Eastern West Virginia Community and Technical College

Financial Statements as of and for the
Years Ended June 30, 2009 and 2008, 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, 2009 and 2008, 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, 2009 and 2008, 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.

As discussed in Note 2 to the financial statements, during the year ended June 30, 2008, the College adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The Management's Discussion and Analysis (MD&A) 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 such information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2009, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Deloitte & Touche LLP

October 28, 2009

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, 2009 and June 30, 2008, with the primary focus on 2009. 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 differences 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 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 assets are available to the College for any lawful purpose of the College.

Condensed Statements of Net Assets

	June 30, 2009	June 30, 2008	June 30, 2007
Assets:			
Current assets	$2,159,707	$2,125,460	$1,203,724
Noncurrent assets	8,084,185	5,469,407	1,627,653
Total Assets	10,243,892	7,594,867	2,831,377
Liabilities:			
Current liabilities	1,168,931	1,483,880	548,010
Noncurrent liabilities	323,901	29,794	122,186
Total Liabilities	1,492,832	1,513,674	670,196
Net Assets:			
Invested in capital assets, net of debt	7,662,207	5,354,080	1,527,156
Restricted – expendable	144,270	116,506	90,981
Unrestricted	944,583	610,607	543,044
Total Net Assets	**$8,751,060**	**$6,081,193**	**$2,161,181**

Financial Highlights:

- *Assets*

  Current assets as of June 30, 2009, increased $34,247 from June 30, 2008. Cash increased by $159,001 in part due to increased tuition and grant funding. Accounts receivable decreased $86,363 as a result of near completion of a capital project for which Council/ Commission proceeds were no longer due. Current assets as of June 30, 2008, reflected an increase of $921,736 from June 30, 2007. Cash as of June 20, 2008, increased by $317,199 from June 30, 2007, in part due to increased tuition and grant funding.

  Noncurrent assets increased by $2,614,778 as of June 30, 2009 from June 30, 2008, which reflected an increase of $3,841,754 in comparison to June 30, 2007. The increase from 2008 to 2009 and 2007 to 2008 is due to the construction-in-process of a new facility for the College. At the close of fiscal year 2009, the College was in the final construction phase for an institution-owned facility that opened July 27, 2009.

- *Liabilities*

  Current Liabilities as of June 30, 2009, decreased by $314,949 from the previous year as compared to an increase of $935,870 from June 30, 2007 to June 30, 2008. Accounts payable reflected a decrease of $353,496 from June 30, 2008 to June 30, 2009, which is a result of nearing the completion of an $8 million capital project. Retainage payable saw a $275,654 decrease in 2009 as compared to 2008 as a result of a capital project completion. Deferred revenue increased by $263,394 from June 30, 2008 to June 30, 2009, due to acquiring additional grant funding, and increase of $192,717 from June 30, 2007 to June 30, 2008, due to increased grant funding.

Noncurrent 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 compensated absences are employees' balances of annual leave which are in excess of one year's annual leave rate for June 30, 2009 and 2008, and sick leave for those employees hired before July 1, 2002, as of June 30, 2009. The total noncurrent balance increased by $294,107 from June 30, 2008 to June 20, 2009, as a result of securing funding for a capital project. The total noncurrent balance decreased by $92,392 from June 30, 2007 to June 30, 2008, as part of the OPEB liability accounting change.

- *Net Assets*

  Investment in capital assets reports an increase of $2,308,127 in fixed assets (net of depreciation) between June 30, 2008 and June 30, 2009. The comparison of June 30, 2007 to June 30, 2008, reflects an increase of $3,826,924 in fixed assets (net of depreciation), as described in the above highlighted "Noncurrent Assets" section.

  Restricted net assets show an increase of $27,764 and $25,525 between 2009 and 2008 and 2008 and 2007, respectively. This is the result of the increase in collections of capital fees that are expendable but restricted for capital projects.

  Unrestricted net assets increased by $333,976 as of June 30, 2009, in comparison to June 30, 2008, and increased by $67,563 as of June 30, 2008, in comparison to June 30, 2007.

