Eastern West Virginia Community and Technical College

Financial Statements as of and for the Years Ended June 30, 2007 and 2006, and Independent Auditors' Reports

EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

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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, 2007 and 2006, 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, such financial statements present fairly, in all material respects, the financial position of the College at June 30, 2007 and 2006, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2007, 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 12, 2007

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, 2007 and June 30, 2006 with the primary focus on 2007. 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 as of June 30, 2007 and June 30, 2006. 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 (assets minus liabilities) 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 related debt, provides the College's equity in construction in progress, 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 assets are available to the College for any lawful purpose of the College.

Condensed Statements of Net Assets

	June 30, 2007	June 30, 2006	June 30, 2005
Assets:			
Current assets	$1,203,724	$ 920,659	$ 939,729
Non current assets	1,627,653	903,693	704,451
Total Assets	2,831,377	1,824,352	1,644,180
Liabilities			
Current liabilities	548,010	376,882	433,753
Non-current liabilities	122,186	96,541	97,144
Total Liabilities	670,196	473,423	530,897
Net Assets			
Invested in capital assets, net of debt	1,527,156	836,196	657,316
Restricted – expendable	90,981	68,154	47,474
Unrestricted	543,044	446,579	408,493
Total Net Assets	**$2,161,181**	**$1,350,929**	**$1,113,283**

Financial Highlights:

- *Assets*

  Current assets as of June 30, 2007 increased $283,065 from June 30, 2006. Cash increased by $334,782 in part due to several vacant positions. Current assets as of June 30, 2006 reflect a decrease of $19,070 from June 30, 2005. Cash, as of June 20, 2006, decreased by $148,520 from June 30, 2005 in part due to reduced grants and contracts activity.

  Non-current assets increased by $723,960 as of June 30, 2007 from June 30, 2006 which compares to an increase of $199,242 from June 30, 2005 to June 30, 2006. The increase from 2006 to 2007 and 2005 to 2006 are both due to the construction-in-process of a new facility for the College. At the close of fiscal year 2007 the College was in the construction phase for an institution-owned facility that is tentatively scheduled to open in Fall 2008.

- *Liabilities*

  Current Liabilities as of June 30, 2007 increased by $171,128 from the previous year as compared to a decrease of $56,871 from June 30, 2005 to June 30, 2006. Accounts payable reflects a decrease of $38,659 from June 30, 2006 to June 30, 2007. Deferred revenue increased by $181,880 from June 30, 2006 to June 30, 2007 due to acquiring additional grant funding and decreased by $55,810 from June 30, 2005 to June 30, 2006 due to spending down of grant balances that had been awarded in previous fiscal years.

Non-current or long-term liabilities represent accrued compensated absences. Included are employees' balances of annual leave which are in excess of one year's annual leave rate, and sick leave for those employees hired before July 1, 2002. The long-term balance increased by $25,645 from June 30, 2006 to June 30, 2007 as the College's staff years of experience increased. The change from June 30, 2005 to June 30, 2006 reflects a decrease of $603.

- *Net Assets*

Investment in capital assets reports an increase of $690,960 in fixed assets (net of depreciation) between June 30, 2006 and June 30, 2007. The comparison of June 30, 2005 to June 30, 2006 reflects an increase of $178,880 in fixed assets (net of depreciation), as described in the above highlighted "Non-current Assets" section.

Restricted net assets shows an increase of $22,827 and $17,406 between 2007 and 2006 and 2006 and 2005, 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 $96,465 as of June 30, 2007 in comparison to June 30, 2006 and increased by $38,086 as of June 30, 2006 in comparison to June 30, 2005.

In total, net assets as of June 30, 2007 increased by $810,252 from June 30, 2006 as compared to a decrease of $237,646 between June 30, 2006 and June 30, 2005.

