Bridgemont Community and Technical College

Financial Statements for the Years Ended
June 30, 2010 and 2009, and
Independent Auditors’ Reports

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Bridgemont Community and Technical College Board of Governors:

We have audited the accompanying statements of net assets of Bridgemont Community and Technical College ("Bridgemont") as of June 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the management of Bridgemont. 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 respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bridgemont's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Bridgemont at June 30, 2010 and 2009, 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 on pages 2 to 14 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 Bridgemont's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2010, on our consideration of Bridgemont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

November 11, 2010

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

History

Bridgemont Community and Technical College (“Bridgemont” or the “College”) is a State-supported institution within the West Virginia Council for Community and Technical College Education. Bridgemont offers certificate and associate-degree programs primarily in technical and health areas and customized training in these respective fields through workforce development. Until February 2004, the College was a component of West Virginia University Institute of Technology, (WVU Tech) a regional campus of West Virginia University. WVU Tech operated two components, the baccalaureate component and the community and technical college component. The community and technical college component became independently accredited by the Higher Learning Commission of the North Central Association at that time, while still under the WVU Tech Board of Governors. In accordance with House Bill 3215 passed by the West Virginia State Legislature in its 2008 session, Bridgemont became a separate entity effective July 1, 2008 and received net assets transferred from West Virginia University (“WVU”) as of this date. Effective July 1, 2008, HB 3215 provided the College with a separate governing board. In May 2009, the Board of Governors officially changed the college name to Bridgemont Community and Technical College. July 1, 2009, Bridgemont began operating as a separate college completing the transition from an administratively linked college.

Overview

The Management's Discussion and Analysis is required supplementary information and has been prepared in accordance with the requirements of Governmental Accounting Standards Board (GASB) standards. This section of Bridgemont’s annual financial report provides an overview of the College’s financial performance during the fiscal years ended June 30, 2010 and 2009, with a focus on 2010. A comparative analysis is presented for fiscal year 2010 compared to fiscal year 2009.

Bridgemont's annual report consists of three basic financial statements: the statement of net assets, the statement of revenues, expenses and changes in net assets, and the statement of cash flows. These statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole. Each of these statements is discussed below.

Financial Highlights

At June 30, 2010, Bridgemont’s total net assets were $3,410,259 million representing an increase of $318,641 in nets assets before transfers, a transfer from WVU in residual capital funds of $38,964 for a total increase in net assets of $357,605. This increase in net assets was primarily attributable to increases in cash, accounts receivable, and capital assets and partially offset by increases in accounts payable and Other Post Employment Liabilities (“OPEB”).

Total operating revenues increased by 39% over prior year primarily due to increases in grants and contracts as well as auxiliary enterprises now being retained by the College. Total operating expenses increased by 21% over prior year mainly because of increases in all expense categories offset by a 76% decrease in net service agreement expenses to WVU. Effective July 1, 2009, Bridgemont began operating as a separate community and technical college and entered into a limited service agreement with WVU for leased space, and purchasing of student related expenses including room and board, library use, on-line web hosting, and career services. Net non-operating revenue decreased by 12% primarily due to decreases in State appropriations related to special appropriations in FY 2009 and budget reductions offset by increase in Federal fiscal stabilization funds and Federal Pell grant revenue.

Net Assets

The statement of net assets present the assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities) of the College as of the end of the fiscal year. Assets denote the resources available to continue the operations of the College. Liabilities indicate how much the College owes vendors, employees and lenders. Net assets measure the equity or the availability of funds of the College for future periods.

Net Assets are displayed in three major categories:

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

Restricted net assets. This category includes net assets, the use of which is restricted, either due to externally imposed constraints or because of restrictions imposed by law. They are further divided into two additional components - nonexpendable and expendable. **Nonexpendable restricted net assets** include endowment and similar type funds for 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. **Expendable restricted net assets** include resources for which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

Condensed Statements of Net Assets

	As of June 30 2010	As of June 30 2009
Assets		
Current Assets	$ 2,620,482	$ 2,442,302
Noncurrent Assets	4,089,216	3,686,908
Total Assets	$ 6,709,698	$ 6,129,210
Liabilities		
Current Liabilities	$ 2,284,093	$ 2,295,484
Noncurrent Liabilities	1,015,346	781,072
Total Liabilities	$ 3,299,439	$ 3,076,556
Net Assets		
Invested in Capital Assets, net	$ 3,052,803	$ 1,928,075
Restricted for:		
Nonexpendable	50,000	50,000
Expendable	74,530	49,745
Unrestricted	232,926	1,024,835
Total Net Assets	$ 3,410,259	$ 3,052,655

Total assets increased by $580,488 over the prior year. This increase was primarily due to an increase in net capital assets, cash and cash equivalents, accounts receivable, and other assets. These increases were partially offset by a decrease in due from Council / Commission and restricted cash and cash equivalents.

- Capital assets, net increased by $956,774 primarily due to the increase in construction in process for the Davis Hall heating and ventilation project.
- Amounts due from the Council / Commission decreased by $684,025 primarily due to no additional special equipment and transition funds in FY 2010 similar to funds received in FY 2009.
- Restricted cash and cash equivalents decreased by $608,046 primarily due to return of $500,000 for diesel grant expenditures due to the delay in constructing a diesel facility.
- Unrestricted cash and cash equivalents increased by $563,441 attributable partially due to retainage of fund balances in auxiliary and capital which were transferred to WVU in the prior year.
- Net accounts receivable increased by $298,764 primarily because of grants receivables.
- Other assets increased $53,580 primarily due to deferred rent.

Total liabilities increased by $222,883 over the prior year. The increase is primarily attributable to increases in accounts payable and the OPEB liability partially offset by a decrease in deferred revenue.

- OPEB liability increased by $438,973 partially due to a decrease in State contributions for the last two years in the West Virginia Retiree Health Benefit Trust Fund (the "Trust") on behalf of Bridgemont. The OPEB liability represents Bridgemont's accumulated unpaid annual required contribution to the Trust established by the WV State Legislature. The Trust accumulates and manages funds for retiree health benefits under a defined benefit cost-sharing multiple employer OPEB plan. The Public Employees Insurance Agency (PEIA) has been assigned the responsibility for the administration of the Trust. PEIA invoices the participants in the State's OPEB Plan, including the College, on a monthly basis, its contractually required contribution based on current health insurance policy holders. In prior years, the State transferred monies from their general revenues and excess reserves into the Trust as contributions; however there were no such payments in 2010.

- Deferred revenue decreased $279,599 primarily attributable to diesel funds in the amount of $500,000 which were returned in fiscal year 2010. This reduction in deferred revenue was partially offset by increases in other deferred revenue.

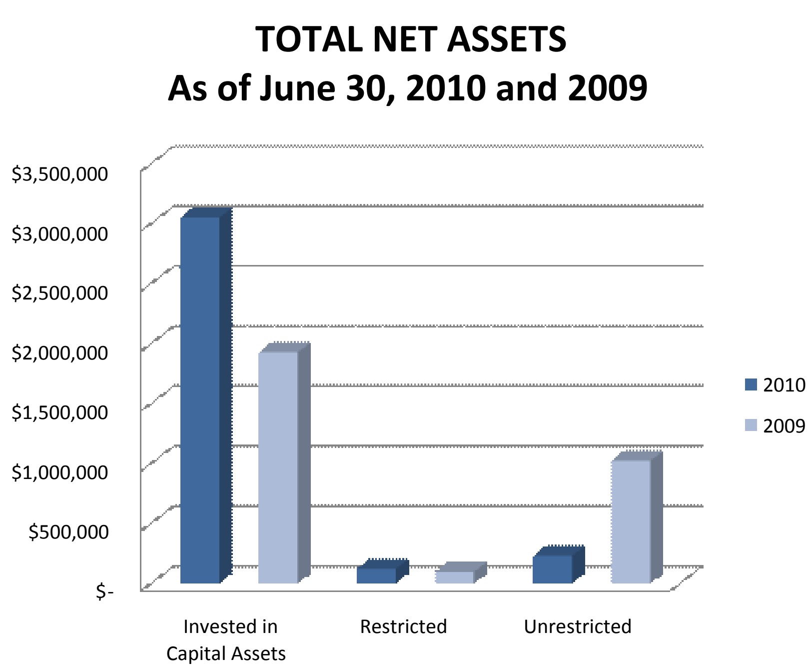
- Accounts payable increased by $112,501 primarily due to increased volume of unpaid vendor invoices at the end of fiscal year 2010 due to Bridgemont no longer purchasing services from WVU.