  In total, net assets as of June 30, 2009, increased by $2,669,867 from June 30, 2008, as compared to an increase of $3,920,012 between June 30, 2008 and June 30, 2007.

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 nonoperating. 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.

Nonoperating 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

	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007
Operating revenues	$1,306,388	$ 618,972	$ 503,855
Operating expenses	3,351,649	2,846,660	2,607,155
Operating loss	(2,045,261)	(2,227,688)	(2,103,300)
Nonoperating revenues	2,488,365	2,157,788	2,068,680
Capital projects and bond proceeds	2,151,763	3,860,213	844,872
Capital grants	75,000	-	-
Donated equipment	-	34,561	-
Increase in net assets before cumulative effect	2,669,867	3,824,874	810,252
Cumulative effect for change in accounting principle for OPEB	-	95,138	-
Increase in Net Assets	2,669,867	3,920,012	810,252
Net Assets — beginning of year	6,081,193	2,161,181	1,350,929
Net Assets — end of year	$8,751,060	$6,081,193	$2,161,181

Financial Highlights:

Operating revenues increased by $687,416 in fiscal year 2009 as compared to fiscal year 2008. Tuition and fee revenue increased by $102,487 due to increased enrollment as the College continues to grow. Workforce fees increased by $169,886 in fiscal year 2009 as compared to fiscal year 2008. Revenue from grants and contracts reflected an increase of $501,634 during this period. Grants and contracts are cyclical by nature and cannot be relied upon for sustained revenue from one year to the next. Fiscal year 2008 as compared to fiscal year 2007 resulted in an $115,087 increase in operating revenue.

Operating expenses in fiscal year 2009 increased by $504,989 from fiscal year 2008. Fiscal year 2008 also showed an increase in operating expenses of $239,505 as compared to fiscal year 2008. The increase in 2009 is increased payroll wages, rent, other services, and utilities. Payroll increased in 2009 by $162,338 as a result of no vacant positions at this time and salary increases.

The increase in supplies and other services of $328,884 is a result of full staffing, implementation of new programs and promotional strategies. Depreciation reflected only an $11,328 decrease in fiscal 2009 as compared to fiscal 2008. Eastern's increased grant funding allowed for the purchase of additional fixed assets which were not placed into service until after June 30, 2009. There was a decrease of $69,863 in fiscal year 2008 as compared to fiscal year 2007.

Nonoperating revenue increased by $330,577 in fiscal year 2009 as compared to fiscal year 2008. This resulted from an increase in State appropriations. Fiscal year 2008 as compared to fiscal year 2007 resulted in an $89,108 increase in nonoperating revenue. The College participates in the investment pool managed by the State.

Other revenues decreased by $1,668,011 in fiscal year 2009 from fiscal year 2008 as compared to an increase of $3,049,902 in fiscal year 2008 from fiscal 2007. The decrease in 2009 is a result of near completion of the Eastern complex, which required less bond proceeds from the Commission. The increase in 2008 and 2007 was due to the start of the new facility project which increased the drawdown of funds from 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 noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The ***third section*** deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The ***fourth section*** reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The ***fifth section*** reconciles the net cash used to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007
Cash provided by (used in):			
Operating activities	$ (1,577,789)	$ (1,783,072)	$ (1,715,384)
Noncapital financing activities	2,100,506	2,133,164	2,089,624
Capital and related financing activities	(397,487)	(84,416)	(85,320)
Investing activities	18,498	51,523	45,862
Increase in cash	143,728	317,199	334,782
Cash and cash equivalents--beginning of year	1,239,746	922,547	587,765
Cash and cash equivalents--end of year	$ 1,383,474	$ 1,239,746	$ 922,547

Financial Highlights:

Cash flows from operating activities increased by $205,283 in fiscal year 2009 from the previous year. An increase of $296,227 in cash flows from tuition and fees is a result of an increase in the tuition rate and increase revenue from workforce education. Cash flow from grants and contracts saw an increase of $508,002 from fiscal 2008 to fiscal 2009 due to an increase in grants and contracts received by the College. Cash flows for payments to and on behalf of employees increased by $134,347 in fiscal 2009 as compared to fiscal 2008. Fiscal year 2009 also experienced an increase of $384,703 in cash flows for payments to suppliers over fiscal year 2008. Both of the increases (payments to and on behalf of employees and payments to suppliers) are reflective of the increases in the “salary and wages” and “benefits” and “supplies and other services” expenses as discussed in the “Statement of Revenues, Expenses, and Changes in Net Assets” section.

