Mountwest Community and Technical College

(Formerly Marshall Community and Technical College)

Financial Statements as of and for the Years Ended June 30, 2010 and 2009, and Independent Auditors' Reports

MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE
(Formerly Marshall Community and Technical College)

TABLE OF CONTENTS

Deloitte.

Deloitte & Touche LLP
2500 One PPG Place
Pittsburgh, PA 15222-5401
USA

Tel: +1 412 338 7200
Fax: +1 412 338 7380
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Governing Board of
Mountwest Community and Technical College:

We have audited the statements of net assets of Mountwest Community and Technical College (formerly Marshall Community and Technical College) (the "College") as of June 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the management of the College. Our responsibility is to express an opinion on the respective financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2010 and 2009, and the changes in net assets and cash flows of the College for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis on pages 3 to 12 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the College's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18 2010, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

October 18, 2010

MOUNTWEST COMMUNITY & TECHNICAL COLLEGE
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR 2010
[Unaudited]

The History of the College

Mountwest Community and Technical College (MCTC or the "College") is one of West Virginia's ten community and technical colleges. MCTC headcount enrollment is about 3,000. MCTC offers 50 Associate degrees and 15 Certificate programs in the areas of Allied Health and Life Sciences, Business and Information Technology, Liberal Arts and Human Services, and Occupational Development.

Marshall Community College was founded in 1975 as a separate college within Marshall University to better serve students by bringing together many of the two-year associate degree programs under one College. Classes began in the fall of 1975 with a wide range of programs. From the outset, the Marshall Community College's mission has been to provide two year associate degrees as well as provide continuing education and community service.

In 1991, the Marshall Community College name was changed to Marshall Community and Technical College to better reflect the technical nature of many of the programs offered. On October 30, 2003, Marshall Community and Technical College became accredited as an independent institution by The Higher Learning Commission, a Commission of the North Central Association of Colleges and Schools. This accreditation was continued for ten years on July 3, 2008.

Prior to Fiscal Year 2009, MCTC was a separately accredited institution, administratively-linked to Marshall University. MCTC's financial information was included with the Marshall University Financial Statements through Fiscal Year 2008. With the passage of House Bill 3215 during the 2008 session of the West Virginia Legislature, MCTC became a free-standing and independent institution no longer administratively-linked to the four-year institution effective July 1, 2008. Note 1 to the financial statements details the amount of net assets transferred from the University to the College, effective July 1, 2008.

Effective March 13, 2010, Senate Bill 499 was passed changing the college's name from Marshall Community and Technical College to Mountwest Community and Technical College.

MCTC is now governed by a separate Board of Governors. This twelve (12) member Board was established by House Bill 3215, effective July 1, 2008. The 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 MCTC.

Overview of the Financial Statements and Financial Analysis

Since MCTC is a new institution, effective July 1, 2008, under the changes mandated by House Bill 3215, comparative data is limited to two fiscal years. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. The Governmental Accounting Standards Board (GASB) issues directives for presentation of college and university financial statements. This report format places emphasis on the overall economic resources of the College.

Statement of Net Assets

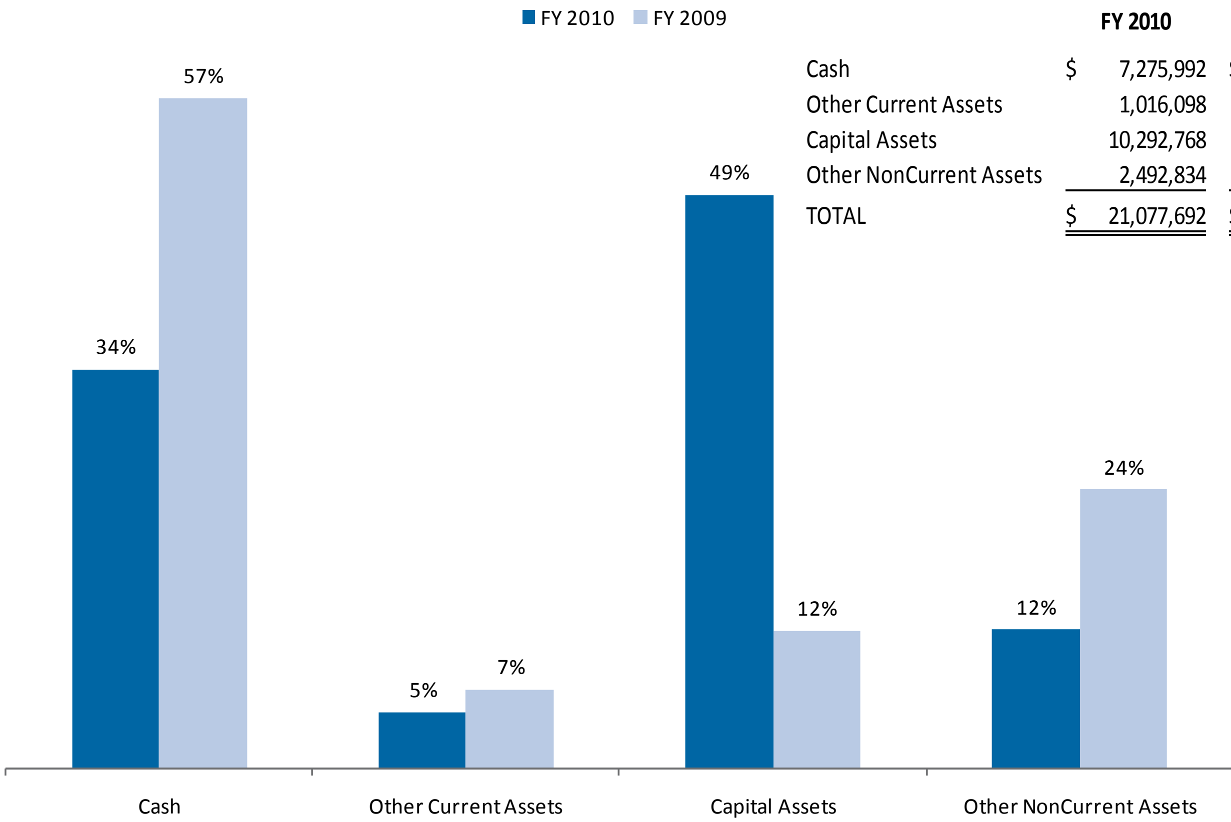
A Statement of Net Assets presents the assets, liabilities, and net assets of MCTC as of the end of the fiscal year. A Statement of Net Assets is a point in time financial statement and provides a fiscal snapshot of the College. A Statement of Net Assets presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities). Current assets and liabilities are typically associated with resources or obligations that will be used within the fiscal year. Noncurrent assets and liabilities are not typically used within the fiscal year. From the data presented, readers of a Statement of Net Assets are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors, employees, lenders and others. Finally, a Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the College's equity in or ownership of property, plant and equipment. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. Nonexpendable restricted net assets include endowments. The corpus of nonexpendable restricted resources is only available for investment purposes. MCTC does not have any nonexpendable restricted net assets at June 30, 2010 and June 30, 2009. Expendable restricted net assets are available for expenditure by the College but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of these assets. The final category is unrestricted net assets. Unrestricted net assets are available for general use by the College.