- Debt service assessment payable to the Commission and College system debt owed to the Commission decreased by $89,652 and $61,999, respectively, due to scheduled debt service payments and no new debt in fiscal year 2010.

- Service agreement payable increased by $66,398 due to leases unpaid at year end.

- Notes payable decreased by $40,000 due to the annual payment of a deferred maintenance loan from WVU.

The following is a comparative illustration of net assets.



Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets present the operating revenues, operating expenses, nonoperating revenues and expenses and other revenues, expenses, gains or losses of Bridgemont for each fiscal year.

State appropriations, while budgeted for operations, are considered and reported as non-operating revenues. This is because State appropriations are provided by the West Virginia Legislature (the "Legislature") to the College without the Legislature directly receiving commensurate goods and services for those revenues. Likewise, Pell grants are reported as nonoperating, because of specific guidance in the AICPA industry audit guide –both fiscal year 2010 and 2009 reflect this Pell reporting.

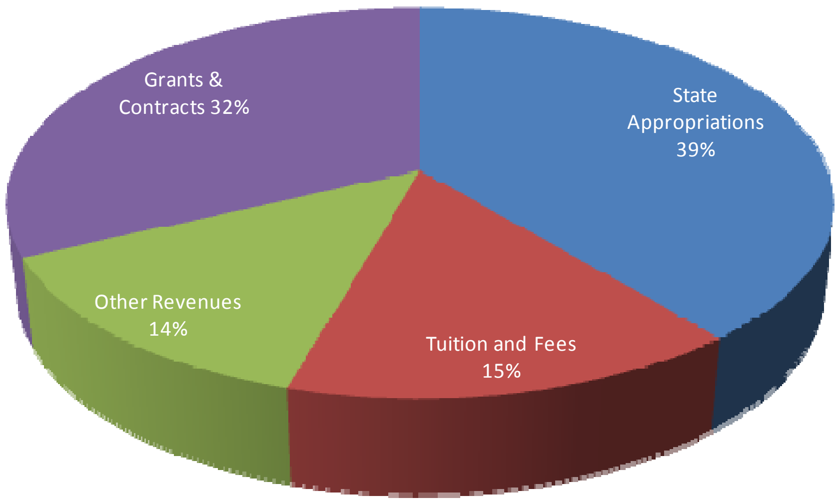
Student tuition and fees are reported net of scholarship discounts and allowances. Financial aid to students is reported using the NACUBO alternative method. Under this method certain aid, such as loans and federal direct lending, is accounted for as a third party payment, while all other aid is reflected either as operating expenses or scholarship allowances, which reduce revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Consolidated Statements of Revenues, Expenses and Changes in Net Assets

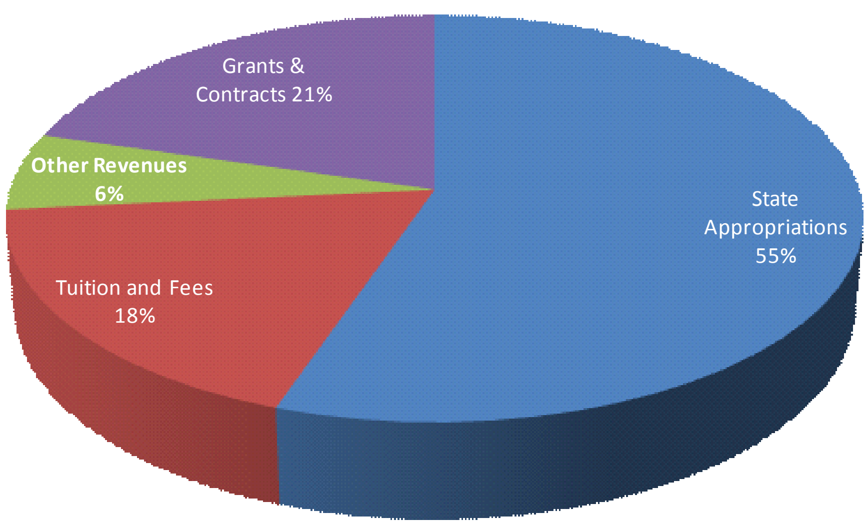
	As of June 30 2010	As of June 30 2009
Operating Revenues	$ 3,335,190	$ 2,399,317
Operating Expenses	9,026,714	7,548,996
Operating Loss	**(5,691,524)**	**(5,149,679)**
Net Nonoperating Revenues	5,147,950	5,840,025
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	**(543,574)**	**690,346**
Capital Grants and Gifts	862,215	201,983
Transfer of Net Assets from WVU	38,964	2,160,325
Increase in Net Assets	**357,605**	**3,052,654**
Net Assets at Beginning of Year	**3,052,654**	**-**
Net Assets at End of Year	**$ 3,410,259**	**$ 3,052,654**

Revenues:
The following chart illustrates the composition of revenues by source for 2010 and 2009.

TOTAL REVENUES
For the Year Ended June 30, 2010



TOTAL REVENUES
For the Year Ended June 30, 2009



The most significant sources of revenue for the College are State appropriations, tuition and fees, and grants and contracts. Some highlights of the information presented on the statement of revenues, expenses, and changes in net assets are as follows:

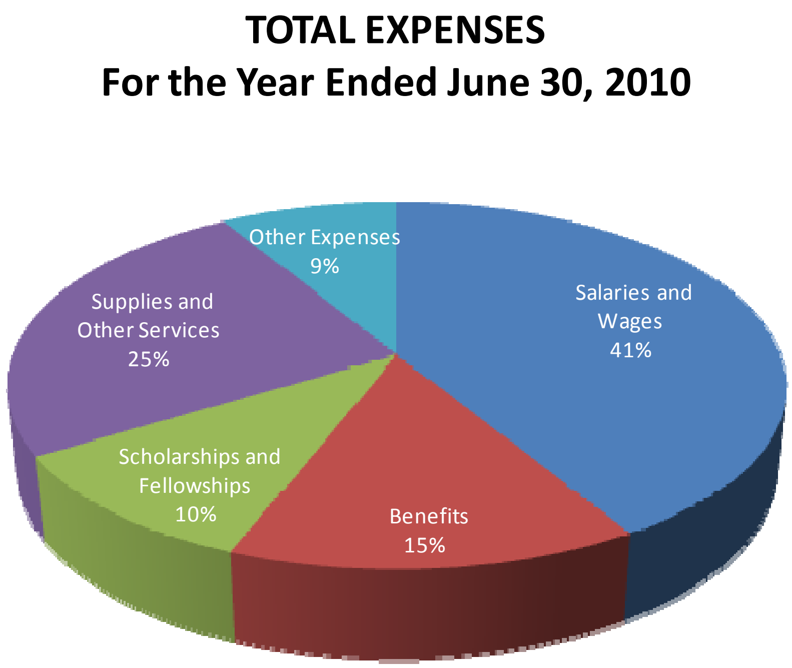
- Grants and contracts revenue increased by $1,266,640: Increases in State grants and contracts, $387,375; Nongovernmental grants and contracts, $371,645; Federal Pell grants, $216,277; State fiscal stabilization funds, $251,925; and a decrease in Federal grants and contracts of $5,582; Additional grants and contracts revenue is primarily due to: various Workforce Development grants; and instructional grants including welding and blasting; federal American Recovery and Reinvestment Act funds to offset reductions in State appropriations; and an increase in Federal Pell Grants and Federal Work Study awards. Federal Pell Grant revenue is classified as nonoperating revenue per the Audit and Accounting Guide for State and Local Governments issued by the American Institute of Certified Public Accountants.