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

	FY 2007	FY 2006	FY 2005
Operating revenues	$ 503,855	$ 496,489	$662,832
Operating expenses	2,607,155	2,736,195	2,884,752
Operating loss	(2,103,300)	(2,239,706)	(2,221,920)
Non-operating revenues	2,068,680	2,034,109	1,984,516
Capital projects and bond proceeds	844,872	442,883	20,060
Increase (decrease) in Net Assets	810,252	237,646	(217,344)
Net Assets—Beginning of Year	1,350,929	1,113,283	1,330,627
Net Assets—End of Year	$ 2,161,181	$ 1,350,929	$ 1,113,283

Financial Highlights:

Operating revenues increased by $7,366 in fiscal year 2007 as compared to fiscal year 2006. Tuition and fee revenue increased by $7,282 due to increased enrollment as the College continues to grow. Revenue from grants and contracts reflected a decrease of $2,198 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 2007 decreased by $129,040 from fiscal year 2006 as compared to a decrease of $148,557 from fiscal year 2005 to fiscal year 2006. The decrease in 2007 is the result of a decrease in salary and wages, supplies and other services and utilities expenses. Salary & wages decreased by $42,632 in fiscal 2007 as compared to a decrease of $24,621 in fiscal 2006 both due to unfilled positions offsetting compensation increases.

The decrease in supplies and other services of $61,736 in fiscal year 2007 as compared to fiscal year 2006 occurred as a result of increased efficiency and cost cutting measures. The decrease in supplies and other services of $125,513 in fiscal year 2006 as compared to fiscal year 2005 occurred as a result of reduced maintenance costs on equipment and a general reduction in all expenses within this category.

Depreciation reflected a $62,770 decrease in fiscal 2007 as compared to fiscal 2006 and an increase of $1,147 in fiscal year 2006 as compared to fiscal year 2005.

Non-operating revenue increased by $34,571 in fiscal year 2007 as compared to fiscal year 2006. This resulted from a $7,741 increase in state appropriations, $8,000 increase in contributions, and a $18,830 increase in investment income from the previous year. Fiscal year 2006 as compared to fiscal year 2005 resulted in a $49,593 increase in non-operating revenue. During fiscal 2006 state appropriations and contributions increased by $15,480 and $22,000, respectively as compared to 2005 in combination with a $12,113 increase in investment income. The College participates in the investment pool managed by the State.

Other revenues increased by $401,989 in fiscal year 2007 from fiscal year 2006 as compared to an increase of $442,883 in fiscal year 2006 from fiscal 2005. The increase in both 2007 and 2006 are due to the start of the new facility project which increased the draw down of funds from HEPC bond proceeds to fund the project.

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

	FY 2007	FY 2006	FY 2005
Cash provided by (used in):			
Operating activities	$(1,715,384)	$(2,160,133)	$(2,187,250)
Noncapital financing activities	2,089,624	1,973,432	1,942,813
Capital and related financing activities	(85,320)	9,942	(27,339)
Investing activities	45,862	28,239	15,334
Increase (Decrease) in Cash and Cash Equivalents	334,782	(148,520)	(256,442)
Cash and cash equivalents--beginning of year	587,765	736,285	992,727
Cash and cash equivalents--end of year	$922,547	$587,765	$736,285

Financial Highlights:

Cash flows from operating activities decreased by $447,749 in fiscal year 2007 from the previous year. An increase of $19,156 in cash flows from tuition and fees is a result of an increase in the tuition rate. Cash flow from grants and contracts saw an increase of $220,063 from fiscal 2006 to fiscal 2007 due to an increase in grants and contracts received by the College. Cash flows for payments to and on behalf of employees decreased by $27,716 in fiscal 2007 as compared to fiscal 2006. Cash flows for payments to suppliers decreased by $197,377 in fiscal 2007 as compared to fiscal 2006. Fiscal year 2007 also experienced a slight decrease of $1,213 in cash flows for utility payments to suppliers over fiscal year 2006. Both of the decreases (payments to and on behalf of employees and payments to suppliers) are reflective of the decreases in the “salary & wages” and “benefits” and “supplies and other services” expenses as discussed in the “Statement of Revenues and Expenses and Changes in Net Assets” section.

Cash flows from noncapital financing activities increased by $116,192 in fiscal year 2007 as compared to fiscal year 2006 as a result of an increase of $108,192 in state appropriations and a $8,000 increase in contributions. Fiscal year 2006 noncapital financing activities reflected an increase in cash flows of $30,619 due to an increase of $8,619 and $22,000 from the previous fiscal year in state appropriations and contributions respectively.

Cash flows from capital financing decreased in fiscal year 2007 from fiscal year 2006 by $95,262 is due to the increased construction payments for the new building. An increase of $37,281 in 2006 over 2005 was due mostly to the timing of proceeds from the Commission compared to the expenditures for capital assets.