Condensed Statement of Net Assets
(In Thousands)

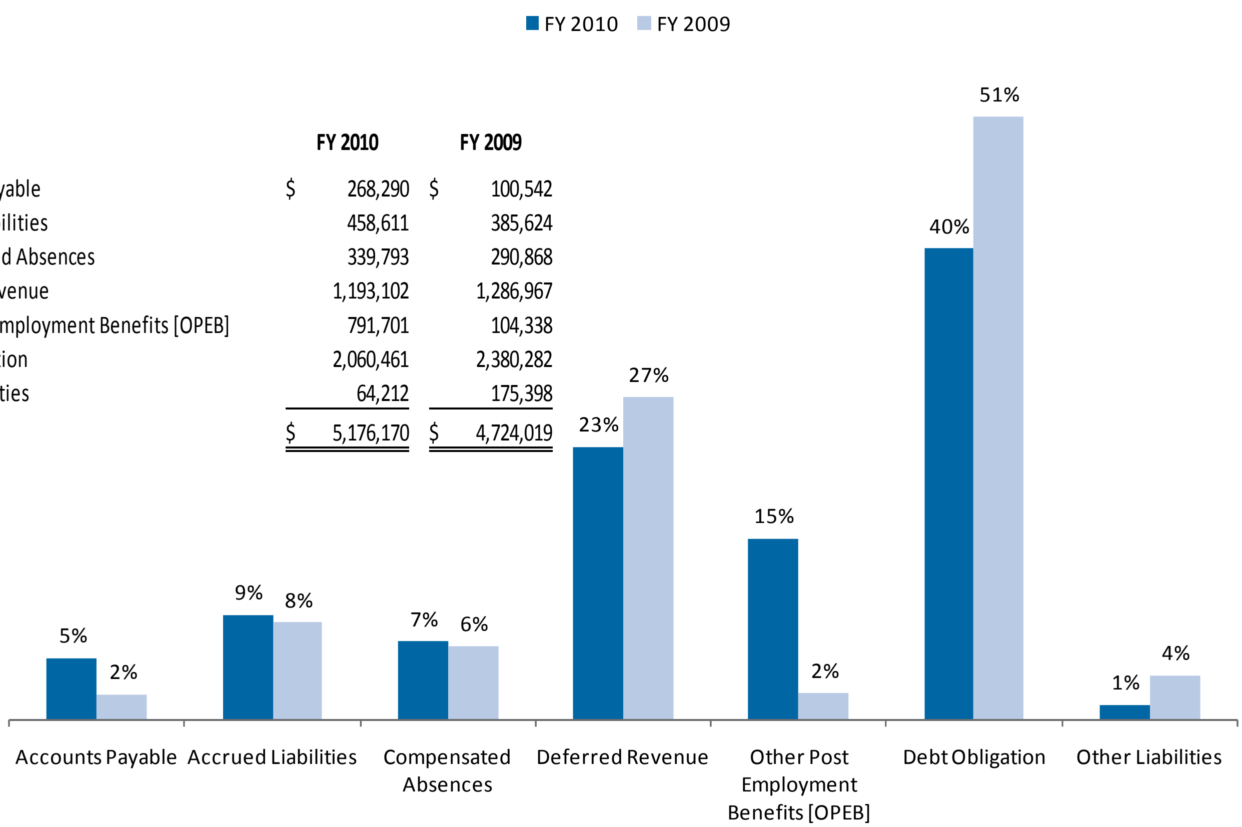
	FY 2010	FY 2009
Assets		
Current Assets	$ 8,292	$ 8,574
Noncurrent assets	12,786	4,707
Total Assets	$ 21,078	$ 13,281
Liabilities		
Current liabilities	$ 2,658	$ 2,559
Noncurrent liabilities	2,518	2,165
Total Liabilities	$ 5,176	$ 4,724
Net Assets		
Invested in capital assets, net of related debt	$ 8,233	$ -
Restricted	4	16
Unrestricted	7,665	8,541
Total Net Assets	15,902	8,557
Total	$ 21,078	$ 13,281

