

*Eastern West Virginia  
Community and  
Technical College*

*Financial Statements and Additional  
Information for the Years Ended  
June 30, 2004 and 2003 and  
Independent Auditors' Reports*

# EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Eastern West Virginia Community and Technical College

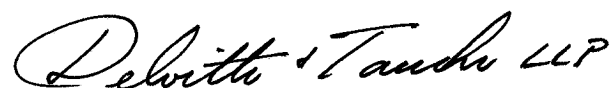
We have audited the accompanying financial statements of Eastern West Virginia Community and Technical College (the "College") as of June 30, 2004 and 2003, and for the years then ended, listed in the foregoing Table of Contents. These financial statements are the responsibility of the management of 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2004 and 2003, 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 2 to 7 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. This supplemental information has been reviewed in accordance with standards established by the American Institute of Certified Public Accountants. Such a review, however, is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion on the MD&A information.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2004, on our consideration of the College's internal control over financial reporting and our tests of its compliance and other matters. The purpose of that report is to describe the scope of our 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 read in conjunction with this report in considering the results of our audit.



October 13, 2004

Pages 2-7 are reserved for Client Documents to be inserted later

# EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

## STATEMENTS OF NET ASSETS

JUNE 30, 2004 AND 2003

<b>ASSETS</b>	<b>2004</b>	<b>2003</b>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 992,727	\$ 762,290
Appropriations due from Primary Government	123,894	501,392
Accounts receivable	<u>26,809</u>	<u>75,828</u>
Total current assets	<u>1,143,430</u>	<u>1,339,510</u>
NONCURRENT ASSETS:		
Cash and cash equivalents	32,502	
Capital assets—net	<u>887,091</u>	<u>1,034,652</u>
Total noncurrent assets	<u>919,593</u>	<u>1,034,652</u>
TOTAL	<u>\$2,063,023</u>	<u>\$2,374,162</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 207,893	\$ 180,931
Amount due to Commission	72,670	43,395
Amount due to Southern West Virginia Community and Technical College	56,400	83,409
Accrued liabilities	53,479	26,284
Compensated absences—current portion	58,536	66,250
Deferred revenue	<u>200,141</u>	<u>265,448</u>
Total current liabilities	<u>649,119</u>	<u>665,717</u>
NONCURRENT LIABILITIES—		
Compensated absences	<u>83,277</u>	<u>90,747</u>
Total liabilities	<u>732,396</u>	<u>756,464</u>
NET ASSETS:		
Invested in capital assets	887,091	1,034,652
Restricted for—		
Expendable—		
Specific purposes by State Code	32,426	211,871
Unrestricted	<u>411,110</u>	<u>371,175</u>
Total net assets	<u>1,330,627</u>	<u>1,617,698</u>
TOTAL	<u>\$2,063,023</u>	<u>\$2,374,162</u>

See notes to financial statements.

# EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2004 AND 2003

	<b>2004</b>	<b>2003</b>
OPERATING REVENUES:		
Student tuition and fees—net	\$ 210,583	\$ 251,520
Contracts and grants:		
State	285,542	622,682
Private	6,913	6,000
Sales and services of educational activities	58,700	30,319
Contributions	35,000	
Miscellaneous—net	<u>8,865</u>	<u>12,374</u>
Total operating revenues	<u>605,603</u>	<u>922,895</u>
OPERATING EXPENSES:		
Salaries and wages	1,276,925	1,438,653
Benefits	233,574	317,390
Supplies and other services	842,477	961,111
Rent	251,960	218,019
Utilities	20,295	19,361
Depreciation	290,832	239,714
Fees assessed by the Commission for operations	<u>1,526</u>	<u>1,526</u>
Total operating expenses	<u>2,917,589</u>	<u>3,195,774</u>
OPERATING LOSS	<u>(2,311,986)</u>	<u>(2,272,879)</u>
NONOPERATING REVENUES:		
State appropriations	1,976,469	1,965,094
Investment income	<u>6,379</u>	<u>16,419</u>
Nonoperating revenues	<u>1,982,848</u>	<u>1,981,513</u>
CAPITAL CONTRIBUTION—Donated equipment	<u>42,067</u>	<u>37,150</u>
DECREASE IN NET ASSETS	(287,071)	(254,216)
NET ASSETS—Beginning of year	<u>1,617,698</u>	<u>1,871,914</u>
NET ASSETS—End of year	<u>\$ 1,330,627</u>	<u>\$ 1,617,698</u>
See notes to financial statements.		