Cash flows from noncapital financing activities decreased by $32,658 in fiscal year 2009 as compared to fiscal year 2008 as a result of not receiving Workforce Opportunity Regional Center and Services contribution. Fiscal year 2008 noncapital financing activities reflected an increase in cash flows of $43,540 over fiscal year 2007.

Cash flows from capital financing decreased in fiscal year 2009 from fiscal year 2008 by $313,071. 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. The expenditures in excess of receipts are the primary reasons for the decrease in unrestricted net assets, as unrestricted net assets were converted to invested in capital assets.

Cash flows from investing activities decreased in fiscal year 2009 from fiscal year 2008 by $33,025. This decrease is due to less invested monies and lower investment returns.

Overall cash increased by $143,728 in fiscal year 2009 as compared to an overall cash increase of $317,199 in fiscal year 2008.

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. These bonds are to be repaid by excess State lottery funds with no direct debt responsibility for the College.

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

As of June 30, 2009, the College was in the final stages of completion on its first classroom/laboratory/general support building that is being funded through the 2004 Revenue Bonds. A ten-year Campus Facility Master Plan and a five-year Capital Expenditure Plan were developed and approved by the West Virginia Council for Community and Technical College Education. The move to its new facility was July 27, 2009.

Economic Outlook

The College maintained a healthy financial position throughout all of fiscal year 2009 despite some unexpected expenses related to the cost of preparing to become an independent, free standing institution separated from its host institution, Southern West Virginia Community and Technical College. The College experienced an increase in enrollment for both semesters which, in turn, helped increase revenue through tuition collections. The departure from Southern West Virginia Community and Technical College resulted in an additional expenditure for the cost of a license fee to Sun Guard for the use of its software product, Banner, in the amount of $121,000. Banner will be used for student reporting, finance, and financial aid.

As the fiscal year came to a close, the Higher Education Policy Committee directed all schools to prepare for a 5% cut in the next year's State appropriation. This reduction hit the College exceptionally hard in that it was preparing for some anticipated added costs as the result of moving into a new facility as it is leaving its leased facility. Those costs include property insurance, maintenance and grounds keeping, utilities and the maintenance fee to West Virginia Network for Educational Telecomputing for hosting the Banner data.

In the final analysis, two things happened which may help the College weather the economic storm the nation is experiencing. First, the expected 5% reduction ended up being a 2.88% cut. Second, a tuition increase was approved which should generate increased tuition revenue. In order for the College to continue to sustain its present financial stability, it must continue to improve the quality of its programs and offer the programs and services students want and need to be successful in the modern, highly technological world. From a financial standpoint, the College needs to proceed with caution because of the unknown consequences of the economic crisis gripping our State, now and in the future. As of this writing, there have been no increases in salaries for employees this coming year. This, of course, in a small way helps hold down expenses and it is a step in preparing for another projected 5% reduction of State appropriations for fiscal year 2011 and a possible 10% reduction on the fiscal year 2012. It has been projected that the College will receive ARRA Stimulus Funds during the coming year that should backfill the loss of State appropriations; however, in a memorandum from the Governor, all State agencies are told to maintain or reduce their operating budgets to prepare for the longer-term expected financial challenges.

The College's financial profile is somewhat distorted by the fact that it has been the recipient of two Recoverable Economic Development Financial Assistance loans from the WV Development Office. A $685,000 loan for a sanitary sewer project and a $2,000,000 loan for the access road project have been accepted. These loans are not to be paid back, unless the facility would be sold in the future or unless the College would be fortunate enough to receive a funding stream to pay off these loans. The fact that the College has to carry these loans on its financial statements will have a negative and disproportionate affect on the overall financial outlook of the College. As of June 30, 2009, these loan liabilities are only $278,502.