Cash flows from investing activities increased in fiscal year 2007 from fiscal year 2006 by $17,623. Fiscal year 2006 resulted in an increase of $12,905 in cash provided by investing activities over fiscal year 2005. Both of these increases are due to increasing interest rate factors realized by the State's investment pool in 2007 and 2006.

Overall cash increased by $334,782 in fiscal year 2007 as compared to an overall cash decrease of $148,520 in fiscal year 2006.

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, although College revenues are pledged if lottery funds prove insufficient.

The project is to be part of a shared campus with several state/federal agencies. The College purchased two acres of land from the Hardy County Rural Development Authority. The construction site is within a mile of the College's current leased facility and located on Corridor H.

As of June 30, 2007, the College has awarded the contract for the construction of its first Classroom/Laboratory/General Support building that is being funded through the 2004 Revenue Bond proceeds. 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 building is targeted for completion in the Summer of 2008. This project will provide the College with a long-term fixed asset that will stop the previous pattern of declining total assets and should generate increased tuition and fee revenues.

As of June 30, 2007, the College has requested approximately $1,300,000 of the $8,000,000 commitment from the Commission.

Economic Outlook

Fiscal year 2007 marked the sixth consecutive year of academic offerings in the history of the College. Consequently, the most significant factor impacting the College's financial position and its operations during fiscal year 2007 was a slight increase in enrollment. Also, significant to the College in 2007 was the third year of operations following the exhaustion of the initial seed money that funded the start up of the College.

As mentioned above the initial seed money which funded the College's start up has been exhausted. In light of the increase in cash of $334,782 as compared to the reduction of overall cash balances in fiscal year 2006 and 2005, the College recognizes the importance of maintaining these balances and plans to more aggressively market programs and courses to students and business and industry clients in 2008. Increased grant and contract income is a goal of the institution for 2008. The College also recognizes the importance of increasing the balance of unrestricted net assets which it has done in fiscal 2007 and 2006 with increases of $96,465 and $38,086 respectively.

EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF NET ASSETS AS OF JUNE 30, 2007 AND 2006

	2007	2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 922,547	$ 587,765
Appropriations due from Primary Government	111,909	180,584
Accounts receivable	169,268	152,310
Total current assets	1,203,724	920,659
NONCURRENT ASSETS:		
Cash and cash equivalents	88,424	67,497
Capital assets — net	1,539,229	836,196
Total noncurrent assets	1,627,653	903,693
TOTAL	$ 2,831,377	$ 1,824,352
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 165,038	$ 204,041
Retainages payable	12,073	
Amount due to the Commission	1,579	3,095
Accrued liabilities and deposits	46,160	40,332
Compensated absences — current portion	63,941	52,075
Deferred revenue	259,219	77,339
Total current liabilities	548,010	376,882
NONCURRENT LIABILITIES — Compensated absences	122,186	96,541
Total liabilities	670,196	473,423
NET ASSETS:		
Invested in capital assets — net of related debt	1,527,156	836,196
Restricted — expendable for specific purposes by State Code	90,981	68,154
Unrestricted	543,044	446,579
Total net assets	2,161,181	1,350,929
TOTAL	$ 2,831,377	$ 1,824,352

EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
OPERATING REVENUES:		
Student tuition and fees	$ 382,240	$ 374,958
Contracts and grants:		
State	79,701	65,794
Private	17,016	33,121
Miscellaneous — net	24,898	22,976
Total operating revenues	503,855	496,849
OPERATING EXPENSES:		
Salaries and wages	1,293,907	1,336,539
Benefits	319,397	281,865
Supplies and other services	519,109	580,845
Rent	252,430	252,430
Utilities	19,682	20,767
Depreciation	194,617	257,387
Fees assessed by the Commission for operations	8,013	6,362
Total operating expenses	2,607,155	2,736,195
OPERATING LOSS	(2,103,300)	(2,239,346)
NONOPERATING REVENUES:		
State appropriations	1,990,949	1,983,208
Contributions	30,000	22,000
Investment income	47,731	28,901
Total nonoperating revenues	2,068,680	2,034,109
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(34,620)	(205,237)
CAPITAL PROJECTS AND BOND PROCEEDS FROM THE COMMISSION	844,872	442,883
INCREASE IN NET ASSETS	810,252	237,646
NET ASSETS — Beginning of year	1,350,929	1,113,283
NET ASSETS — End of year	$ 2,161,181	$ 1,350,929

See notes to financial statements.

EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 383,389	$ 364,233
Contracts and grants	278,597	43,105
Payments to and on behalf of employees	(1,576,212)	(1,603,928)
Payments to suppliers	(517,549)	(699,497)
Payments to utilities	(272,171)	(273,384)
Sales and service of educational activities	(8,395)	(1,988)
Fees retained by the Commission	(8,013)	(6,362)
Other receipts — net	4,970	17,688
Net cash used in operating activities	(1,715,384)	(2,160,133)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	2,059,624	1,951,432
Contributions	30,000	22,000
Cash provided by noncapital financing activities	2,089,624	1,973,432
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital project proceeds from the Commission	856,656	342,468
Purchases of capital assets	(921,049)	(312,164)
Increase in noncurrent cash and cash equivalents	(20,927)	(20,362)
Cash (used in) provided by capital financing activities	(85,320)	9,942
CASH FLOWS FROM INVESTING ACTIVITIES — Interest on investments	45,862	28,239
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	334,782	(148,520)
CURRENT CASH AND CASH EQUIVALENTS — Beginning of year	587,765	736,285
CURRENT CASH AND CASH EQUIVALENTS — End of year	$ 922,547	$ 587,765
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (2,103,300)	$ (2,239,346)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	194,617	257,387
Loss on disposal of capital assets		
Changes in assets and liabilities:		
Receivables	(26,872)	3,401
Accounts payable/amounts due	(5,048)	(63,052)
Accrued liabilities and deposits	5,828	(55,072)
Compensated absences	37,511	(7,641)
Deferred revenue	181,880	(55,810)
NET CASH USED IN OPERATING ACTIVITIES	$ (1,715,384)	$ (2,160,133)
NONCASH TRANSACTION — CIP additions included in accounts payable/ retainages payable	$ 120,764	$ 144,163

See notes to financial statements.

EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

1. ORGANIZATION

Eastern West Virginia Community and Technical College (the "College") is governed by the Eastern West Virginia Community and Technical College Board of Governors (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 the Governmental Accounting Standards Board ("GASB"), including GASB Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities* (an Amendment of GASB Statement No. 34). The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

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) 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 as the College has no ability to designate management, cannot significantly influence operations of these entities, and is not accountable for the fiscal matters of these entities under GASB Statement No. 14, *The Financial Reporting Entity*.

Financial Statement Presentation — GASB Statement No. 35, *Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities*, as amended by GASB Statements No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*, establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a combined basis to focus on the College as a whole. Net assets are classified into four categories according to external donor restrictions or availability of assets for satisfaction of College obligations. The College's net assets are classified as follows:

Invested in Capital Assets, net of related debt — This represents the College's total investment in capital assets, net of 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, 2007 or 2006.

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

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

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

Cash and cash equivalents balances on deposit with the State 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 Statement No. 31, *Accounting and Financial Reporting for Certain Investments for External Investment Pools*. 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 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 five investment pools and participant-directed accounts in which the state and local government agencies invest. These pools have been structured as multi-participant 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://wvbti.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, grants, and loans receivable based on an evaluation of the underlying account, contract, grant, and loan balances, the historical collectibility experienced by the College on such balances and such other factors, which, in the College's judgment, require consideration in estimating doubtful accounts.

Capital Assets — Capital assets include 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 7 years for library books, and 3 to 10 years for furniture and equipment. The College's capitalization threshold is $1,000. During fiscal year 2006, the College implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairments of Capital Assets and for Insurance Recoveries* ("GASB No. 42"). The financial statements reflect all adjustments required by GASB No. 42 as of June 30, 2007 and 2006.

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

Compensated Absences — The College accounts for compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. This statement 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.

The College's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1-1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired July 1, 2001, or later will no longer receive sick leave credit toward insurance premiums when they retire.

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

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

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

Risk Management — The State's Board of Risk and Insurance Management ("BRIM") provides general 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 the West Virginia Public Employees Insurance Agency ("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 non-exchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations 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.

Federal Financial Assistance Programs — The College has never made loans to students under the Federal Direct Student Loan Program or Stafford Loan Program.

The College also did not distribute any 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. Pell funds distributed for years ended June 30, 2007 and 2006, were made through Southern West Virginia Community and Technical College ("Southern").