<b>EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE</b>		
<b>STATEMENTS OF CASH FLOWS</b>		
<b>YEARS ENDED JUNE 30, 2004 AND 2003</b>		
	<b>2004</b>	<b>2003</b>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 236,770	\$ 245,366
Contracts and grants	249,546	619,900
Payments to and on behalf of employees	(1,504,404)	(1,710,879)
Payments to suppliers	(813,014)	(792,682)
Payments to utilities	(272,597)	(237,638)
Sales and service of educational activities	58,150	30,319
Contributions	35,000	
Fees retained by Commission	(1,526)	(1,526)
Other receipts (payments)—net	<u>16,154</u>	<u>21,729</u>
Net cash used in operating activities	<u>(1,995,921)</u>	<u>(1,825,411)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES—		
State appropriations	<u>2,353,967</u>	<u>2,624,716</u>
Cash provided by noncapital financing activities	<u>2,353,967</u>	<u>2,624,716</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of capital assets	(101,646)	(369,917)
Increase in noncurrent cash and cash equivalents	<u>(32,502)</u>	<u>          </u>
Cash used in capital financing activities	<u>(134,148)</u>	<u>(369,917)</u>
CASH FLOWS FROM INVESTING ACTIVITIES—		
Interest on investments	<u>6,539</u>	<u>17,652</u>
Cash provided by investing activities	<u>6,539</u>	<u>17,652</u>
INCREASE IN CURRENT CASH AND CASH EQUIVALENTS	230,437	447,040
CURRENT CASH AND CASH EQUIVALENTS—Beginning of year	<u>762,290</u>	<u>315,250</u>
CURRENT CASH AND CASH EQUIVALENTS—End of year	<u>\$ 992,727</u>	<u>\$ 762,290</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN		
OPERATING ACTIVITIES:		
Operating loss	\$(2,311,986)	\$(2,272,879)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	290,832	239,714
Loss on disposal of capital assets	442	
Changes in assets and liabilities:		
Receivables	48,859	(25,224)
Accounts payable/amounts due	29,228	164,092
Accrued liabilities	27,195	18,810
Compensated absences	(15,184)	35,433
Deferred revenue	<u>(65,307)</u>	<u>14,643</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$(1,995,921)</u>	<u>\$(1,825,411)</u>
NONCASH TRANSACTION—Donated equipment	<u>\$ 42,067</u>	<u>\$ 37,150</u>
See notes to financial statements.		

# EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2004 AND 2003

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### 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 (“S.B. 653”).

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

S.B. 653 also created the West Virginia Higher Education Policy Commission (the “Commission”), which is responsible for developing, gaining consensus around and overseeing the implementation and development of a higher education public policy agenda.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the College have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (“GASB”), including Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and 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 of West Virginia (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 and the Commission (which includes West Virginia Network for Educational Telecomputing), form the Higher Education Fund of the State. The Higher Education Fund is considered a component unit of the State, and its financial statements are discretely presented in the State’s comprehensive annual financial report.

The accompanying financial statements present all funds under the 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**—During fiscal 2002, the College adopted 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*. These statements 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 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 in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

The West Virginia State Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by *Article 10, Fees and Other Money Collected 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. For 2004, these restrictions are for auxiliaries and capital items. For 2003, these restrictions were primarily for the following: libraries, library supplies, and improvement in student services; faculty improvement; student activities; bookstore operations; and special programs. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the West Virginia State Legislature.

- *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, 2004 or 2003.
- *Unrestricted Net Assets*—Unrestricted net assets represent resources derived from student tuition and fees, state appropriations and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the Board of Governors to meet current expenses for any purpose.

**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 statement 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 Investment Management Board (the “IMB”). These funds are transferred to the IMB and the IMB is directed by the State Treasurer to invest the funds in specific external investment pools. Balances in the investment pools are recorded at fair value, which 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 IMB 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 with the State Treasurer are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

**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 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.

**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 extend health insurance for one year of single coverage and five years 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 statement of revenues, expenses and changes in net assets.

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

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.

**Classification of Revenues**—The College has classified its revenues as either operating or nonoperating 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.

**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 through June 30, 2004 and 2003 were made through Southern West Virginia Community and Technical College and West Virginia Northern Community College, respectively.

**Scholarship Allowances**—Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the student's behalf. The College did not provide any scholarships for 2004 or 2003.

**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 statement of cash flows.

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

**Recent Statements Issued By the Governmental Accounting Standards Board**—The GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement is effective for periods beginning after June 15, 2004. The College has not completed the process of evaluating the impact, if any, that will result from adopting GASB Statement No. 40. The statement, when adopted, could result in additional disclosure in the College's financial statements regarding custodial credit risk, concentration of credit risk, and interest rate risk related to deposits and investments.

The GASB has also issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, effective for fiscal years beginning after December 15, 2004. This statement requires the College to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred and record impaired assets and impairment losses accordingly. This statement also addresses the appropriate recording of an insurance recovery associated with events or changes in circumstances resulting in impairment of a capital asset. The College has not yet determined the effect that the adoption of GASB Statement No. 42 may have on the financial statements.