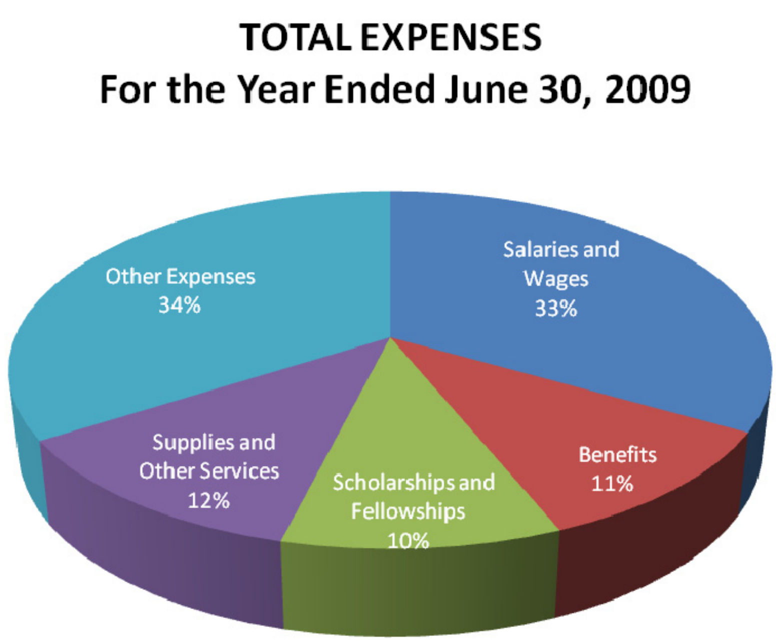
- State appropriations decreased by $1, 026,925 due to one-time special appropriations in FY 2009 to assist in the transition from WVU under the provisions of House Bill 3215, special equipment funding in FY 2009; and a budget reduction in FY 2010. The budget reductions in FY 2010 were back filled by Federal American Recovery and Reinvestment Act funds and reported as grant revenue in the amount of $251,925.

- Auxiliary enterprise revenue increased by $311,837 due to Bridgemont no longer remitting all auxiliary revenue to WVU. In 2010 only housing and meal auxiliary revenue was remitted to WVU with the remaining auxiliary revenue remaining at Bridgemont to support College services.

- Net tuition and fee revenue decreased by $93,699 primarily due to less revenue related to joint tuition earned in FY 2009 on behalf of WVU Institute of Technology.

Expenses:
The following is a graphic illustration of total expenses by source for fiscal years 2010 and 2009.





Total expenses for fiscal year 2010 were $9,038,329, an increase of $1,473,293 over prior year. This increase is primarily due to increases in several categories of expenses offset by decreases in other expenses as follows:

- Service agreement expense decreased by $1,809,072 attributable to a reduction of purchased services for FY 2010 as the College provided most services in house.
- Supplies and other services increased by $1,194,002 due to increases in computer services and supplies, research and educational supplies, and contractual and professional services as the College no longer purchased these services from WVU. Another reason for these increases was due to spending related to transitional expenses and equipment.
- Salaries and wages increased by $1,210,564 due to staffing of faculty and staff to assume responsibilities purchased from WVU in FY 2009.
- Benefits increased by $524,352 partially related to benefits associated with new faculty and staff but primarily due to the increase in OPEB expense.
- Scholarship and fellowship expense increased by $184,510 mainly due to increases in third party scholarships.
- Utilities increased by $146,026 primarily due to Bridgemont assuming the responsibility of direct paying of utility costs.
- Depreciation increased by $27,800 due to the reclass of construction in process for completed projects and the purchase of additional depreciable assets.

Cash Flows

The statement of cash flows provides information about the cash receipts, cash payments, and net change in cash resulting from the operating, investing, and financing activities (capital and noncapital) of the College during the year. This statement helps users assess the College’s ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

The statement of cash flows is divided into five sections:

Cash flows from operating activities. This section shows the net cash used by the operating activities of the College.

Cash flows from noncapital financing activities. This section reflects the cash received and paid for nonoperating, noninvesting, and noncapital financing purposes.

Cash flows from capital financing activities. This section includes cash used for the acquisition and construction of capital and related items.

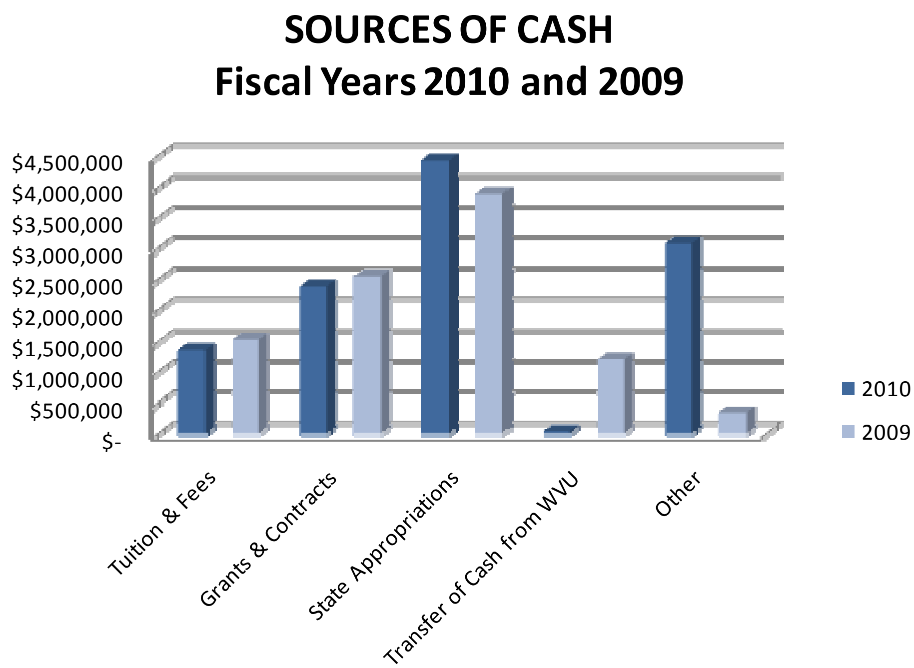
Cash flows from investing activities. This section shows the purchases, proceeds, and interest received from investing activities.

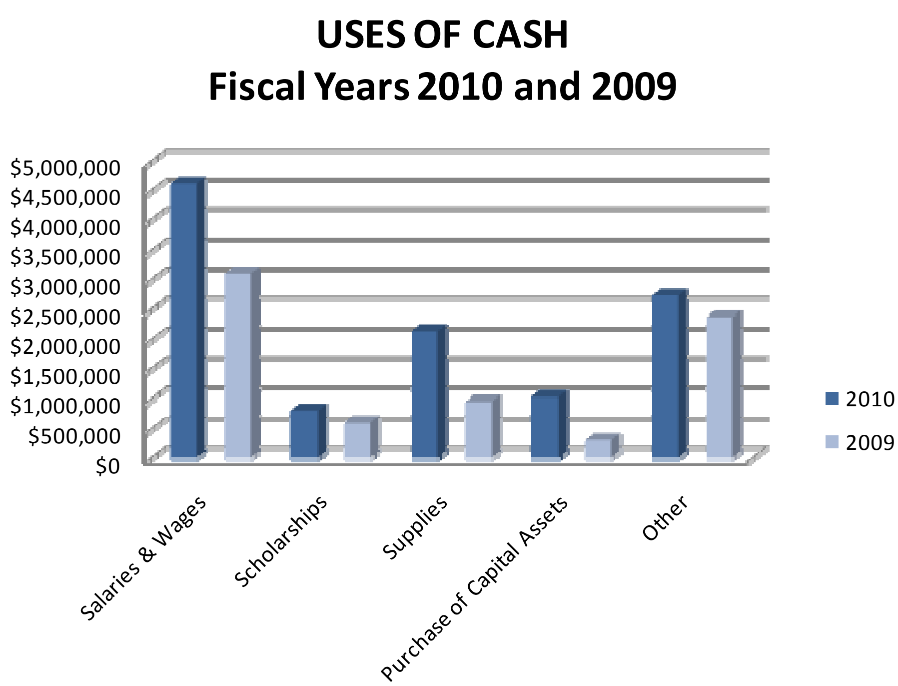
Reconciliation of operating loss to net cash used in operating activities. This section provides a schedule that reconciles the accrual-based operating income (loss) and net cash used in operating activities.