ASSET COMPOSITION
As of June 30, 2010 and 2009



	FY 2010	FY 2009
Cash	$ 7,275,992	$ 7,672,300
Other Current Assets	1,016,098	901,708
Capital Assets	10,292,768	1,557,316
Other NonCurrent Assets	2,492,834	3,150,000
TOTAL	$ 21,077,692	$ 13,281,324

LIABILITIES
As of June 30, 2010 and 2009



	FY 2010	FY 2009
Accounts Payable	$ 268,290	$ 100,542
Accrued Liabilities	458,611	385,624
Compensated Absences	339,793	290,868
Deferred Revenue	1,193,102	1,286,967
Other Post Employment Benefits [OPEB]	791,701	104,338
Debt Obligation	2,060,461	2,380,282
Other Liabilities	64,212	175,398
Total	$ 5,176,170	$ 4,724,019

Major Items of Note in the Statement of Net Assets include:

- Total current assets of $8.3 million exceeded total current liabilities of $2.7 million as of June 30, 2010 for net working capital of $5.6 million as compared to net working capital of $6.0 million as of June 30, 2009. Current assets decreased from the prior year by $0.3 million while current liabilities remained relatively constant.
    - The major components of current assets include cash and cash equivalents of $7.3 million and $7.7 million and net accounts receivable of $0.5 million and $0.1 million as of June 30, 2010 and 2009, respectively. The majority of cash and cash equivalents is representative of interest earning assets invested through the office of the West Virginia State Treasurer.
    - The major components of current liabilities include deferred revenue of $1.2 million and $1.3 million, accrued liabilities of $0.5 million and $0.4 million, accounts payable of $0.3 million and $0.1 million, and compensated absences of $0.3 million and $0.3 million as of June 30, 2010 and 2009, respectively. The increase in accounts payable is primarily a result of the timing of payments.
- Noncurrent assets total $12.8 million and $4.7 million and noncurrent liabilities total $2.5 million and $2.2 million as of June 30, 2010 and 2009, respectively. Noncurrent assets increased by $8.1 million over the prior year due to the purchase of a new campus location for MCTC.
    - Major components of noncurrent assets include capital assets of $10.3 million and $1.6 million as of June 30, 2010 and 2009, respectively. This increase is due to the purchase of a building and land for a new campus location for the College. This purchase was for $7.7 million on May 20, 2010. As part of the purchase agreement, the College will continue to honor the lease of the tenant in the building and receive monthly rental income. It is anticipated that the tenant will vacate the building on March 1, 2011, allowing the College to renovate the building and be ready for occupancy by the College on January 1, 2012. The capital assets were also increased by $0.7 million, as a result of a land transfer from Marshall University. Note 5 to the Financial Statements provides additional information regarding capital assets.
    - Major components of noncurrent liabilities include debt service obligations payable to the Commission of $1.7 million and $2.0 million, and other post employment benefit liability of $0.8 million and $0.1 million, as of June 30, 2010 and 2009, respectively. The increase in other post employment benefit liability of $0.7 million is partially attributed to the absence of any payments on behalf of the West Virginia Council for Community and Technical College Education during FY 2010 and decreases in investment returns by the State's Multiple-Employer Trust Fund which resulted in an increase of the Annual Required Contribution (ARC) related to other post employment benefits. MCTC also experienced an increase in the number of employees due to the separation from the University.
- The net assets of the College total $15.9 million and $8.6 million as of June 30, 2010 and 2009, respectively, an increase of $7.3 million from the prior year.
    - Net assets invested in capital assets total $8.2 million and $0.0 million as of June 30, 2010 and 2009, respectively. The increase for FY 2010 was largely attributed to the purchase of a new campus location for $7.7 million on May 20, 2010.
    - For FY 2009, the invested in capital assets net of related debt shows no balance. This is because the $2.7 million debt obligation of the Higher Education Policy Commission at July 1, 2008 was transferred to the College. The debt required to be assumed by the College is more than the book value of its capital assets; therefore, no balance is shown on this line. This negative balance of $0.8 million is a reduction of the unrestricted net assets balance for FY 2009.

- Restricted net assets total $0.004 million and $0.02 million as of June 30, 2010 and 2009, respectively and are primarily restricted for scholarships and other financial aid related activities.
- Unrestricted net assets total $7.7 million and $8.5 million as of June 30, 2010 and 2009, respectively and represent net assets available to the College. Note 9 to the Financial Statements explains the impact of other post employment benefits (OPEB) liability to the unrestricted net assets balance.

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of this statement is to present the revenues received by the institution, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the College.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the College. Revenues received for which goods and services are not provided are reported as non-operating revenues. For example, State appropriations are non-operating because they are provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues. Likewise, Federal Pell grants are reported as non-operating because of specific guidance in the AICPA industry audit guide.