The GASB has also 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. The College has not yet determined the effect that the adoption of GASB Statement No. 45 may have on the financial statements.

**Reclassifications**—Certain items in the 2003 financial statements have been reclassified to conform to the current year’s classification.

### 3. CASH AND CASH EQUIVALENTS

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

<b>2004</b>	<b>Current</b>	<b>Noncurrent</b>	<b>Total</b>
Cash on deposit with the State Treasurer	\$ 992,427	\$ 32,502	\$ 1,024,929
Cash on hand	<u>300</u>	<u>          </u>	<u>300</u>
	<u>\$ 992,727</u>	<u>\$ 32,502</u>	<u>\$ 1,025,229</u>
<b>2003</b>	<b>Current</b>	<b>Noncurrent</b>	<b>Total</b>
Cash on deposit with the State Treasurer	\$ 761,990	\$ -	\$ 761,990
Cash on hand	<u>300</u>	<u>          </u>	<u>300</u>
	<u>\$ 762,290</u>	<u>\$ -</u>	<u>\$ 762,290</u>

Cash held by the State Treasurer includes \$32,502 and \$147,315 of restricted cash for purposes specified by State Code as of June 30, 2004 and 2003, respectively.

Cash on deposit with the State Treasurer is a noncategorized deposit in accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Receivable Agreements), and Reverse Repurchase Agreements*.

### 4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30:

	<b>2004</b>	<b>2003</b>
Student tuition and fees, net of allowance for doubtful accounts of \$19,475 and \$0, respectively	\$ 9,007	\$ 37,693
Grants and contracts receivable	17,000	36,348
Other accounts receivable	<u>802</u>	<u>1,787</u>
	<u>\$ 26,809</u>	<u>\$ 75,828</u>

## 5. CAPITAL ASSETS

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

	<b>2004</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Capital assets:				
Equipment	\$ 1,489,615	\$ 143,713	\$ 1,324	\$ 1,632,004
Library books	<u>6,477</u>	<u>          </u>	<u>          </u>	<u>6,477</u>
Total capital assets	<u>1,496,092</u>	<u>143,713</u>	<u>1,324</u>	<u>1,638,481</u>
Less accumulated depreciation for:				
Equipment	459,482	289,908	882	748,508
Library books	<u>1,958</u>	<u>924</u>	<u>          </u>	<u>2,882</u>
Total accumulated depreciation	<u>461,440</u>	<u>290,832</u>	<u>882</u>	<u>751,390</u>
Capital assets—net	<u>\$ 1,034,652</u>	<u>\$ (147,119)</u>	<u>\$ 442</u>	<u>\$ 887,091</u>
	<b>2003</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Capital assets:				
Equipment	\$ 1,082,548	\$ 407,067	\$ -	\$ 1,489,615
Library books	<u>6,477</u>	<u>          </u>	<u>          </u>	<u>6,477</u>
Total capital assets	<u>1,089,025</u>	<u>407,067</u>	<u>-</u>	<u>1,496,092</u>
Less accumulated depreciation for:				
Equipment	220,692	238,790		459,482
Library books	<u>1,034</u>	<u>924</u>	<u>          </u>	<u>1,958</u>
Total accumulated depreciation	<u>221,726</u>	<u>239,714</u>	<u>-</u>	<u>461,440</u>
Capital assets—net	<u>\$ 867,299</u>	<u>\$ 167,353</u>	<u>\$ -</u>	<u>\$ 1,034,652</u>

The College has no capital assets that are not being depreciated. Also, the College currently does not maintain any collections of inexhaustible assets.

**6. LONG-TERM LIABILITIES**

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

	<b>2004</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Accrued compensated absences	<u>\$ 156,997</u>	<u>\$ -</u>	<u>\$ 15,184</u>	<u>\$ 141,813</u>	<u>\$ 58,536</u>
	<b>2003</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Accrued compensated absences	<u>\$ 121,564</u>	<u>\$ 35,433</u>	<u>\$ -</u>	<u>\$ 156,997</u>	<u>\$ 66,250</u>

**7. LEASE OBLIGATION**

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

**Year Ending June 30**

2005	\$ 212,040
2006	199,698
2007	<u>14,435</u>
	<u>\$ 426,173</u>

Total rent expense for operating leases amounted to \$251,960 and \$218,019 for the years ended June 30, 2004 and 2003, respectively.

**8. COMPENSATED ABSENCES**

The composition of the compensated absence liability was as follows at June 30:

	<b>2004</b>	<b>2003</b>
Health or life insurance benefits	\$ 72,758	\$ 80,997
Accrued vacation leave	<u>69,055</u>	<u>76,000</u>
	<u>\$ 141,813</u>	<u>\$ 156,997</u>

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, 2004 and 2003, 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, 2004, the College has no such facilities.