Condensed Statements of Cash Flows

Cash Provided (Used) By:	2010	2009
Operating Activities	$ (5,594,366)	$ (3,714,951)
Noncapital Financing Activities	5,968,712	6,137,724
Capital Financing Activities	(423,843)	(263,107)
Investing Activities	4,892	29,883
Increase (Decrease) in Cash and Cash Equivalents	(44,605)	2,189,549
Cash and Cash Equivalents, Beginning of Year	2,189,549	-
Cash and Cash Equivalents, End of Year	$ 2,144,944	$ 2,189,549

The following graphs illustrate the sources and uses of cash –





Capital Asset and Long Term Debt Activity

During FY 2009 and in accordance with the provisions of House Bill 3215, WVU transferred net capital assets to Bridgemont in the amount of $2.6 million as follows – buildings in the amount of $1.4 million; land (two parking lots) in the amount of $324,000; construction-in-process in the amount of approximately $672,000; and equipment, including vehicles, in the amount of $232,000. WVU also transferred debt in the amount of $1 million to Bridgemont as follows – college system debt payable to the Commission in the amount of approximately $216,000; debt service assessment payable to the Commission in the amount of approximately $312,000; Energy Performance Contract lease payable in the amount of approximately $212,000; and note payable for a deferred maintenance loan match to WVU in the amount of $280,000.

During FY 2010, some of the construction in process projects were completed, transferred to capital assets, and the College began depreciating these capital assets. As part of the 2009 Federal American Recovery and Reinvestment Act, funds processed by the State's Department of Energy were awarded to Bridgemont in the amount of $450,000 to replace and renovate the heating, ventilating, and air conditioning ("HVAC") throughout Davis Hall - currently only $404,999 with $45,001 being held as retainage until the project is completed. Bridgemont also used a portion of the $3 million bond funds ($326,930) to complete the $776,930 project. Bridgemont made scheduled debt service payments and will pay off debt issued by the WV Higher Education Policy Commission in 2012. System debt associated with the Council's $3 million is being repaid through the use of through the lottery funds.

Economic Outlook

The financial position of Bridgemont Community and Technical College is closely tied to that of the State of West Virginia. However, legislative changes that have occurred over the last decade resulting in more autonomy and control over all operations of the College. Enrollment has been stable for the past few years with the exception of the past two years. Fall 2009 with the marketing launch of the new College name, Bridgemont experienced a 10 percent increase in headcount enrollment. Fall 2010, Bridgemont was able to sustain the headcount enrollment increase, adding an additional 1 percent increase to the headcount enrollment over Fall 2009 and also experienced a 5 percent increase in full-time equivalent student enrollment. The Institution is dependent upon tuition and fee revenue to maintain the large percentage of high-cost technical programs; however the rate of tuition increases is contained as much as possible. Tuition increases are capped at 4.75 percent for the College to keep costs affordable and to insure access.

Faculty and staff rely on external funding, primarily through State grants and contracts, to initiate new academic programs and workforce initiatives. Grants and contracts provide essential start-up money with sustainability of initiatives created through enrollment. Several projects are being proposed for the use of Federal grants available for community and technical college education. Another revenue enhancement began with the establishment of the Bridgemont Community and Technical College Foundation. The Foundation Board is in place and filed necessary paperwork with the IRS to become established as a charitable foundation. Once completed, Bridgemont assets will be transferred from the Tech Foundation thus allowing Bridgemont to work with donors to enhance external funding to support the College.

With the change in governance and administrative service structure, Bridgemont continues to achieve cost savings. While the current year outlook is optimistic, Federal stimulus funding backfilling the reduction in State appropriations expires at the end of 2011. Currently State Budget Office projections for fiscal year 2012 state appropriations are level with 2009 (prior to any reductions). Should this optimistic projection for fiscal year 2012 State revenue not occur, Bridgemont has developed plans for this scenario through careful consideration of filling any current and new vacancies, determining the applicability of part-time versus full-time employees and contractual versus permanent employees. Joint appointments with other colleges are being used to contain personnel costs. Enhanced recruitment activities and projects are on-going to increase the tuition and fee revenue stream.

Through strategic planning for energy efficiencies in buildings, cost containment with sustainability measures, careful deliberation on personnel decisions, enhanced grant activity, encouraging external gifting through a newly established Foundation, and focus on student recruitment and retention, the leadership of the College is consistently engaged in a solution-focused dialogue designed to meet future economic challenges. These changes will result in cost savings and revenue enhancements to the College to provide for greater financial stability.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$2,036,487	$1,473,046
Accounts receivable, net of allowances for doubtful accounts of $232,818 and $302,734 in 2010 and 2009, respectively	449,813	151,049
Due from the Council/Commission	134,182	818,207
Total current assets	2,620,482	2,442,302
NONCURRENT ASSETS:		
Restricted cash and cash equivalents	108,457	716,503
Other assets	250,040	196,460
Capital assets — net	3,730,719	2,773,945
Total noncurrent assets	4,089,216	3,686,908
TOTAL ASSETS	$6,709,698	$6,129,210
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	$ 305,706	$ 193,205
Service agreement payable to West Virginia University	84,743	18,345
Accrued liabilities	-	1,280
Accrued payroll	74,811	71,684
Deposits	1,600	3,800
Deferred revenue	1,380,568	1,660,167
Due to the Council/Commission	130,850	57,767
Compensated absences	101,116	97,585
College system debt owed to the Commission, current portion	64,269	61,999
Debt service assessment payable to the Commission, current portion	92,934	89,652
Leases payable, current portion	7,496	-
Notes payable to West Virginia University, current portion	40,000	40,000
Total current liabilities	2,284,093	2,295,484
NONCURRENT LIABILITIES:		
Other post employment benefits liability	538,979	100,006
College system debt owed to the Commission	29,506	93,775
Debt service assessment payable to the Commission	42,666	135,600
Leases payable	204,195	211,691
Notes payable to West Virginia University	200,000	240,000
Total noncurrent liabilities	1,015,346	781,072
TOTAL LIABILITIES	$3,299,439	$3,076,556
NET ASSETS		
INVESTED IN CAPITAL ASSETS — Net of related debt	$3,052,803	$1,928,075
RESTRICTED FOR:		
Nonexpendable — other	50,000	50,000
Expendable:		
Scholarships and fellowships	74,530	1,041
Sponsored programs	-	48,704
Total expendable	74,530	49,745
UNRESTRICTED	232,926	1,024,834
TOTAL NET ASSETS	$3,410,259	$3,052,654

See notes to financial statements.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowances of $662,339 and $655,187 in 2010 and 2009, respectively	$ 1,444,622	$ 1,538,321
Federal grants and contracts	56,580	62,162
State grants and contracts	874,061	486,686
Nongovernmental grants and contracts	587,972	216,327
Sales and services of educational departments	21,948	6,030
Auxiliary enterprises — net of scholarship allowances of $90,319 and $55,173 in 2010 and 2009, respectively	349,695	37,858
Other operating revenues	312	51,933
Total operating revenues	3,335,190	2,399,317
OPERATING EXPENSES:		
Salaries and wages	3,733,092	2,522,528
Benefits	1,321,551	797,200
Scholarships and fellowships	939,169	754,658
Utilities	158,180	12,154
Supplies and other services	2,105,857	911,855
Depreciation	152,214	124,414
Assessments by the Commission for operations	30,660	31,124
Net service agreement expense to West Virginia University	585,991	2,395,063
Total operating expenses	9,026,714	7,548,996
OPERATING LOSS	(5,691,524)	(5,149,679)
NONOPERATING REVENUES (EXPENSES):		
State appropriations	3,644,960	4,671,885
State fiscal stabilization funds (federal)	251,925	-
Federal Pell grants	1,179,845	963,568
Payments on behalf of Bridgemont	-	122,185
Investment income	4,819	26,489
Interest on capital asset-related debt	(11,615)	(5,246)
Credit from the Commission for debt service	78,016	71,938
Other nonoperating expenses — net	-	(10,794)
Net nonoperating revenues	5,147,950	5,840,025
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(543,574)	690,346
CAPITAL GRANTS AND GIFTS	79,857	201,983
STATE CAPITAL GRANTS (FEDERAL)	450,000	-
CAPITAL PROJECTS AND BOND PROCEEDS FROM THE COMMISSION	326,930	-
CAPITAL PAYMENTS MADE ON BEHALF OF BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGI	5,428	-
INCREASE IN NET ASSETS BEFORE TRANSFERS	318,641	892,329
TRANSFER OF NET ASSETS FROM WEST VIRGINIA UNIVERSITY	38,964	2,160,325
INCREASE IN NET ASSETS	357,605	3,052,654
NET ASSETS — Beginning of year	3,052,654	-
NET ASSETS — End of year	$ 3,410,259	$ 3,052,654