With all things considered, the College's financial outlook should be healthy and viable. Enrollment for the fall 2009 semester is up 29% and even though the College has the lowest tuition rate in West Virginia, it still should be able to meet its expenses and finish the year in the black as long as the College moves ahead cautiously and keeps a conservative approach to expenses and prepares for the unexpected.

EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,398,747	$1,239,746
Appropriations due from primary government	1,921	40,312
Accounts receivable — net	759,039	845,402
Total current assets	2,159,707	2,125,460
NONCURRENT ASSETS:		
Cash and cash equivalents	143,476	115,327
Capital assets — net	7,940,709	5,354,080
Total noncurrent assets	8,084,185	5,469,407
TOTAL	$10,243,892	$7,594,867
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 245,552	$ 599,048
Retainages payable	21,159	296,813
Amount due to the Commission	45,976	1,543
Accrued liabilities and deposits	69,432	64,210
Compensated absences — current portion	71,482	70,330
Deferred revenue	715,330	451,936
Total current liabilities	1,168,931	1,483,880
NONCURRENT LIABILITIES:		
Compensated absences	22,047	20,630
Other post employment benefits liability	23,352	9,164
Funds due to West Virginia Development Office	278,502	
Total noncurrent liabilities	323,901	29,794
Total liabilities	1,492,832	1,513,674
NET ASSETS:		
Invested in capital assets	7,662,207	5,354,080
Restricted — expendable for capital projects	144,270	116,506
Unrestricted	944,583	610,607
Total net assets	8,751,060	6,081,193
TOTAL	$10,243,892	$7,594,867

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, 2009 AND 2008

	2009	2008
OPERATING REVENUES:		
Student tuition and fees	$ 732,850	$ 460,477
Contracts and grants:		
State	547,104	127,944
Private	21,294	13,820
Miscellaneous — net	5,140	16,731
Total operating revenues	1,306,388	618,972
OPERATING EXPENSES:		
Salaries and wages	1,498,400	1,336,062
Benefits	376,403	433,191
Supplies and other services	1,034,934	706,050
Rent	254,153	218,180
Utilities	68,794	21,195
Depreciation	113,426	124,754
Fees assessed by the Commission for operations	5,539	7,228
Total operating expenses	3,351,649	2,846,660
OPERATING LOSS	(2,045,261)	(2,227,688)
NONOPERATING REVENUES:		
State appropriations	2,437,115	2,021,567
Payments on behalf of Eastern West Virginia Community and Technical College	34,950	46,542
Contributions		40,000
Investment income	16,300	49,679
Total nonoperating revenues	2,488,365	2,157,788
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	443,104	(69,900)
CAPITAL PROJECTS AND BOND PROCEEDS FROM THE COMMISSION	2,151,763	3,860,213
CAPITAL GRANTS	75,000	
DONATED EQUIPMENT		34,561
INCREASE IN NET ASSETS BEFORE CUMULATIVE EFFECT	2,669,867	3,824,874
CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE (Note 8)		95,138
INCREASE IN NET ASSETS	2,669,867	3,920,012
NET ASSETS — Beginning of year	6,081,193	2,161,181
NET ASSETS — End of year	$ 8,751,060	$ 6,081,193

See notes to financial statements.

EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 740,391	$ 444,164
Contracts and grants	391,032	333,030
Payments to and on behalf of employees	(1,831,222)	(1,696,875)
Payments to suppliers	(975,259)	(605,891)
Payments to utilities	(318,497)	(239,306)
Sales and service of educational activities	(39,099)	(42,814)
Fees retained by the Commission	(5,539)	(7,228)
Other receipts — net	25,739	31,848
Net cash used in operating activities	(2,012,454)	(1,783,072)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	2,475,506	2,093,164
Contributions		40,000
Cash provided by noncapital financing activities	2,475,506	2,133,164
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital project proceeds from the Commission	2,985,463	3,180,542
Purchases of capital assets	(3,279,863)	(3,238,055)
Draws from noncurrent cash and cash equivalents	(29,398)	(26,903)
Deposits to noncurrent cash and cash equivalents	1,249	
Net cash used in capital financing activities	(322,549)	(84,416)
CASH FLOWS FROM INVESTING ACTIVITIES — Interest on investments	18,498	51,523
INCREASE IN CASH AND CASH EQUIVALENTS	159,001	317,199
CASH AND CASH EQUIVALENTS — Beginning of year	1,239,746	922,547
CASH AND CASH EQUIVALENTS — End of year	$ 1,398,747	$ 1,239,746
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Net Operating loss	$ (2,045,261)	$ (2,227,688)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	113,426	124,754
Expenses paid on behalf of Eastern West Virginia Community and Technical College	34,950	46,542
Changes in assets and liabilities:		
Accounts receivable	(425,694)	1,693
Accounts payable/amounts due	24,751	51,725
Accrued liabilities and deposits	5,222	18,050
Other post employment benefits liability	14,188	9,164
Compensated absences	2,569	(29)
Deferred revenue	263,395	192,717
NET CASH USED IN OPERATING ACTIVITIES	$ (2,012,454)	$ (1,783,072)
NONCASH TRANSACTIONS:		
Capital assets additions included in accounts payable/retainages payable	$ 178,284	$ 775,680
Cumulative effect of adoption of accounting principle	$ -	$ 95,138
Donated equipment	$ -	$ 34,561
Capital project proceeds from Commission included in due from Council/Commission	$ -	$ 788,362

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 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 (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 Statement No. 14, *The Financial Reporting Entity*.

Financial Statement Presentation — GASB Statements No. 35, *Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities*, 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, 2009 or 2008.

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 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 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 (seven in 2008), 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://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 seven years for library books and three to 10 years for furniture and equipment. The College's capitalization threshold is $1,000. The financial statements reflect all adjustments required by GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

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

Compensated Absences and Other Post Employment Benefits — The College accounts for compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*.

Effective July 1, 2007, the College adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement provided standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for 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.

These statements require 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, 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. 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.

The estimated expense and expense incurred for the vacation leave or OPEB benefits, are recorded as a component of benefits expense in the statement 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 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, except the College has not utilized the restricted net assets for capital projects.

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 the years ended June 30, 2009 and 2008, 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. The College did not provide any scholarships for 2009 or 2008.

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

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

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

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

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

Newly Adopted Statements Issued by the GASB — During 2009, the College adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, as required. The adoption of this statement had no impact on the financial statements.

During 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement identifies the sources of accounting principles and provides the framework for selecting the principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with generally accepted accounting principles. The College adopted GASB Statement No. 55 upon issuance.

During 2009, the GASB also issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This statement establishes accounting and financial reporting standards for related-party transactions, subsequent events, and going-concern considerations. The College adopted GASB Statement No. 56 upon issuance.

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

The GASB has issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal years beginning after June 15, 2009. This statement requires governmental entities to measure most derivative instruments at fair value as assets or liabilities. It also improves disclosure requirements surrounding the entity's derivative instrument activity, its objectives for entering into the derivative instrument, and the instrument's significant terms and risks. The College has not yet determined the effect that the adoption of GASB Statement No. 53 may have on its financial statements.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2009 and 2008, was held as follows:

2009	Current	Noncurrent	Total
State Treasurer	$ 1,398,447	$ 143,476	$ 1,541,923
Cash on hand	300		300
	$ 1,398,747	$ 143,476	$ 1,542,223

2008	Current	Noncurrent	Total
State Treasurer	$ 1,239,446	$ 115,327	$ 1,354,773
Cash on hand	300		300
	$ 1,239,746	$ 115,327	$ 1,355,073

Amounts held by the State Treasurer include $143,476 and $115,327 of restricted cash for purposes specified by West Virginia State Code as of June 30, 2009 and 2008, respectively.

Amounts with the State Treasurer as of June 30, 2009 and 2008, are comprised of the following investment pools:

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

WV Money Market —

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the years ended June 30, 2009 and 2008, the WV Money Market Pool has been rated AAAm by Standard & Poor’s. A Fund rated “AAAm” has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. “AAAm” is the highest principal stability fund rating assigned by Standard & Poor’s. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2009 and 2008, the WV Money Market Pool investments had a total carrying value of $2,570,261,000 and $2,358,470,000 respectively, of which the College's ownership represents .05% and .05%, respectively.