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. The College did not provide any scholarships for 2007 or 2006.

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

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

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

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

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

Recent Statements Issued By the Governmental Accounting Standards Board — The GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after December 15, 2006. This statement provides standards for the measurement, recognition, and display of other postemployment benefit 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 of West Virginia. Effective July 1, 2007, the College is required to participate in this multiple-employer cost-sharing plan sponsored by the State. Details regarding this plan can be obtained by contacting Public Employees Insurance Agency, State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, WV 25305-0710 or http://www.wvpeia.com.

The GASB has issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, effective for fiscal years beginning after December 15, 2006. This statement addresses whether an exchange of an interest in expected cash flows for collecting specific receivables of specific future revenues for an immediate lump sum should be regarded as a sale or as a collateralized borrowing resulting in a liability. It establishes criteria to determine whether proceeds should be reported as revenue or a liability. The College has not yet determined the effect that the adoption of GASB Statement No. 48 may have on the financial statements.

The GASB ha issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for fiscal years beginning after December 15, 2007. This statement addresses the obligations of existing pollution events. It provides guidance on whether any components of a remediation should be recognized as a liability. The College has not yet determined the effect that the adoption of GASB Statements No. 49 may have on the financial statements.

The GASB has issued Statement No. 50. *Pensions Disclosures* (an amendment of GASB Statements No. 25 and No. 27), effective for fiscal years beginning after June 15, 2007. this statement more closely aligns the financial reporting requirements for pension with those for other Postemployment benefits, thus enhancing the information disclosed on the notes to the financial statements or presented as required supplementary information. The College has not yet determine the effect that the adoption of GASB Statement No. 50 may have on the financial statements.

The GASB has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for fiscal years beginning after June 15, 2009. This statement provides guidance regarding whether and when intangible assets should be considered capital assets for financial reporting purposes. The College has not yet determined the effect that the adoption of GASB Statement No. 51 may have on the financial statements.

Reclassifications — Certain amounts in the prior-year financial statements have been reclassified to conform to the current year presentation.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2007 and 2006, was held as follows:

2007	Current	Noncurrent	Total
State Treasurer	$922,247	$88,424	$1,010,671
Cash on hand	300		300
	$922,547	$88,424	$1,010,971

2006	Current	Noncurrent	Total
State Treasurer	$587,465	$67,497	$ 654,962
Cash on hand	300		300
	$587,765	$67,497	$ 655,262

Amounts held by the State Treasurer include $88,424 and $67,497 of restricted cash for purposes specified by State Code as of June 30, 2007 and 2006, respectively.

Amounts with the State Treasurer and the Municipal Bond Commission as of June 30, 2007 and 2006, 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.

Cash Liquidity Pool —

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither the BTI nor any of the BTI's Consolidated Fund pools or accounts has been rated for credit risk by any organization. Of the BTI's Consolidated Fund pools and accounts which the Commission may invest in, three are subject to credit risk: Cash Liquidity Pool, Government Money Market Pool, and Enhanced Yield Pool.

The BTI limits the exposure to credit risk in the Cash Liquidity 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. The following table provides information on the credit ratings of the Cash Liquidity Pool's investments (in thousands):

	Credit Rating *		2007		2006	
Security Type	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Investments:						
Commercial paper	P1	A-1	$1,015,926	48.89 %	$ 943,057	54.14 %
Corporate bonds and notes	Aaa	AAA	98,999	4.76	61,992	3.56
	Aa3	AA	20,001	0.96		
	Aa3	A	23,002	1.11		
	Aa2	AA	15,000	0.72		
	Aa2	A	27,000	1.30		
	Aa1	AA	77,023	3.71		
	Aa	AA			55,063	3.16
	Aa	A			12,000	0.69
			261,025	12.56	129,055	7.41
U.S. agency bonds	Aaa	AAA	46,994	2.26	43,663	2.51
U.S. Treasury bills	Aaa	AAA	358,725	17.27	306,279	17.58
Negotiable certificates of deposit	P1	A-1	76,500	3.68	99,000	5.68
U.S. agency discount notes	P1	A-1	21,655	1.04	93,851	5.39
Money market funds	Aaa	AAA	185	0.01	758	0.04
Repurchase agreements (underlying securities):						
U.S. Treasury notes	Aaa	AAA			73,000	4.19
U.S. agency notes	Aaa	AAA	246,821	11.88	29,339	1.69
			246,821	11.88	102,339	5.88
Deposits — nonnegotiable certificates of deposit	NR	NR	50,000	2.41	23,800	1.37
			$2,077,831	100.00 %	$1,741,802	100.00 %

* NR = Not Rated. See "Deposits" note at the conclusion of this footnote.