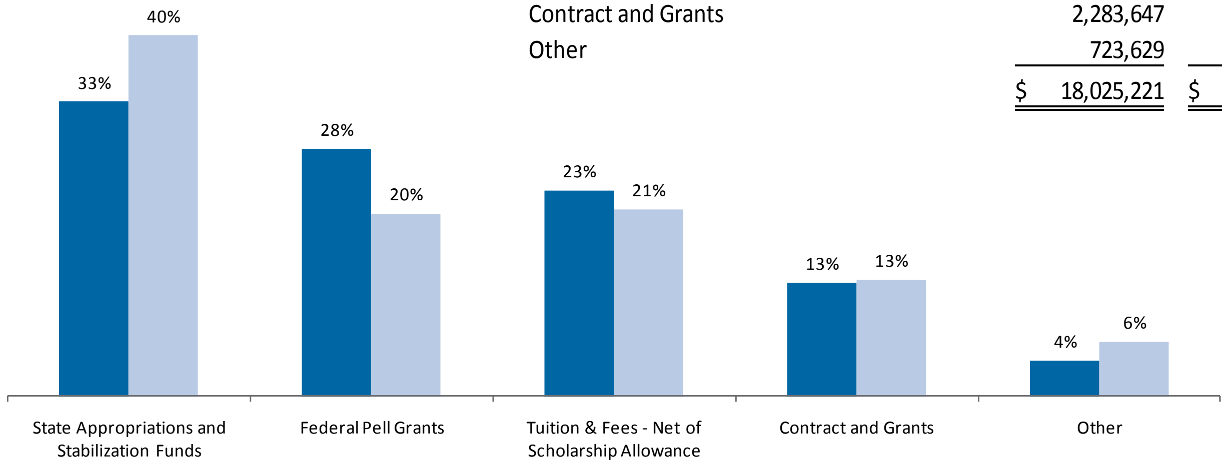
Condensed Statement of Revenues, Expenses and Changes in Net Assets

(In Thousands)

	FY 2010	FY 2009
Operating revenues	$ 7,092	$ 5,919
Operating expenses	(18,782)	(16,880)
Operating Loss	(11,690)	(10,961)
Nonoperating revenues	10,933	9,724
Nonoperating expenses	(118)	(163)
Net Decrease in Net Assets before Transfer	(875)	(1,400)
Capital bond proceeds from the Commission	135	75
Capital Payments made on behalf of MCTC	7,681	-
Transfer of net assets from Marshall University	404	9,882
Net Increase in Net Assets	7,345	8,557
Net Assets - Beginning of Year	8,557	-
Net Assets - End of Year	$ 15,902	$ 8,557

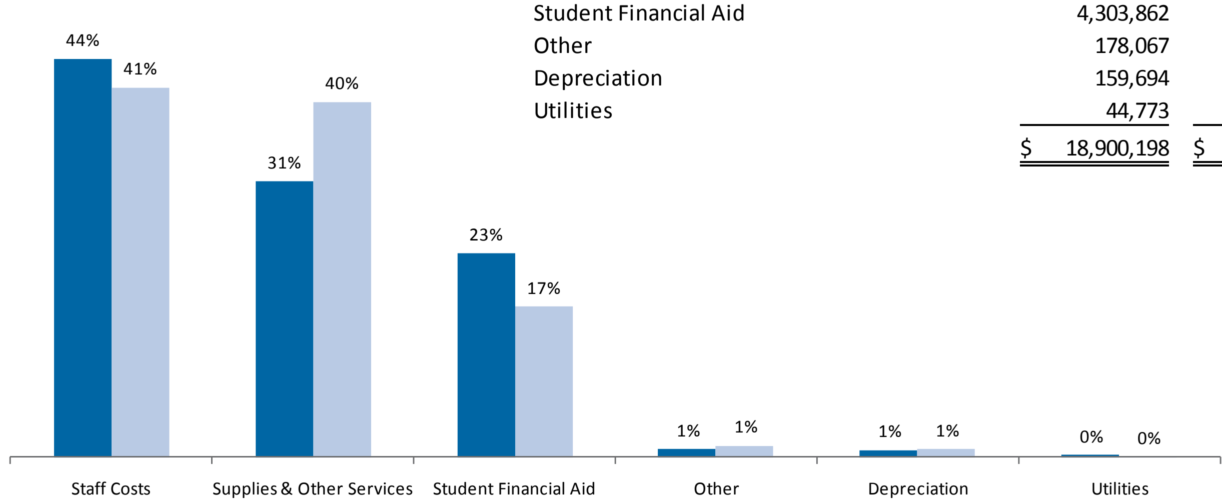
TOTAL REVENUE
For the Years ending June 30, 2010 and 2009

		FY 2010		FY 2009
State Appropriations and Stabilization Funds	$	5,911,742	$	6,286,742
Federal Pell Grants		4,969,624		3,188,482
Tuition & Fees - Net of Scholarship Allowance		4,136,579		3,262,281
Contract and Grants		2,283,647		1,951,365
Other		723,629		954,211
	$	18,025,221	$	15,643,081



TOTAL EXPENDITURES
For the Years ending June 30, 2010 and 2009

		FY 2010		FY 2009
Staff Costs	$	8,393,781	$	7,030,962
Supplies & Other Services		5,820,021		6,756,407
Student Financial Aid		4,303,862		2,860,690
Other		178,067		229,411
Depreciation		159,694		153,278
Utilities		44,773		11,856
	$	18,900,198	$	17,042,604



Major Items of Note in the Statement of Revenue, Expenses, and changes in Net Assets include:

- Operating Revenues of the College totaled $7.1 million for FY 2010 compared to $5.9 million in FY 2009, an increase of $1.2 million.
  - Student tuition and fees revenues totaled $4.1 million in FY 2010 compared to $3.3 million in FY 2009, an increase of $0.8 million. Tuition is reported net of scholarship allowance totaling $3.2 million and $2.4 million in FY 2010 and 2009, respectively.
  - State grants and contracts totaled $1.8 million in FY 2010 compared to $1.6 million in FY 2009 and private grants and contracts totaled $0.3 million in FY 2010 compared to $0.1 million in FY 2009. These fluctuations represent normal grant activities.
  - Other operating revenues totaled $0.6 million in FY 2010 compared to $0.6 million in FY 2009.
- Operating expenses totaled $18.8 million in FY 2010 compared to $16.9 million in FY 2009, an increase of $1.9 million.
  - Staff costs including salaries and benefits totaled $8.4 million in FY 2010 compared to $7.0 million in FY 2009, an increase of $1.4 million from the prior year. Almost $0.7 million was due to additional staff being hired as a result of the separation of the College from the University; a corresponding reduction was recognized in the Service Agreement due to a reduction in services provided. The remaining increase of $0.7 million is due to the additional OPEB costs allocated to the benefits line.
  - Supplies and other services totaled $5.8 million in FY 2010 compared to $6.8 million in FY 2009. This decrease is primarily attributed to the decrease in purchased services between the College and the University. The agreement for FY 2010 was decreased significantly as the College began providing its own services in the areas of admissions, registration, financial aid, accounting, payroll, student fee assessment and collections. Note 11 to the Financial Statements provides additional information regarding the service agreement.
  - Student Financial Aid totaled $4.3 million in FY 2010 compared to $2.9 million in FY 2009. In FY 2010, the maximum Pell Grant went from $4,731 to $5,350, an increase of $619 (13%). The College also actively promoted student access so the number of students receiving Pell Grants significantly increased from the Fall, 2009 term (833) to the Fall, 2010 term (1,097), an increase of 264 (32%).
  - Depreciation on capital assets totaled $0.2 million in FY 2010 and FY 2009.
- The result from operations was a net operating loss of $11.7 million and $11.0 million for the years ended June 30, 2010 and 2009, respectively, but excludes State appropriations of $5.5 million and $6.3 million and Federal Pell grants of $5.0 million and $3.2 million for the years ended June 30, 2010 and 2009, respectively, which are recorded as non-operating revenue. Federal Pell grants are reported as non-operating, because of specific guidance in the AICPA industry audit guide.
- Net non-operating revenue totaled $10.8 million and $9.6 million for the years ended June 30, 2010 and 2009, respectively, an increase of $1.2 million from the prior year.
  - State general revenue and lottery appropriations totaled $5.5 million and $6.3 million for the years ended June 30, 2010 and 2009, respectively, reflecting a reduction of $0.8 million in FY 2010. A special one-time appropriation of $0.4 million for equipment is included in the state appropriations for FY 2009. The remaining $0.4 million of the reduction of state appropriations were “back-filled” with State Fiscal Stabilization Funds.

- Federal Pell grants totaled $5.0 million and $3.2 million for the years ended June 30, 2010 and 2009, respectively. Please see the previous explanation regarding the increase in Student Financial Aid for details regarding the Pell grants increase.
- Interest earned on investments totaled $0.02 million and $0.1 million for the years ended June 30, 2010 and 2009, respectively. The decrease of $0.08 million is attributed to lower yields on investment with the Board of Treasury Investments (BTI) in FY 2010.

▪ Capital bond proceeds from the Commission consist of $0.13 million in FY 2010 and $0.08 million in FY 2009. This represents capital projects funding from the 2004 Series B Bond proceeds from the Commission allocated to the College for a new campus.
▪ Capital payments made on behalf of Mountwest Community and Technical College is $7.7 million. This is the cost of the land and building purchased on May 20, 2010 which will become the college's campus in FY 2012. These funds were part of a $13.5 million bond proceeds allocation made available to the College. The remaining bond proceeds will be used for renovation of the facility in FY 2011 and FY 2012. Note 8 to the Financial Statements provides additional information regarding these bonds, which are not obligations of the College.
▪ Transfers of net assets from Marshall University were $0.4 million in FY 2010 and $9.9 million in FY 2009. For FY 2010, this represents additional parcels of land that were transferred to the College. The transfer in FY 2009 is explained in Note 1 to the Financial Statements.
▪ The activities for FY 2010 resulted in an increase of net assets of $7.3 million compared to $8.6 million in FY 2009.

Statement of Cash Flows

The final statement presented by Mountwest Community and Technical College is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the College during the year. The statement is divided into five sections. The first section deals with operating cash flows and shows the net cash used by the operating activities of the College. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

Condensed Statement of Cash Flows

(In Thousands)

		FY 2010		FY 2009
Cash flows provided by (used in):				
Operating activities	$	(10,612)	$	(10,537)
Noncapital financing activities		11,060		18,631
Capital and related financing activities		(863)		(544)
Investing activities		19		122
Net change in current cash		(396)		7,672
Current cash, beginning of year		7,672		-
Current cash, end of year	$	7,276	$	7,672

Major Items of Note in the Statement of Cash Flows include:

- Cash provided from operating activities was exceeded by cash expended for operating activities by $10.6 million and $10.5 million for the years ended June 30, 2010 and 2009, respectively, primarily because State appropriations and Federal Pell grants are defined by GAAP as noncapital financing activities. Primary sources of cash from Operating Activities during FY 2010 and 2009 were cash collections for Student tuition and fees of $4.0 million and $3.2 million and contracts and grants of $2.1 million and $2.5 million, respectively. Primary uses of cash for FY 2010 and 2009, respectively, included payments to and on behalf of employees of $7.6 million and $6.7 million, payments to suppliers of $5.8 million and $6.9 million, and payments for scholarships and fellowships of $4.3 million and $2.9 million.
- Net cash provided from noncapital financing activities for FY 2010 and 2009, respectively, totaled $11.0 million and $18.6 million. $5.8 million and $6.2 million were from State General Revenue and State Fiscal Stabilization Funds and $5.0 million and $3.2 million were from Federal Pell grants, during FY 2010 and FY 2009, respectively.
- Net cash used in capital financing activities for FY 2010 and 2009, respectively, totaled $0.8 million and $0.5 million and primarily resulted from purchases of capital assets and debt payments.
- Net cash of the College at June 30, 2010 was $7.3 million compared to $7.7 million at June 30, 2009, which represents a decrease of $0.4 million.