WV Government Money Market Pool —

Credit Risk — For the years ended June 30, 2009 and 2008, the WV Government Market Pool has been rated AAAm by Standard & Poor's. A Fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

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

At June 30, 2009 and 2008, the WV Government Money Market Pool investments had a total carrying value of $283,826,000 and $187,064,000, of which the College's ownership represents .05% and .01% 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 P1 by Moody's. The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

	Credit Rating*		2009		2008	
Security Type	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Corporate asset backed securities						
	Aaa	AAA	$ 16,402	5.21 %	$ 48,663	13.75 %
	Aaa	NR	5,136	1.63	2,179	0.62
	Aa3	AAA	223	0.07		
	Aa2	AAA	461	0.15		
	A3	AAA	273	0.09		
	Baa2	AAA	831	0.26		
	Baa1	BBB**	332	0.10		
	Baa2	BBB**	1,376	0.44		
	Ba3	AAA	645	0.20		
	B1	AAA	779	0.25		
	B2	B**	493	0.16		
	B2	CCC**	539	0.17		
	B3	AAA	949	0.30		
	Caa1	BB**	254	0.08		
	NR	AAA	679	0.22	1,135	0.32
	AA3	AA			192	0.06
			29,372	9.33	52,169	14.75
Commercial paper	P1	A-1			7,971	2.25
Corporate bonds and notes	Aaa	AAA	47,204	14.99	13,146	3.72
	Aa1	AA	4,445	1.41	12,613	3.56
	Aa1	A	2,052	0.65		
	Aa2	AAA	3,040	0.96		
	Aa2	AA	9,066	2.88	20,860	5.89
	Aa2	A			1,061	0.30
	Aa3	AA			11,488	3.25
	Aa3	A	7,831	2.49	4,548	1.28
	A1	AA	4,813	1.53	4,305	1.22
	A1	A	5,522	1.75	8,361	2.36
	A2	AA			847	0.24
	A2	A	32,040	10.17	26,585	7.51
	A3	A	7,024	2.23	10,917	3.08
	Baa1	AA-			593	0.17
	Baa1	A-			2,028	0.57
	Baa3	A	2,067	0.66		
	Baa3	BB+			645	0.18
			125,104	39.72	117,997	33.33
U.S. agency bonds	Aaa	AAA	60,250	19.13	71,840	20.29
U.S. Treasury notes***	Aaa	AAA	88,805	28.20	81,875	23.13
U.S. agency mortgage backed securities****	Aaa	AAA	4,975	1.58	5,345	1.51
Money market funds	Aaa	AAA	6,426	2.04		
Repurchase agreements (underlying securities) — U.S. agency notes	Aaa	AAA			16,782	4.74
			$314,932	100 %	$353,979	100 %

* NR = Not Rated.

** The securities were not in compliance with BTI Investment Policy at June 30, 2009. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

*** U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

**** U.S. agency mortgage backed securities are issued by the Government National Mortgage Association and are explicitly guaranteed by the United States government and are not subject to credit risk.

At June 30, 2009 and 2008, the College's ownership represents .01% and .03%, respectively, of these amounts held by the BTI.

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

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

	2009		2008	
Security Type	**Carrying Value (In Thousands)**	**WAM (Days)**	**Carrying Value (In Thousands)**	**WAM (Days)**
Repurchase agreements	$ 212,010	1	$ 371,163	1
U.S. Treasury bills	483,714	69	406,426	31
Commercial paper	592,479	32	658,879	29
Certificates of deposit	128,402	56	147,001	95
U.S. agency discount notes	635,602	57	212,924	84
Corporate bonds and notes	73,812	38	158,000	21
U.S. agency bonds/notes	294,019	70	254,019	111
Money market funds	150,223	1	150,058	1
	$ 2,570,261	47	$ 2,358,470	40