At June 30, 2007 and 2006, the College's ownership represents 0.05% and 0.03% respectively, of these amounts held by the BTI.

Government Money Market Pool —

Credit Risk — The BTI limits the exposure to credit risk in the 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. The following table provides information on the credit ratings of the Government Money Market Pool's investments (in thousands):

	Credit Rating		2007		2006	
Security Type	**Moody's**	**S&P**	**Carrying Value**	**Percent of Pool Assets**	**Carrying Value**	**Percent of Pool Assets**
U.S. agency bonds	Aaa	AAA	$ 67,620	29.46 %	$ 21,420	11.76 %
U.S. Treasury bills	Aaa	AAA	36,379	15.85	28,346	15.56
U.S. agency discount notes	P1	A-1	74,143	32.30	112,399	61.70
Money market funds	Aaa	AAA	9		109	0.06
Repurchase agreements (underlying securities):						
U.S. Treasury notes	Aaa	AAA	51,400	22.39		
U.S. Treasury strips	Aaa	AAA			15,602	8.56
U.S. agency bonds	Aaa	AAA			4,298	2.36
			51,400	22.39	19,900	10.92
			$229,551	100.00 %	$182,174	100.00 %

At June 30, 2007 and 2006, the College's ownership represents .02% and 0.01%, respectively, of these amounts held by the BTI.

Enhanced Yield Pool:

Credit Risk — The BTI limits the exposure to credit risk in the Enhanced Yield 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 Enhanced Yield Pool's investments (in thousands):

	Credit Rating		2007		2006	
Security Type	**Moody's**	**S&P**	**Carrying Value**	**Percent of Pool Assets**	**Carrying Value**	**Percent of Pool Assets**
Corporate asset backed securities	P1	A-1	$ 42,122	18.40 %	$ 46,963	17.70 %
Corporate bonds and notes	Aaa	AAA	1,667	0.73	2,448	0.92
	Aa3	AA	7,857	3.43		
	Aa3	A	3,905	1.70		
	Aa2	AA	950	0.41		
	Aa2	A	2,177	0.95		
	Aa1	AA	6,431	2.81		
	A3	A	6,958	3.04		
	A2	AA	747	0.33		
	A2	A	8,188	3.58		
	A1	AA	3,034	1.32		
	A1	A	10,706	4.68		
	Aa	AA			3,790	1.43
	Aa	A			15,660	5.90
	A	AA			3,048	1.15
	A	A			46,847	17.65
			52,620	22.98	71,793	27.05
U.S. agency bonds	Aaa	AAA	46,075	20.13	87,215	32.86
U.S. Treasury bills	Aaa	AAA			58,067	21.88
U.S. Treasury notes	Aaa	AAA	55,877	24.41		
U.S. agency mortgage backed securities	Aaa	AAA	11,741	5.13		
Repurchase agreements (underlying securities):						
U.S. agency mortgage backed securities	Aaa	AAA			1,346	0.51
U.S. agency notes	Aaa	AAA	20,485	8.95		
			20,485	8.95	1,346	0.51
			$228,920	100.00 %	$265,384	100.00 %

At June 30, 2007 and 2006, the College's ownership represents .02% and .091%, 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 Cash Liquidity 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 Cash Liquidity Pool:

	2007		2006	
Security Type	**Carrying Value (In Thousands)**	**WAM (Days)**	**Carrying Value (In Thousands)**	**WAM (Days)**
Repurchase agreements	$ 246,821	2	$ 102,339	3
U.S. Treasury bills	358,725	30	306,279	32
Commercial paper	1,015,926	52	943,057	25
Certificates of deposit	126,500	76	122,800	105
U.S. agency discount notes	21,655	113	93,851	89
Corporate notes	261,025	58	129,055	77
U.S. agency bonds/notes	46,994	156	43,663	208
Money market funds	185	1	758	1
	$2,077,831	48	$1,741,802	42