Capital Asset and Long-Term Debt Activity

The College continues to expand its facilities with the May 20, 2010 purchase of 28 acres of land and a building with 115,000 square feet of space. This property was purchased for $7.7 million as part of the $13.5 million bond proceeds received from the $78.3 million Higher Education Policy Commission on behalf of the West Virginia Council for Community and Technical College bond issue. The remaining $5.8 million, along with some additional funds, will be used to renovate the facility into a state of the art campus for the College. Note 8 to the Financial Statements provides additional information regarding this debt.

The College does not anticipate issuing any debt at this time. The debt currently reflected in MCTC's financial statements represents the Higher Education Policy Commission System Debt that the College must pay. Additional details regarding the Capital Assets and Debt Administration can be found in the notes to the financial statements.

Other Factors impacting the Financial Position and Operational Results of the College

As noted previously, House Bill 3215 established the College as a separate institution from Marshall University, effective July 1, 2008. The administration of the College decided that effective with the Fall Term 2009, the College would no longer contract for various administrative services with Marshall University, but would develop its own Student Information, Finance, and Human Resource/Payroll management systems.

In order to implement these systems, the College began to hire additional personnel in the second half of Fiscal Year 2009, thus utilizing significant additional resources in Fiscal Year 2009, while still buying these services from the University.

Within the Student Services and Business Services Divisions, additional employees were hired to take over the support services previously provided by the University effective July 1, 2009. These administrative services will be phased out of the agreement with the University in Fiscal Years 2010 and 2011. In some areas, this significantly decreased costs for MCTC when comparing such expenditures from FY 2010 to 2009.

Economic Outlook

Although the economic forecasts for the State and the nation are uncertain, the College is looking forward to continued growth in students due to the need for its services. The federal government has increased financial aid to students which enhances access to higher education within the region served by the College. The College's emphasis on access and affordability and obtaining a separate and distinct campus will enable the college to better meet the needs of its students and implement its mission.

MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE
(Formerly Marshall Community and Technical College)

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

ASSETS	2010	2009
CURRENT ASSETS:		
Cash and cash equivalents	$ 7,275,992	$ 7,672,300
Due from the Council/Commission	123,710	445,099
Due from Marshall University — current portion	437,500	350,000
Accounts receivable — net	454,888	106,609
Total current assets	8,292,090	8,574,008
NONCURRENT ASSETS:		
Due from Marshall University — noncurrent	2,492,834	3,150,000
Capital assets — net	10,292,768	1,557,316
Total noncurrent assets	12,785,602	4,707,316
TOTAL	$ 21,077,692	$ 13,281,324

LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 268,290	$ 100,542
Due to State agencies	56,485	80,770
Due to Commission	7,727	94,628
Accrued liabilities	458,611	385,624
Compensated absences	339,793	290,868
Debt obligation due to Commission — current portion	333,622	319,821
Deferred revenue	1,193,102	1,286,967
Total current liabilities	2,657,630	2,559,220
NONCURRENT LIABILITIES:		
Other post employment benefits liability	791,701	104,338
Debt obligation due to Commission	1,726,839	2,060,461
Total noncurrent liabilities	2,518,540	2,164,799
Total liabilities	5,176,170	4,724,019
NET ASSETS:		
Invested in capital assets — net of related debt	8,232,307	-
Restricted for — expendable — scholarships	4,112	8,481
Restricted for — expendable — sponsored projects		7,553
Unrestricted	7,665,103	8,541,271
Total net assets	15,901,522	8,557,305
TOTAL	$ 21,077,692	$ 13,281,324

See notes to financial statements.

MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE
(Formerly Marshall Community and Technical College)

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

	2010	2009
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowance of $3,220,672 and $2,363,029 for 2010 and 2009, respectively	$ 4,136,579	$ 3,262,281
Contracts and grants:		
Federal	148,896	204,949
State	1,814,693	1,646,438
Private	320,058	99,978
Sales and services of educational activities	54,898	58,466
Other operating revenues	616,977	647,108
Total operating revenues	7,092,101	5,919,220
OPERATING EXPENSES:		
Salaries and wages	6,295,671	5,629,132
Benefits	2,098,110	1,401,830
Supplies and other services	5,820,021	6,756,407
Utilities	44,773	11,856
Student financial aid — scholarships and fellowships	4,303,862	2,860,690
Depreciation	159,694	153,278
Fees assessed by the Commission for operations	59,759	66,694
Total operating expenses	18,781,890	16,879,887
OPERATING LOSS	(11,689,789)	(10,960,667)
NONOPERATING REVENUES (EXPENSES):		
State appropriations	5,515,026	6,286,742
State fiscal stabilization funds (federal)	396,716	-
Federal Pell grants	4,969,624	3,188,482
Payments on behalf of Mountwest Community and Technical College	-	102,279
Gifts	32,725	38,276
Investment income	19,029	108,082
Other nonoperating expenses	(3,338)	(34,798)
Fees assessed by the Commission	(114,970)	(127,919)
Net nonoperating revenues	10,814,812	9,561,144
LOSS BEFORE OTHER REVENUE, EXPENSES, GAINS OR LOSSES, AND TRANSFER	(874,977)	(1,399,523)
CAPITAL BOND PROCEEDS FROM THE COMMISSION	134,543	75,028
CAPITAL PAYMENTS MADE ON BEHALF OF MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE	7,680,907	-
TRANSFER OF NET ASSETS FROM MARSHALL UNIVERSITY	403,744	9,881,800
NET INCREASE IN NET ASSETS	7,344,217	8,557,305
NET ASSETS — Beginning of year	8,557,305	
NET ASSETS — End of year	$ 15,901,522	$ 8,557,305

See notes to financial statements.

MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE
(Formerly Marshall Community and Technical College)

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

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 4,040,137	$ 3,209,236
Contracts and grants	2,068,252	2,493,639
Payments to and on behalf of employees	(7,584,300)	(6,675,316)
Payments to suppliers	(5,764,500)	(6,937,590)
Payments to utilities	(44,773)	(11,856)
Payments for scholarships and fellowships	(4,303,862)	(2,860,690)
Sales and service of educational activities	54,898	58,466
Auxiliary enterprise charges	311,406	272,101
Fees assessed by Commission	(59,759)	(66,694)
Other receipts/expenses — net	670,765	(18,517)
Net cash used in operating activities	(10,611,736)	(10,537,221)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	5,398,150	6,226,214
State fiscal stabilization funds (federal)	396,716	-
Federal Pell grants	4,969,624	3,188,482
Gift receipts	32,725	38,276
Receipt of amount due from Marshall University	262,500	-
Transfer from Marshall University	-	9,178,516
Federal student loan program — direct lending receipts	8,147,271	6,855,052
Federal student loan program — direct lending payments	(8,147,478)	(6,854,961)
Net cash provided by noncapital financing activities	11,059,508	18,631,579
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital bond proceeds from the Commission	78,138	31,347
Purchases of capital assets	(505,862)	(138,547)
Principal paid on debt		(1,694)
Interest paid on debt	(804)	(18)
Principal payment on debt obligation due to the Commission	(319,821)	(306,674)
Fees assessed by the Commission	(114,970)	(127,919)
Net cash used in capital financing activities	(863,319)	(543,505)
CASH FLOWS FROM INVESTING ACTIVITY — Investment income	19,239	121,447
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(396,308)	7,672,300
CASH AND CASH EQUIVALENTS — Beginning of year	7,672,300	
CASH AND CASH EQUIVALENTS — End of year	$ 7,275,992	$ 7,672,300

(Continued)

MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE
(Formerly Marshall Community and Technical College)

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

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	2010	2009
Operating loss	$ (11,689,789)	$ (10,960,667)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	159,694	153,278
Expenses paid on behalf of the College		102,279
Changes in assets and liabilities:		
Accounts receivables — net	146,181	(387,840)
Accounts payable	56,562	(181,184)
Accrued liabilities	73,194	98,883
Compensated absences	48,925	100,051
Accrued other post employment benefits liability	687,362	45,232
Deferred revenue	(93,865)	492,747
Net cash used in operating activities	$ (10,611,736)	$ (10,537,221)
NONCASH TRANSACTIONS:		
(Loss) gain on disposal of assets	$ (2,533)	$ 34,780
Transfer from Marshall University (exclusive of $9,178,516 of cash in 2009)	$ 403,744	$ 703,284

See notes to financial statements. (Concluded)

1. ORGANIZATION

Mountwest Community and Technical College (formerly Marshall Community and Technical College) (the "College" or MCTC) is governed by the Mountwest Community and Technical College Board of Governors (the "Board"). The Board was established by House Bill 3215, effective July 1, 2008, which clarified and redefined relationships between and among certain higher education boards and institutions. This legislation defines the statewide network of independently accredited community and technical colleges. As required, the newly established College Board of Governors and Marshall University (the "University") Board of Governors jointly agreed on a division of assets and liabilities of the University. The division of all assets and liabilities was effective July 1, 2008. The amount of net assets transferred from the University to the College is summarized as follows:

Cash and cash equivalents	$ 9,178,516
Other assets	3,565,108
Capital assets — net	1,606,826
Compensated absences	(190,817)
Debt obligation to Commission	(2,686,956)
Other liabilities	(1,590,877)
	$ 9,881,800

Senate Bill 448 gives the West Virginia Council for Community and Technical College Education (the "Council") the responsibility of developing, overseeing, and advancing the State of West Virginia (the "State") public policy agenda as it relates to community and technical college education.

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 College under its jurisdiction, the duty to develop a master plan for the College, the power to prescribe the specific functions and College's budget request, the duty to review, at least every five years, all academic programs offered at the College, and the power to fix tuition and other fees for the different classes or categories of students enrolled at the College.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity — The College is an operating unit of the West Virginia Higher Education Fund and represents separate funds of the State that are not included in the State's general fund. The College is a separate entity that, along with all State institutions of higher education, the Council, and the West Virginia Higher Education Policy Commission (the "Commission", which includes West Virginia Network for Educational Telecomputing (WVNET)), form the Higher Education Fund of the State. The Higher Education Fund is considered a component unit of the State, and its financial statements are discretely presented in the State's comprehensive annual financial report.

The accompanying financial statements present all funds under the authority of the College. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities.

Financial Statement Presentation — GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a combined basis to focus on the College as a whole. Net assets are classified into four categories according to external donor restrictions or availability of assets for satisfaction of College obligations. The College's net assets are classified as follows:

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

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, 2010 or 2009.