## **10. RETIREMENT PLANS**

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

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the Educators Money 401(a) basic retirement plan. New hires have the choice of either plan. As of June 30, 2004, no employees were enrolled in the Educators Money 401(a) basic retirement plan.

The STRS is a cost sharing, public employee retirement system. Employer and employee contribution rates are established annually by the State Legislature. The College accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for both years ended June 30, 2004 and 2003. Required employee contributions were at the rate of 6% of total annual salary for both years ended June 30, 2004 and 2003. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest 5 years' salary out of the last 15 years) multiplied by the number of years of service.

Total contributions to the STRS for the years ended June 30, 2004, 2003, and 2002, were \$1,202, \$14,013 and \$13,592, respectively, which consisted of \$858, \$10,009 and \$9,709, from the College, and \$343, \$4,004 and \$3,883 from the covered employees for 2004, 2003, and 2002, respectively.

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

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



Total contributions to the TIAA–CREF for the years ended June 30, 2004, 2003 and 2002 were \$117,972, \$128,391 and \$105,690, respectively, which consisted of contributions of \$58,986, \$64,195 and \$52,845 for 2004, 2003 and 2002, respectively, from both the College and covered employees.

The College’s total payroll for the years ended June 30, 2004 and 2003 was \$1,268,539 and \$1,440,710, respectively; total covered employees’ salaries in the STRS and TIAA–CREF were \$5,573 and \$1,018,919, respectively, in 2004 and were \$66,728 and \$1,066,688, respectively, in 2003.

#### **11. FOUNDATION (UNAUDITED)**

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 No. 14 and they are not included in the College’s accompanying financial statements under GASB No. 39 because they are not significant.

The Foundation’s net assets totaled approximately \$25,100 and \$23,600 at June 30, 2004 and 2003, 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 \$5,250 and \$12,800 for the years ended June 30, 2004 and 2003, respectively. During the years ended June 30, 2004 and 2003, the Foundation made approximately \$140 and \$900, respectively, in contributions to the College.

#### **12. 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 No. 14 and they are not included in the College’s accompanying financial statements under GASB No. 39 because they are not significant. During the year ended June 30, 2004, WORCS made \$35,000 in contributions to the College.

#### **13. 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.

#### 14. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

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

	2004							
	Salaries and Wages	Benefits	Supplies and Other Services	Rent	Utilities	Depreciation	Fees Assessed by the Commission	Total
Instruction	\$ 177,786	\$ 14,689	\$210,607	\$ 25	\$ -	\$ -	\$ -	\$ 403,107
Public service	195,582	42,795	73,793					312,170
Academic support	294,650	61,895	194,827	1,572				552,944
Student services	232,828	45,359	83,209					361,396
General institutional support	374,673	68,728	240,367	55				683,823
Operations and maintenance of plant	1,406	108	39,232	250,308	20,295			311,349
Depreciation						290,832		290,832
Other			442				1,526	1,968
<b>Total</b>	<b><u>\$ 1,276,925</u></b>	<b><u>\$233,574</u></b>	<b><u>\$842,477</u></b>	<b><u>\$251,960</u></b>	<b><u>\$ 20,295</u></b>	<b><u>\$290,832</u></b>	<b><u>\$ 1,526</u></b>	<b><u>\$ 2,917,589</u></b>

	2003							
	Salaries and Wages	Benefits	Supplies and Other Services	Rent	Utilities	Depreciation	Fees Assessed by the Commission	Total
Instruction	\$ 153,433	\$ 14,473	\$244,268	\$ -	\$ -	\$ -	\$ -	\$ 412,174
Public service	39,975	12,026	25,789					77,790
Academic support	550,128	112,151	195,246	570				858,095
Student services	256,916	48,790	125,590					431,296
General institutional support	438,201	129,950	342,274	140				910,565
Operations and maintenance of plant			27,944	217,309	19,361			264,614
Depreciation						239,714		239,714
Other							1,526	1,526
<b>Total</b>	<b><u>\$ 1,438,653</u></b>	<b><u>\$317,390</u></b>	<b><u>\$961,111</u></b>	<b><u>\$218,019</u></b>	<b><u>\$ 19,361</u></b>	<b><u>\$239,714</u></b>	<b><u>\$ 1,526</u></b>	<b><u>\$ 3,195,774</u></b>

**15. SUBSEQUENT EVENT**

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.

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

Governing Board  
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, 2004, and have issued our report thereon dated October 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States.

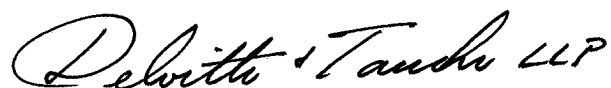
### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the College's internal control over financial reporting and its operations that we consider to be material weaknesses.

### **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 grants, 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, and the State of West Virginia and is not intended to be and should not be used by anyone other than these specified parties.



October 13, 2004