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

	2009		2008	
Security Type	**Carrying Value (In Thousands)**	**WAM (Days)**	**Carrying Value (In Thousands)**	**WAM (Days)**
Repurchase agreements	$ 53,000	1	$ 53,400	1
U.S. Treasury bills	74,424	94	29,929	58
U.S. agency discount notes	87,662	55	43,249	77
U.S. agency bonds/notes	68,608	37	60,420	84
Money market funds	132	1	66	1
	$ 283,826	51	$ 187,064	54

The overall effective duration (overall weighted average maturity in 2008) of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum maturity of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the WV Short Term Bond Pool at June 30, 2009:

Security Type	Carrying Value (In Thousands)	Effective Duration (Days)
U. S. Treasury bonds/notes	$ 88,805	917
Corporate notes	125,104	559
Corporate asset backed securities	29,372	622
U.S. agency bonds/notes	60,250	752
U.S. agency mortgage backed securities	4,975	540
Money market funds	6,426	1
	$ 314,932	691

The following table provides information on the weighted average maturities for the various asset types in the WV Short Term Bond Pool at June 30, 2008:

	2008	
Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	$ 16,782	1
U.S. Treasury bonds/notes	81,875	744
Corporate notes	117,997	675
Corporate asset backed securities	52,169	341
U.S. agency bonds/notes	71,840	1,231
U.S. agency mortgage backed securities	5,345	570
Commercial paper	7,971	50
	$ 353,979	707

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

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

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

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

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

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2009 and 2008, were as follows:

	2009	2008
Student tuition and fees — net of allowance for doubtful accounts of $77,051 and $55,225 in 2009 and 2008, respectively	$ 42,969	$ 47,120
Due from Commission/Council	398,250	794,112
Due from other State Agencies	317,318	
Accrued interest receivable	420	2,618
Other accounts receivable	82	1,552
	$ 759,039	$ 845,402

5. CAPITAL ASSETS

A summary of capital asset transactions for the College for the years ended June 30, 2009 and 2008, is as follows:

	2009			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 50,000	$ -	$ -	$ 50,000
Construction in progress	5,091,409	2,422,094		7,513,503
Total capital assets not being depreciated	$ 5,141,409	$ 2,422,094	$ -	$ 7,563,503
Other capital assets:				
Equipment	$ 1,786,428	$ 277,961	$ -	$ 2,064,389
Library books	6,477			6,477
Total other capital assets	1,792,905	277,961	-	2,070,866
Less accumulated depreciation for:				
Equipment	1,573,781	113,426		1,687,207
Library books	6,453			6,453
Total accumulated depreciation	1,580,234	113,426	-	1,693,660
Other capital assets — net	$ 212,671	$ 164,535	$ -	$ 377,206
Capital asset summary:				
Capital assets not being depreciated	$ 5,141,409	$ 2,422,094	$ -	$ 7,563,503
Other capital assets	1,792,905	277,961		2,070,866
Total cost of capital assets	6,934,314	2,700,055	-	9,634,369
Less accumulated depreciation	1,580,234	113,426		1,693,660
Capital assets — net	$ 5,354,080	$ 2,586,629	$ -	$ 7,940,709

	2008			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 50,000	$ -	$ -	$ 50,000
Construction in progress	1,227,840	3,863,569		5,091,409
Total capital assets not being depreciated	$ 1,277,840	$ 3,863,569	$ -	$ 5,141,409
Other capital assets:				
Equipment	$ 1,710,392	$ 76,036	$ -	$ 1,786,428
Library books	6,477			6,477
Total other capital assets	1,716,869	76,036	-	1,792,905
Less accumulated depreciation for:				
Equipment	1,449,826	123,955	-	1,573,781
Library books	5,654	799		6,453
Total accumulated depreciation	1,455,480	124,754	-	1,580,234
Other capital assets — net	$ 261,389	$ (48,718)	$ -	$ 212,671
Capital asset summary:				
Capital assets not being depreciated	$ 1,277,840	$ 3,863,569	$ -	$ 5,141,409
Other capital assets	1,716,869	76,036		1,792,905
Total cost of capital assets	2,994,709	3,939,605	-	6,934,314
Less accumulated depreciation	1,455,480	124,754		1,580,234
Capital assets — net	$ 1,539,229	$ 3,814,851	$ -	$ 5,354,080

As of June 30, 2009, the College had outstanding construction commitments of approximately $178,000.