See notes to financial statements.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 1,368,628	$ 1,535,299
Grants and contracts	956,099	1,588,603
Payments to and on behalf of employees	(4,617,792)	(3,099,592)
Payments to suppliers	(2,144,298)	(958,085)
Payments to utilities	(144,115)	(12,026)
Payments for scholarships and fellowships	(806,359)	(608,284)
Auxiliary enterprise charges	332,024	41,658
Sales and service of educational departments	17,128	6,030
Payments of operating expenses to West Virginia University	(519,593)	(2,207,244)
Other payments	(36,088)	(1,310)
Net cash used in operating activities	(5,594,366)	(3,714,951)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	4,419,960	3,896,885
State fiscal stabilization funds (federal)	251,925	-
Federal Pell grants	1,179,845	963,568
Federal student loan program — direct lending receipts	1,832,373	-
Federal student loan program — direct lending payments	(1,832,373)	-
Credit from the Commission for debt service	78,016	71,938
Transfer of cash from West Virginia University	38,966	1,205,333
Cash provided by noncapital financing activities	5,968,712	6,137,724
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
State capital grants (federal) received	404,999	-
Payments on Commission debt assessment payable	(151,651)	(146,392)
Capital gifts and grants received	79,857	201,983
Purchases of capital assets	(1,032,363)	(311,062)
Payments on notes payable to West Virginia University	(40,000)	-
Capital projects and bond proceeds from the Commission	326,930	-
Interest paid on capital debt and leases	(11,615)	(7,636)
Net cash used in capital financing activities	(423,843)	(263,107)
CASH FLOWS FROM INVESTING ACTIVITIES — Investment income	4,892	29,883
Cash provided by investing activities	4,892	29,883
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(44,605)	2,189,549
CASH AND CASH EQUIVALENTS — Beginning of year	2,189,549	-
CASH AND CASH EQUIVALENTS — End of year	$ 2,144,944	$ 2,189,549

(Continued)

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (5,691,524)	$ (5,149,679)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	152,214	124,414
Loss on disposal of asset	6,495	-
Expenses paid on behalf of Bridgemont		122,185
Changes in assets and liabilities:		
Accounts receivable — net	(298,838)	230,065
Due from the Commission	(90,975)	(11,126)
Prepaid expenses	(53,580)	(53,580)
Accounts payable	79,809	91,380
Accrued liabilities	1,847	57,011
Deposits	(2,200)	3,800
Deferred revenue	(279,598)	780,358
Service agreement payable	66,397	-
Due to the Commission	73,083	57,767
Other post employment benefits liability	438,973	-
Compensated absences	3,531	32,454
NET CASH USED IN OPERATING ACTIVITIES	$ (5,594,366)	$ (3,714,951)

See notes to financial statements. (Concluded)

1. ORGANIZATION

Bridgemont Community and Technical College ("Bridgemont") is governed by the Bridgemont Community and Technical College Board of Governors (the "Board"). The Board was established by House Bill 3215 ("H.B. 3215").

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 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.

The West Virginia Council for Community and Technical College Education (the "Council") (two year education) and the West Virginia Higher Education Policy Commission (the "Commission") (four year and post graduate education) collectively comprise the West Virginia Higher Education Fund. Both the Council and the Commission were legislatively created under Senate Bill No. 448 and Senate Bill No. 653, respectively.

The Council is responsible for developing, overseeing and advancing the State's public policy agenda as it relates to community and technical college education. The Council is comprised of 12 persons appointed by the Governor with the advice and consent of the Senate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Bridgemont 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 amendments thereof, and has elected not to apply the FASB Statements and Interpretations issued after November 30, 1989, to its financial statements.

Reporting Entity — Bridgemont 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. Bridgemont is a separate entity which, along with all State institutions of higher education, the Council and 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 Bridgemont. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from Bridgemont's ability to significantly influence operations and accountability for fiscal matters of related entities. Related foundations of Bridgemont are not part of Bridgemont's reporting entity and are not included in the accompanying financial statements as Bridgemont has no ability to designate management, cannot significantly influence operations of these entities and is not accountable for the fiscal matters of the foundations and other affiliates under GASB blended component unit requirements.

A related foundation of Bridgemont does not meet the criteria for inclusion as a component unit of Bridgemont under discretely presented component unit requirements and, as a result, is not included in these financial statements.

Basis of Accounting — For financial reporting purposes, Bridgemont is considered a special-purpose government engaged only in business-type activities. Accordingly, Bridgemont'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 are reported when materials or services are received.

Cash and Cash Equivalents — For purposes of the statement of net assets, Bridgemont 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 "Treasurer") are pooled by the Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (the BTI). These funds are transferred to the BTI, and the BTI is directed by the Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, provisions of bond indentures and the trust agreements when applicable. Balances in the investment pools are recorded at fair value or amortized cost which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources. 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 and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

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

Cash and cash equivalents also include all outside bank accounts and cash on hand.

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

Noncurrent Cash and Cash Equivalents — Cash that is (1) externally restricted to make debt service payments or long-term loans to students or to purchase capital or other noncurrent assets and (2) permanently restricted net assets are classified as a noncurrent asset in the statement of net assets.

Capital Assets — Capital assets include property, plant, and equipment. 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. The capital assets transferred in were recorded at net book value. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and land improvements, 3 to 15 years for furniture and equipment. Bridgemont's capitalization threshold is $5,000.

Deferred Revenue — Revenue for programs or activities to be conducted primarily in the next fiscal year are classified as deferred revenue, including items such as tuition, orientation fees, financial aid deposits, and advance payments on sponsored awards. Financial aid deposits are separately classified.

Compensated Absences and Other Post Employment Benefits — Bridgemont accounts for compensated absences in accordance with the provisions of GASB.

GASB provides standards for the measurement, recognition, and display of other post employment 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 post employment benefits for the State of West Virginia (the "State"). Bridgemont is required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State of West Virginia. Details regarding this plan can be obtained by contacting 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 payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

Bridgemont'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 or after July 1, 2001, will no longer receive sick leave credit toward insurance premiums when they retire. The liability is provided for under the multiple employer cost sharing plan sponsored by the State (See Note 7).

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

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

Net Assets — GASB standards for external financial reporting for public colleges and universities and require that financial statements be presented on a basis to focus on Bridgemont as a whole. Net assets are classified according to external donor restrictions or availability of assets for satisfaction of Bridgemont's obligations. Bridgemont's net assets are classified as follows:

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

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

The West Virginia 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 fees restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of Bridgemont. These restrictions are subject to change by future actions of the West Virginia Legislature. At June 30, 2010 and 2009, Bridgemont had no restricted balances remaining in these funds.

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.

Unrestricted Net Assets — Unrestricted net assets include resources that are not subject to externally imposed stipulations. Such resources represent resources derived from student tuition and fees (not restricted as to use), state appropriations and sales and services of educational activities. Unrestricted net assets are used for transactions relating to the educational and general operations of Bridgemont, and may be designated for specific purposes by action of the Board.

Classification of Revenues — Bridgemont 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) most federal, state, local, and nongovernmental grants and contracts, and (3) 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, such as state appropriations and investment income.

Per the *Audit and Accounting Guide for State and Local Governments* issued by the American Institute of Certified Public Accountants, Pell grant revenue is classified as nonoperating revenue.

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

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

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 Bridgemont, and the amount that is paid by students and/or third parties making payments on the student's behalf.