The overall weighted average maturity of the investments of the 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 Government Money Market Pool:

	2007		2006	
Security Type	**Carrying Value (In Thousands)**	**WAM (Days)**	**Carrying Value (In Thousands)**	**WAM (Days)**
Repurchase agreements	$ 51,400	2	$ 19,900	3
U.S. Treasury bills	36,379	29	28,346	42
U.S. agency discount notes	74,143	106	112,399	39
U.S. agency bonds/notes	67,620	60	21,420	152
Money market funds	9	1	109	1
	$229,551	49	$182,174	49

The overall weighted average maturity of the investments of the Enhanced Yield 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 weighted average maturities for the various asset types in the Enhanced Yield Pool:

	2007		2006	
Security Type	**Carrying Value (In Thousands)**	**WAM (Days)**	**Carrying Value (In Thousands)**	**WAM (Days)**
Repurchase agreements	$ 20,485	2	$ 1,346	3
U.S. Treasury bonds/notes	55,877	1,092	58,067	894
Corporate notes	52,620	557	71,793	588
Corporate asset backed securities	42,122	421	46,963	688
U.S. agency bonds/notes	46,075	927	87,215	594
U.S. agency mortgage backed securities	11,741	814		
	$228,920	700	$265,384	672

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

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

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

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

Deposits — Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. The Cash Liquidity Pool contains nonnegotiable certificates of deposit valued at $50,000,000, which represents 2.41% of the pool's assets. The BTI does not have a deposit policy for custodial credit risk.

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2007 and 2006, were as follows:

	2007	2006
Student tuition and fees, net of allowance for doubtful accounts of $59,521 and $36,584 in 2007 and 2006, respectively	$ 31,815	$ 23,536
Due from Commission	113,153	123,067
Due from New River Community & Technical College	17,280	
Accrued interest receivable	4,462	
Other accounts receivable	2,558	5,707
	$ 169,268	$ 152,310

5. CAPITAL ASSETS

The following is a summary of capital asset transactions for the College for the years ended June 30, 2007 and 2006:

	2007			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ -	$ 50,000	$ -	$ 50,000
Construction in progress	449,443	778,397		1,227,840
Total capital assets not being depreciated	$ 449,443	$ 828,397	$ -	$ 1,277,840
Other capital assets:				
Equipment	$ 1,641,139	$ 69,253	$ -	$ 1,710,392
Library books	6,477			6,477
Total other capital assets	1,647,616	69,253	-	1,716,869
Less accumulated depreciation for:				
Equipment	1,256,133	193,693		1,449,826
Library books	4,730	924		5,654
Total accumulated depreciation	1,260,863	194,617	-	1,455,480
Other capital assets — net	$ 386,753	$ (125,364)	$ -	$ 261,389
Capital asset summary:				
Capital assets not being depreciated	$ 449,443	$ 828,397	$ -	$ 1,277,840
Other capital assets	1,647,616	69,253		1,716,869
Total cost of capital assets	2,097,059	897,650	-	2,994,709
Less accumulated depreciation	1,260,863	194,617		1,455,480
Capital assets — net	$ 836,196	$ 703,033	$ -	$ 1,539,229

	2006			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated — construction in progress	$ 20,060	$ 429,383	$ -	$ 449,443
Other capital assets:				
Equipment	$ 1,634,255	$ 6,884	$ -	$ 1,641,139
Library books	6,477			6,477
Total other capital assets	1,640,732	6,884	-	1,647,616
Less accumulated depreciation for:				
Equipment	999,670	256,463		1,256,133
Library books	3,806	924		4,730
Total accumulated depreciation	1,003,476	257,387	-	1,260,863
Other capital assets — net	$ 637,256	$ (250,503)	$ -	$ 386,753
Capital asset summary:				
Capital assets not being depreciated	$ 20,060	$ 429,383	$ -	$ 449,443
Other capital assets	1,640,732	6,884		1,647,616
Total cost of capital assets	1,660,792	436,267	-	2,097,059
Less accumulated depreciation	1,003,476	257,387		1,260,863
Capital assets — net	$ 657,316	$ 178,880	$ -	$ 836,196

As of June 30, 2007, the College had outstanding construction commitments of approximately $5,300,000.

6. LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the College for the years ended June 30, 2007 and 2006:

	2007				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued compensated absences	$ 148,616	$ 37,511	$ -	$ 186,127	$ 63,941

	2006				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued compensated absences	$ 156,257	$ -	$ 7,641	$ 148,616	$ 52,075

7. LEASE OBLIGATION

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

Years Ending June 30	
2008	$ 217,908
2009	210,858
2010	1,728
	$ 430,494

Lease agreements related to the building were renewed in July 2006 for a three-year lease period. However, the College will utilize the option of terminating these leases with a 30-day notice to the Lessor upon the completion of the new building

Total rent expense for operating leases amounted to $252,430 for the years ended June 30, 2007 and 2006.

8. COMPENSATED ABSENCES

At June 30, 2007 and 2006, the composition of the compensated absence liability was as follows:

	2007	2006
Health or life insurance benefits	$ 95,138	$ 74,541
Accrued vacation leave	90,989	74,075
	$ 186,127	$ 148,616

The cost of health and life insurance benefits paid by the College is based on a combination of years of service and age. For the years ended June 30, 2007 and 2006, the College made no payments for extended health or life insurance coverage retirement benefits, as there were no retirees currently eligible for 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, 2007, the College has no such facilities.

During the year ended June 30, 2005, the West Virginia Higher Education Policy 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 has 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 approximately $1,300,000 from these committed funds through June 30, 2007.

10. UNRESTRICTED NET ASSETS

The College's unrestricted net assets include certain designated net assets as follows:

	2007	2006
Designated for auxiliaries	$ 22,546	$ 10,114
Undesignated	520,498	436,465
Total unrestricted net assets	$543,044	$446,579

11. RETIREMENT PLANS

Substantially all full-time employees of the College participate in the Teachers' Insurance and Annuities Association — College Retirement Equities Fund (the "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. New hires have the choice of either plan. As of June 30, 2007, no employees were enrolled in the Educators Money 401(a) basic retirement plan.

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, 2007, 2006, and 2005, were $118,994, $116,996, and $123,398, respectively, which consisted of contributions of $59,497, $58,498, and $61,699 for 2007, 2006, and 2005, respectively, from both the College and covered employees.

The College's total payroll for the years ended June 30, 2007 and 2006, was $1,332,436 and $1,322,990, respectively; total covered employees' salaries in TIAA-CREF were $994,861 in 2007 and $879,992, in 2006.

12. 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 $30,070 and $30,500 at June 30, 2007 and 2006, 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 approximately $3,260 and $2,280 for the years ended June 30, 2007 and 2006, respectively. No contributions were made to the College during either the year ended June 30, 2007 or 2006.

13. AFFILIATED ORGANIZATION (UNAUDITED)

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 2007 or 2006.

14. CONTINGENCIES

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

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

15. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The following tables represent operating expenses within both natural and functional classifications for the years ended June 30, 2007 and 2006:

2007

	Salaries and Wages	Benefits	Supplies and Other Services	Rent	Utilities	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 274,461	$ 28,790	$114,477	$ 1,000	$ -	$ -	$ -	$ 418,728
Public service	50,072	17,081	35,157	41,130				143,440
Academic support	347,014	87,264	27,703					461,981
Student services	257,043	57,764	57,387					372,194
General institutional support	365,317	128,498	228,492					722,307
Operations and maintenance of plant			48,046	210,300	19,682			278,028
Depreciation						194,617		194,617
Other			7,847				8,013	15,860
Total	$ 1,293,907	$319,397	$519,109	$252,430	$ 19,682	$194,617	$ 8,013	$ 2,607,155

2006

	Salaries and Wages	Benefits	Supplies and Other Services	Rent	Utilities	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 271,874	$ 28,511	$141,154	$ 1,000	$ -	$ -	$ -	$ 442,539
Public service	143,289	30,678	57,538	22,261				253,766
Academic support	299,854	79,982	34,564					414,400
Student services	258,270	57,369	36,619					352,258
General institutional support	363,227	85,324	240,331					688,882
Operations and maintenance of plant	25	1	53,240	229,169	20,767			303,202
Depreciation						257,387		257,387
Other			17,399				6,362	23,761
Total	$ 1,336,539	$281,865	$580,845	$252,430	$ 20,767	$257,387	$ 6,362	$ 2,736,195

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT 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, 2007, and have issued our report thereon dated October 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be 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 12, 2007