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, 2009 and 2008, is as follows:

	2009				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued compensated absences	$ 90,960	$ 2,569	$ -	$ 93,529	$ 71,482
OPEB liability	9,164	14,188		23,352	
Total long-term liabilities	$ 100,124	$ 16,757	$ -	$ 116,881	

	2008				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued compensated absences	$ 186,127	$ -	$ 95,167	$ 90,960	$ 70,330
OPEB liability		9,164		9,164	
Total long-term liabilities	$ 186,127	$ 9,164	$ 95,167	$ 100,124	

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, 2009, are as follows:

Years Ending June 30	
2010	$ 61,156
2011	43,728
	$ 104,884

Lease agreements related to the building were renewed in July 2006 for a three-year lease period. However, Eastern moves into its new Building on July 27, 2009 and terminates 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 $254,153 and $219,908 for the years ended June 30, 2009 and 2008, respectively.

8. OTHER POST EMPLOYMENT BENEFITS

With the adoption of GASB Statement No. 45 for the year ended June 30, 2008, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial-determined amounts. At June 30, 2009 and 2008, the noncurrent liability related to OPEB costs was $23,352 and $9,164, respectively. For the year ended June 30, 2008, the College recorded a cumulative effect of the adoption of this accounting principle of $95,138, an amount equal to the June 30, 2007 liability for the extended health or life insurance benefit previously recorded in accordance with GASB Statement No. 16. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $89,676 and $40,537, respectively, during 2009, and $100,511 and $44,806, respectively, during 2008. As of the year ended June 30, 2009, 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, 2009 and 2008, the College has construction in progress, 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 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 recognized approximately $7,350,000 from these committed funds through June 30, 2009.

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 has not formally designated any of its unrestricted net assets.

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, 2009 and 2008, 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, 2009 and 2008, were $141,977 and $134,096, respectively, which consisted of contributions of $70,988 and $67,048 for 2009 and 2008, respectively, from both the College and covered employees.

The College's total payroll for the years ended June 30, 2009 and 2008, was $1,507,830 and $1,398,163, respectively; total covered employees' salaries in TIAA-CREF were $1,186,764 in 2009 and $1,128,027 in 2008.

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 $27,000 and $28,000 at June 30, 2009 and 2008, 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 $175 and $170 for the years ended June 30, 2009 and 2008, respectively. No contributions were made to the College during either the year ended June 30, 2009 or 2008.

14. 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 2009 or 2008.

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 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 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, 2009 and 2008:

2009

	Salaries and Wages	Benefits	Supplies and Other Services	Rent	Utilities	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 374,580	$ 54,291	$ 244,462	$ -	$ -	$ -	$ -	$ 673,333
Public service	143,717	41,502	152,221	20,565				358,005
Academic support	419,817	87,104	268,532	50	2,121			777,624
Student services	181,318	54,032	79,497					314,847
General institutional support	369,831	138,732	249,054					757,617
Operations and maintenance of plant	9,137	742	41,168	233,538	66,673			351,258
Auxiliary								-
Depreciation						113,426		113,426
Other							5,539	5,539
Total	$ 1,498,400	$376,403	$ 1,034,934	$254,153	$ 68,794	$113,426	$ 5,539	$ 3,351,649

2008

	Salaries and Wages	Benefits	Supplies and Other Services	Rent	Utilities	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 270,834	$ 33,219	$ 158,727	$ -	$ -	$ -	$ -	$ 462,780
Public service	104,786	29,132	67,915	23,993				225,826
Academic support	400,947	93,608	101,277					595,832
Student services	166,600	43,856	63,876					274,332
General institutional support	265,671	209,504	266,015					741,190
Operations and maintenance of plant	127,224	23,872	48,180	194,187	21,195			414,658
Auxiliary			60					60
Depreciation						124,754		124,754
Other							7,228	7,228
Total	$ 1,336,062	$433,191	$ 706,050	$218,180	$ 21,195	$124,754	$ 7,228	$ 2,846,660

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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, 2009, and have issued our report thereon dated October 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

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 28, 2009