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

Federal Financial Assistance Programs — In fiscal year 2010, Bridgemont switched to the William D. Ford Loan Direct Loan program for making loans to students from the Federal Stafford Loan Program provided to students. Under the William D. Ford Direct Loan program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through colleges. Direct Loan student receivables are not included in Bridgemont's statement of net assets, as the loans are repayable directly to the U.S. Department of Education. Bridgemont received and disbursed approximately $1.8 million during fiscal year 2010 under the Direct Loan Program and $1.6 million during fiscal year 2009 under the Stafford Loan Program on behalf of the U.S. Department of Education. These amounts are not included as revenues and expenses on the statement of revenues, expenses, and changes in net assets.

Bridgemont also distributes student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant, Academic Competitive Grant and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2010 and 2009, Bridgemont received and disbursed approximately $1.2 million and $949,000, respectively, under these federal student aid programs.

Government Grants and Contracts — Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. Bridgemont 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 three years.

Income Taxes — Bridgemont 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 been included as cash and cash equivalents for the purpose of the statement of cash flows.

Risk Management — The State's Board of Risk and Insurance Management (BRIM) provides general liability, property and auto insurance coverage, to Bridgemont and its employees. Such coverage is provided to Bridgemont by BRIM through a self-insurance program maintained by BRIM for general liability and auto insurance coverage. BRIM maintains a self-insurance program to pay the first $1,000,000 of each property insurance claim and purchases excess property insurance from the commercial insurance market to cover individual claims that exceed $1,000,000. The BRIM self-insurance programs may involve experience and exposure related premiums.

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

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.

Newly Adopted Statements Issued by the Governmental Accounting Standards Board — During 2010, Bridgemont adopted Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement provides guidance regarding whether and when intangible assets should be considered capital assets for financial reporting purposes. The adoption of this statement did not have a material impact on the financial statements.

Bridgemont also adopted Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement requires governmental entities to measure most derivative instruments at fair value as assets or liabilities. It also improves disclosure requirements surrounding the entity's derivative instrument activity, its objectives for entering into the derivative instrument, and the instrument's significant terms and risks. The adoption of this statement did not have a material impact on the financial statements.

Recent Statements Issued by the Governmental Accounting Standards Board — The Governmental Accounting Standards Board has issued Statement No. 59, *Financial Instruments Omnibus*, effective for fiscal years beginning after June 15, 2010. This statement improves financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards related to certain financial instruments and external investment pools. The University has not yet determined the effect that the adoption of Statement No. 59 may have on its financial statements.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents was as follows at June 30, 2010 and 2009:

2010	**Current**	**Noncurrent**	**Total**
Cash on deposit with the Treasurer:			
Nonauxiliaries	$ 1,919,371	$ 108,457	$ 2,027,828
Auxiliaries	82,931		82,931
Cash on deposit with Trustee	3,151		3,151
Cash in bank	31,034		31,034
	$ 2,036,487	$ 108,457	$ 2,144,944

2009	**Current**	**Noncurrent**	**Total**
Cash on deposit with the Treasurer:			
Nonauxiliaries	$ 1,434,433	$ 689,656	$ 2,125,088
Auxiliaries	17,482		17,482
Cash on deposit with Trustee		26,848	26,848
Cash in bank	21,131		21,131
	$ 1,473,046	$ 716,503	$ 2,190,549

Cash on Deposit With the Treasurer — These bank balances are insured by the Federal Deposit Insurance Corporation or collateralized by securities held as collateral by the bank in the name of the State. Cash held by the Treasurer includes $108,457 and $689,656 of restricted cash at June 30, 2010 and 2009, respectively.

Cash on Deposit With Trustee — Cash on deposit with Trustee represents various project revenue, repair and replacement and debt service accounts held by the Trustee. Bank balances are insured by the Federal Deposit Insurance Corporation or collateralized by securities, held as collateral by the bank, in the name of the State.

Cash in Bank — Carrying amounts of cash in the bank at June 30, 2010 and 2009, was $31,034 and $21,131, respectively, as compared with the combined bank balance of $0 for both years. The difference is primarily caused by outstanding checks and items in transit. Bank balances are 100% insured by the Federal Depository Insurance Corporation through December 31, 2013, and are collateralized in the name of the State.

Amounts with the State Treasurer and the Municipal Bond Commission as of June 30, 2010 and 2009, are comprised of the following investment pools:

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

WV Money Market — 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, 2010 and 2009, the WV Money Market Pool has been rated AAAm by Standard & Poor's. A Fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

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

At June 30, 2010 and 2009, the WV Money Market Pool investments had a total carrying value of $2,876,711,000 and $2,570,261,000, respectively, of which the Bridgemont's ownership represents .06% and .07%, respectively.

WV Government Money Market Pool — Credit Risk — For the years ended June 30, 2010 and 2009, the WV Government Money Market Pool has been rated AAAm by Standard & Poor's. A Fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

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

At June 30, 2010 and 2009, the WV Government Money Market Pool investments had a total carrying value of $221,183,000 and $283,826,000, of which Bridgemont's ownership represents .01% 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*		2010		2009	
Security Type	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Corporate asset backed securities	Aaa	AAA	$ 24,330	5.37 %	$ 16,402	5.21 %
	Aaa	NR *	10,353	2.28	5,136	1.63
	Aa3	AAA	1,000	0.22	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
	Ba1	CC**	45	0.01		
	Ba2	BB**	219	0.05		
	Ba3	AAA			645	0.20
	B1	AAA			779	0.25
	B1	BBB**	605	0.13		
	B1	CCC**	857	0.19		
	B2	B**			493	0.16
	B2	CCC**	366	0.08	539	0.17
	B3	AAA			949	0.30
	B3	B**	442	0.10		
	B3	BBB**	247	0.05		
	B3	CCC**	554	0.12		
	Caa1	BB**			254	0.08
	Caa1	CCC**	230	0.05		
	Caa2	CCC**	779	0.17		
	NR *	AAA	3,538	0.78	679	0.22
			43,565	9.60	29,372	9.33
Corporate bonds and notes	Aaa	AAA	72,549	16.00	47,204	14.99
	Aaa	AA	2,060	0.46		
	Aa1	AA	5,430	1.20	4,445	1.41
	Aa1	A			2,052	0.65
	Aa2	AAA			3,040	0.96
	Aa2	AA	6,650	1.47	9,066	2.88
	Aa3	AA	6,722	1.48		
	Aa3	A	13,850	3.05	7,831	2.49
	A1	AA	15,485	3.41	4,813	1.53
	A1	A	21,098	4.65	5,522	1.75
	A2	A	41,093	9.06	32,040	10.17
	A3	A	4,158	0.92	7,024	2.23
	Baa3	A			2,067	0.66
			189,095	41.70	125,104	39.72
U.S. agency bonds	Aaa	AAA	40,180	8.86	60,250	19.13
U.S. Treasury notes***	Aaa	AAA	158,423	34.93	88,805	28.20
U.S. agency mortgage backed securities****	Aaa	AAA	4,540	1.00	4,975	1.58
Money market funds	Aaa	AAA	17,715	3.91	6,426	2.04
			$453,518	100.00 %	$314,932	100.00 %

* NR = Not Rated

** The securities were not in compliance with BTI Investment Policy at June 30, 2010 and/or. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

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

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

At June 30, 2010 and 2009, Bridgemont's ownership represents .03% and 01%, respectively, of these amounts held by the BTI.

