	100,842	-	-	-	253,238
Student financial aid	-	-	-	-	-	875,974	-	-	875,974
Auxiliary	-	-	685	-	-	-	-	-	685
Depreciation	-	-	-	-	-	-	434,004	-	434,004
Other	-	-	-	-	-	-	-	9,662	9,662
Total	$ 1,851,318	$ 537,302	$ 1,396,465	$ 90,040	$ 100,842	$ 875,974	$ 434,004	$ 9,662	$ 5,295,607

2010

	Salaries and Wages	Benefits	Supplies and Other Services	Rent	Utilities	Scholarships	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 419,994	$ 68,065	$ 230,719	$ -	$ -	$ -	$ -	$ -	$ 718,778
Public service	140,872	40,153	350,948	1,734	-	-	-	-	533,707
Academic support	437,632	89,294	142,607	26,435	3,000	-	-	-	698,968
Student services	201,504	56,364	47,272	100	-	-	-	-	305,240
General institutional support	379,224	295,799	318,260	111	-	-	-	-	993,394
Operations and maintenance of plant	29,713	3,243	86,600	66,464	85,846	-	-	-	271,866
Student financial aid	-	-	-	-	-	492,357	-	-	492,357
Auxiliary	-	-	1,128	-	-	-	-	-	1,128
Depreciation	-	-	-	-	-	-	321,995	-	321,995
Other	-	-	-	-	-	-	-	7,059	7,059
Total	$ 1,608,939	$ 552,918	$ 1,177,534	$ 94,844	$ 88,846	$ 492,357	$ 321,995	$ 7,059	$ 4,344,492

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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
Eastern West Virginia Community and Technical College:

We have audited the financial statements of Eastern West Virginia Community and Technical College (the "College") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 31, 2011. 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 of America.

Internal Control over Financial Reporting

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal controls, 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 the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Eastern West Virginia Community and Technical College Governing Board, managements of the College and the West Virginia Higher Education Policy Commission, the West Virginia Council for Community and Technical College Education and the State of West Virginia and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

October 31, 2011