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

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

	2010		2009	
Security Type	**Carrying Value (In thousands)**	**WAM (Days)**	**Carrying Value (In thousands)**	**WAM (Days)**
Repurchase agreements	$ 174,980	1	$ 212,010	1
U.S. Treasury notes	65,153	140		
U.S. Treasury bills	476,670	35	483,714	69
Commercial paper	855,844	18	592,479	32
Certificates of deposit	281,000	45	128,402	56
U.S. agency discount notes	606,048	52	635,602	57
Corporate bonds and notes	20,000	19	73,812	38
U.S. agency bonds/notes	246,990	55	294,019	70
Money market funds	150,026	1	150,223	1
	$2,876,711	33	$2,570,261	47

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:

	2010		2009	
Security Type	**Carrying Value (In thousands)**	**WAM (Days)**	**Carrying Value (In thousands)**	**WAM (Days)**
Repurchase agreements	$ 66,600	1	$ 53,000	1
U.S. Treasury notes	8,526	114		
U.S. Treasury bills	29,982	72	74,424	94
U.S. agency discount notes	36,465	115	87,662	55
U.S. agency bonds/notes	79,532	30	68,608	37
Money market funds	78	1	132	1
	$221,183	44	$283,826	51

The overall effective duration of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum maturity of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the WV Short Term Bond Pool at June 30, 2010 and 2009:

	2010		2009	
Security Type	**Carrying Value (In Thousands)**	**Effective Duration (Days)**	**Carrying Value (In Thousands)**	**Effective Duration (Days)**
U. S. Treasury bonds/notes	$ 158,423	583	$ 88,805	917
Corporate notes	189,095	560	125,104	559
Corporate asset backed securities	43,565	679	29,372	622
U.S. agency bonds/notes	40,180	288	60,250	752
U.S. agency mortgage backed securities	4,540	360	4,975	540
Money market funds	17,715	1	6,426	1
	$ 453,518	530	$ 314,932	691

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 are as follows at June 30, 2010 and 2009:

	2010	2009
Student tuition and fees — net of allowances for doubtful accounts of $232,818 and $302,734 in 2010 and 2009, respectively	$ 11,146	$ 29,868
Grants and contracts receivable	371,623	64,709
Due from third party for payments of tuition & fees	11,480	-
Other	31,114	19,911
Due from other State agencies	24,450	36,561
	$ 449,813	$ 151,049

5. CAPITAL ASSETS

The following is a summary of capital assets transactions for Bridgemont as of June 30, 2010 and 2009:

	2010			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 324,000	$ 57,191	$ -	$ 381,191
Construction in progress	881,876	806,056	(785,026)	902,906
Total capital assets not being depreciated	$ 1,205,876	$ 863,247	$ (785,026)	$ 1,284,097
Other capital assets:				
Buildings	$ 3,475,966	$ 849,608	$ -	$ 4,325,574
Equipment	803,789	187,654	(6,495)	984,948
Total other capital assets	4,279,755	1,037,262	(6,495)	5,310,522
Less accumulated depreciation for:				
Buildings	(2,177,940)	(99,067)		(2,277,007)
Equipment	(533,746)	(53,147)		(586,893)
Total accumulated depreciation	(2,711,686)	(152,214)	-	(2,863,900)
Other capital assets, net	$ 1,568,069	$ 885,048	$ (6,495)	$ 2,446,622
Capital assets summary:				
Capital assets not being depreciated	$ 1,205,876	$ 863,247	$ (785,026)	$ 1,284,097
Other capital assets	4,279,755	1,037,262	(6,495)	5,310,522
Total cost of capital assets	5,485,631	1,900,509	(791,521)	6,594,619
Less accumulated depreciation	(2,711,686)	(152,214)		(2,863,900)
Other capital assets, net	$ 2,773,945	$ 1,748,295	$ (791,521)	$ 3,730,719

	2009			
	Transfers	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 324,000	$ -	$ -	$ 324,000
Construction in progress	672,199	242,224	(32,547)	881,876
Total capital assets not being depreciated	$ 996,199	$ 242,224	$ (32,547)	$ 1,205,876
Other capital assets:				
Buildings	$ 3,475,966	$ -	$ -	$ 3,475,966
Equipment	854,580	103,775	(154,566)	803,789
Total other capital assets	4,330,546	103,775	(154,566)	4,279,755
Less accumulated depreciation for:				
Buildings	(2,108,421)	(69,519)	-	(2,177,940)
Equipment	(622,624)	(54,895)	143,773	(533,746)
Total accumulated depreciation	(2,731,045)	(124,414)	143,773	(2,711,686)
Other capital assets, net	$ 1,599,501	$ (20,639)	$ (10,793)	$ 1,568,069
Capital assets summary:				
Capital assets not being depreciated	$ 996,199	$ 242,224	$ (32,547)	$ 1,205,876
Other capital assets	4,330,546	103,775	(154,566)	4,279,755
Total cost of capital assets	5,326,745	345,999	(187,113)	5,485,631
Less accumulated depreciation	(2,731,045)	(124,414)	143,773	(2,711,686)
Capital assets, net	$ 2,595,700	$ 221,585	$ (43,340)	$ 2,773,945

Bridgemont 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, historical treasures and literature that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any means.

Bridgemont capitalized interest on borrowings, net of interest earned on related debt of $3,394 and $2,400 during fiscal years 2010 and 2009 respectively.

6. LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for Bridgemont for the years ended June 30, 2010 and 2009:

	2010				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Other post employment benefits liability	$ 100,006	$438,973	$ -	$ 538,979	$ -
College system debt owed to the Commission	155,774		(61,999)	93,775	64,269
Debt service assessment payable to the Commission	225,252		(89,652)	135,600	92,934
Leases payable	211,691		-	211,691	7,496
Notes payable	280,000	-	(40,000)	240,000	40,000
Total long-term liabilities	$ 972,723	$438,973	$(191,651)	$1,220,045	

	2009				
	Transfers	Additions	Reductions	Ending Balance	Due Within One Year
Other post employment benefits liability	$ 41,623	$ 58,383	$ -	$ 100,006	$ -
College system debt owed to the Commission	215,623	-	(59,849)	155,774	61,999
Debt service assessment payable to the Commission	311,795	-	(86,543)	225,252	89,652
Leases payable	211,691	-	-	211,691	
Notes payable	280,000	-	-	280,000	40,000
Total long-term liabilities	$1,060,732	$ 58,383	$(146,392)	$ 972,723	

7. OTHER POST EMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2010 and 2009, the noncurrent liability related to OPEB was $538,979 and $100,006, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees were $528,562 and $89,588 during 2010 and $185,560 and $87,090 during 2009. As of the years ended June 30, 2010 and 2009, there were 5 and 4 retirees, respectively, receiving these benefits.

8. LEASES PAYABLE

Operating — Bridgemont had entered into various operating lease agreements. Future annual minimum lease payments for years subsequent to June 30, 2010 and 2009, are as follows:

Fiscal Year Ending June 30	
2011	$ 70,500
2012	29,376
Total	$ 99,876

Total rent expense for these operating leases for the years ended June 30, 2010 and 2009, was approximately $70,500 and $76,000, respectively. Bridgemont does not have any non-cancelable leases. Payments for 2013 through 2031 are one dollar per year. Due to the long-term implications of this lease (25 years) and the fact that the last 19 years are at $1 annually, Bridgemont reports an amortized amount of lease payments for 2010 and subsequent years of $16,920 annually and reflects the difference between cash payouts and accrued expenses against prepaid expenses over the life of the lease.

Capital — Bridgemont leases certain property, plant and equipment through capital leases. Leased assets totaled $211,691 for both June 30, 2010 and 2009. Future annual minimum lease payments on capital asset are as follows:

Fiscal Year Ending June 30	
2011	$ 16,084
2012	16,761
2013	17,467
2014	18,559
2015	20,409
2016–2020	109,496
2021–2024	81,705
Future minimum lease payments	280,481
Less interest	(68,790)
Total	211,691
Current portion	(7,496)
Noncurrent portion	$ 204,195

9. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

Bridgemont is a State institution of higher education. It receives a State appropriation in partial support of its operations. In addition, Bridgemont is subject to the legislative and administrative mandates of State government. Those mandates affect all aspects of Bridgemont's operations, its tuition and fee structure, its personnel policies and its administrative practices.

The State has chartered the Commission with the responsibility to construct or renovate, finance and maintain various academic and other facilities of the State's universities and colleges, including certain facilities of Bridgemont. Financing for these facilities was provided through revenue bonds issued by either the former Board of Regents, the former University System of West Virginia, the former State College System of West Virginia or the former Interim Governing Board (collectively the "Boards"). These obligations administered by the Commission are the direct and total responsibility of the Commission, as successor to the former Boards.

The Commission assesses each public institution of higher education for funds to meet the payment of debt service on these various bonds. Certain tuition and registration fees (referred to as system fees) of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by an institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. The bonds remain a capital obligation of the Commission; however, effective June 30, 2002, an amount of principal related to each institution was reported as debt service assessment payable to the Commission by each institution and as a receivable by the Commission.

With the transfer of West Virginia University Institute of Technology from the State College System to the University System of West Virginia effective July 1, 1997, in accordance with the provisions of Senate Bill 591, Bridgemont is required to make annual payments through 2012 to the Commission for purposes of the State College System's debt service.

During December 2009, the Commission, on behalf of the Council, issued $78,295,000 of Community and Technical Colleges Improvement Revenue Bonds, 2009 Series A (the "2009 Bonds"). The proceeds of the 2009 Bonds will be used to finance the acquisition, construction, equipping, or improvement of community and technical college facilities in West Virginia. Bond projects listed in the bond offering for the 2009 Bonds propose bond funding of $3,000,000 for Bridgemont. As of June 30, 2010, $332,358 has been recognized by Bridgemont.

10. UNRESTRICTED NET ASSETS

	2010	2009
Total unrestricted net assets before OPEB liability	771,905	1,124,840
Less OPEB liability	538,979	100,006
Total unrestricted net assets	$ 232,926	$ 1,024,834

11. RETIREMENT PLANS

Substantially all full-time employees of Bridgemont 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 Bridgemont 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 new Educators Money 401(a) basic retirement plan (Educators Money). New hires have the choice of either plan.

The STRS is a cost sharing, defined benefit public retirement system. Employer and employee contribution rates are established annually by the State Legislature. The contractual maximum contribution rate is 15%. Bridgemont 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, 2010 and 2009. Required employee contributions are at the rate of 6% of total annual salary for both years ended June 30, 2010 and 2009. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest five years salary out of the last 15 years) multiplied by the number of years of service.

The contribution rate is set by the State Legislature on an overall basis, and STRS does not perform a calculation of the contribution requirement for individual employers, such as Bridgemont. 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.

Total contributions to the STRS for the years ended June 30, 2010 and 2009, were approximately $115,500 and $91,000, respectively, which consisted of approximately $82,500 and $63,000, respectively, from Bridgemont and approximately $33,000 and $28,000, respectively, from covered employees.

The TIAA-CREF and Educators Money are defined contribution plans in which benefits are based upon amounts contributed plus investment earnings. Each employee who elects to participate in these plans are required to make a contribution equal to 6% of total annual compensation. Bridgemont simultaneously matches the employees' 6% contribution. Contributions are immediately and fully vested.

Total contributions to the TIAA-CREF for the years ended June 30, 2010 and 2009, were approximately $305,200 and $228,000, respectively, which consisted of approximately $152,600 and $114,000, respectively, from Bridgemont and approximately $152,600 and $114,000, respectively, from covered employees.

Total contributions to Educators Money for the years ended June 30, 2010 and 2009, were approximately $14,600 and $6,000, respectively, which consisted of approximately $7,300 and $3,000, respectively, from Bridgemont and approximately $7,300 and $3,000, respectively, from covered employees.

Bridgemont's total payroll for the years ended June 30, 2010 and 2009, was approximately $3.7 million and $2.5 million, respectively, and total covered employees' salaries in the STRS, TIAA-CREF and Educators Money were approximately $550,000, $2,544,000, and $122,000 respectively, for the year ended June 30, 2010, and approximately $465,000, $1.9 million and $48,000, respectively, for the year ended June 30, 2009.

12. AFFILIATED ORGANIZATIONS

Bridgemont and the West Virginia University Institute of Technology (WVUIT), a division of the University, share the Montgomery, West Virginia campus and were administratively linked from July 1, 2004 until June 30, 2008. The University provided Bridgemont with administrative and support services. Bridgemont also agreed to transfer capital fees, auxiliary fees, certain educational and general fees, and other fees collected from students to the University and to provide instructional services to the University.

Effective July 1, 2008, Bridgemont established its own Board. Effective July 1, 2009, Bridgemont separated from the University and no longer purchased administrative and support services from the University. Instead, Bridgemont continues to have service agreements for use of certain facilities and support services for Bridgemont's students.

13. TECH FOUNDATION, INCORPORATED

The Tech Foundation, Incorporated (the "Tech Foundation") is a separate non-profit organization incorporated in the State of West Virginia that has as its purpose "to aid, strengthen and further in every proper and useful way the work and services of West Virginia University Institute of Technology. . . and its affiliated non-profit organizations . . ." The Tech Foundation does not meet the criteria for determination as a component unit of Bridgemont under discretely presented component unit requirements. The economic resources held by the Tech Foundation do not entirely or almost entirely benefit Bridgemont. Most of Bridgemont's endowments are under the control and management of the Tech Foundation. As of June 30, 2010, it is not determinable at this time which assets of the Tech Foundation relate specifically to Bridgemont.

During fiscal year 2010, Bridgemont began the process of establishing a separate foundation called the Bridgemont Community and Technical College Foundation, Inc. (the "Bridgemont Foundation"). Currently this newly established foundation has been registered with the Secretary of State, secured a separate federal identification number, and is in the process of securing the 501(c)(3) status with the IRS. Once completed, plans are to move the assets from the Tech Foundation to the Bridgemont Foundation.

14. CONTINGENCIES

The nature of the educational industry is such that, from time to time, claims will be presented against colleges and universities 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 Bridgemont would not impact seriously on the financial status of Bridgemont.

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. Management believes disallowances, if any, would not have a significant financial impact on Bridgemont's financial position.

Bridgemont owns various buildings that are known to contain asbestos. Bridgemont is not required by Federal, State or Local Law to remove the asbestos from the buildings. Bridgemont is required by Federal Environmental, Health and Safety Regulations to manage the presence of asbestos in the buildings in a safe condition. Significant problems of dangerous asbestos conditions are abated as the condition becomes known. Bridgemont also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing or operating with the asbestos in a safe condition.

15. FUNCTIONAL CLASSIFICATION OF EXPENSES

Bridgemont's operating expenses by functional and natural classification are as follows:

Year Ending June 30, 2010
Natural Classification

Functional Classification	Salaries and Wages	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	Assessments by the Commission	Net Service Agreement Expense	Total
Instruction	$2,126,884	$ 492,794	$ -	$ 10,195	$ 906,535	$ -	$ -	$ -	$3,536,408
Research									-
Public service	465,045	75,980		1,776	266,372				809,173
Academic support	66,940	10,160			49,204				126,304
Student services	226,962	56,869			103,583				387,414
Operation and maintenance of plant	18,512	2,833		139,846	236,487				397,678
General institutional support	828,749	682,915		6,363	543,676				2,061,703
Student financial aid			939,169						939,169
Depreciation						152,214			152,214
Assessments by commission for operations							30,660		30,660
Net service agreement expense								585,991	585,991
Total expenses	$3,733,092	$1,321,551	$939,169	$158,180	$2,105,857	$152,214	$30,660	$ 585,991	$9,026,714

Year Ending June 30, 2009
Natural Classification

Functional Classification	Salaries and Wages	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	Assessments by the Commission	Net Service Agreement Expense	Total
Instruction	$2,082,780	$ 618,435	$ -	$ 12,000	$ 643,111	$ -	$ -	$ -	$3,356,326
Research		4,482							4,482
Public service	4,478	2,683			30,670				37,831
Academic support	2,939	465			35,386				38,790
Student services	121,191	40,228			4,846				166,265
Operation and maintenance of plant					14,724				14,724
General institutional support	311,140	130,907		154	183,118				625,319
Student financial aid			754,658						754,658
Depreciation						124,414			124,414
Assessments by commission for operations							31,124		31,124
Net service agreement expense								2,395,063	2,395,063
Total expenses	$2,522,528	$ 797,200	$754,658	$ 12,154	$ 911,855	$124,414	$31,124	$2,395,063	$7,548,996

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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 Bridgemont Community and Technical College Board of Governors:

We have audited the accompanying financial statements of Bridgemont Community and Technical College ("Bridgemont") as of June 30, 2010 and 2009, and have issued our report thereon dated November 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bridgemont'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 Bridgemont Community and Technical College Board of Governors, management of Bridgemont and the West Virginia Council for Community and Technical College Education, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

November 11, 2010