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

Basis of Accounting — For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been prepared on the accrual basis of accounting with a focus on the flow of economic resources measurement. Revenues are reported when earned and expenses 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 Board of Treasury Investments (BTI). These funds are transferred to the BTI, and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, 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 in accordance with GASB. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or on the first day of each month for the WV Short Term Bond Pool (formerly Enhanced Yield Pool) and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts, three of which the 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 its annual report. A copy of that annual report can be obtained from the following address: 1900 Kanawha Blvd. East, Room E-122, Charleston, WV 25305 or http://www.wvbti.com.

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 leasehold improvements 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 3–10 years for furniture and equipment. Leasehold improvements are amortized over the period of the lease. The financial statements reflect all adjustments required by GASB.

Deferred Revenue — Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as deferred revenue. Financial aid and other deposits are separately classified as deposits.

Compensated Absences and Other Postemployment Benefits (OPEB) — The College accounts for compensated absences in accordance with the provisions of GASB.

GASB provides standards for the measurement, recognition and display of OPEB expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. The College is required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State. Details regarding this plan can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, WV 25305-0710 or http://www.wvpeia.com.

These statements require entities to accrue for employees' rights to receive compensation for vacation leave, or 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 or who were hired before 1988 but did not choose such coverage until after 1988 but before July 1, 2001, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired July 1, 2001, or later, will no longer receive sick leave credit toward insurance premiums when they retire. Additionally, all retirees have the option to purchase continued coverage regardless of their eligibility for premium credits. This liability is now provided for under the multiple employer cost-sharing plan approved by the State.

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

The estimated expense and expense incurred for the vacation leave or OPEB benefits are recorded as a component of benefits expense 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 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.

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

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

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

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

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

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

Federal Financial Assistance Programs — The College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through universities like the College. Direct student loan receivables are not included in the College's statement of net assets as the loans are repayable directly to the U.S. Department of Education. In 2010 and 2009, the College received and disbursed approximately $8,147,000 and $6,855,000, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statement of revenues, expenses, and changes in net assets.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2010 and 2009, the College was awarded approximately $5,102,000 and $3,340,000, respectively, under these federal student aid programs.

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.

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers. Certain aid, such as loans, funds provided to students as awarded by third parties and Federal 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.

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.

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, the College 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.

The College 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 College 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 as of June 30, 2010 and 2009, are held as follows:

	2010	2009
State Treasurer	$7,220,123	$7,663,790
In bank	55,119	8,460
On hand	750	50
	$7,275,992	$7,672,300

The combined carrying amount of cash in the bank was $55,119 and $8,460, as compared with the combined bank balance of $184,613 and $17,528 at June 30, 2010 and 2009, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance or were collateralized by securities held by the State's agent.

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 Pool — Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the years ended June 30, 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 College's ownership represents 0.23% and 0.27%, respectively.

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

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

At June 30, 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 the College's ownership represents 0.02% in both years.

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		
	Caal	BB**			254	0.08
	Caal	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
						.00
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 %	$ 314,932	100 %

* NR = Not Rated

** The securities were not in compliance with BTI Investment Policy at June 30, 2010 and/or 2009. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

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

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

At June 30, 2010 and 2009, the College's ownership represents 0.13% and 0.04%, 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 as of June 30, 2010 and 2009, are as follows:

	2010	2009
Student tuition and fees — net of allowance for doubtful account of $208,072 and $76,937 for 2010 and 2009, respectively	$ 154,437	$ 8,500
Due from other State agencies	268,957	77,825
Grants and contracts receivable	29,239	19,704
Other accounts receivable	2,255	580
	$ 454,888	$ 106,609

5. CAPITAL ASSETS

Summary of capital assets transactions for the College as of June 30, 2010 and 2009, are as follows:

	2010				
	Beginning Balance	Transfers	Additions	Reductions	Ending Balance
Capital assets not being depreciated:					
Land	$ 356,909	$ 710,910	$ 810,949	$ -	$ 1,878,768
Construction in progress	338,396		141,273		479,669
Total capital assets not being depreciated	695,305	710,910	952,222	-	2,358,437
Other capital assets:					
Building and leasehold improvements	677,684		6,633,949		7,311,633
Land improvements			258,186		258,186
Equipment	1,192,327		342,412	(242,445)	1,292,294
Total other capital assets	1,870,011	-	7,234,547	(242,445)	8,862,113
Less accumulated depreciation for:					
Building and leasehold improvements	138,925		35,667		174,592
Land improvements	-		2,869		2,869
Equipment	869,075		121,158	(239,912)	750,321
Total accumulated depreciation	1,008,000	-	159,694	(239,912)	927,782
Other capital assets — net	$ 1,557,316	$ 710,910	$ 8,027,075	$ (2,533)	$ 10,292,768
Capital asset summary:					
Capital assets not being depreciated	$ 695,305	$ 710,910	$ 952,222	$ -	$ 2,358,437
Other capital assets	1,870,011		7,234,547	(242,445)	8,862,113
Total cost of capital assets	2,565,316	710,910	8,186,769	(242,445)	11,220,550
Less accumulated depreciation	(1,008,000)	-	(159,694)	239,912	(927,782)
Capital assets — net	$ 1,557,316	$ 710,910	$ 8,027,075	$ (2,533)	$ 10,292,768

	2009				
	Beginning Balance	Transfers	Additions	Reductions	Ending Balance
Capital assets not being depreciated:					
Land	$ -	$ 356,909	$ -	$ -	$ 356,909
Construction in progress		273,448	64,948		338,396
Total capital assets not being depreciated	-	630,357	64,948	-	695,305
Other capital assets:					
Building leasehold improvements		677,684			677,684
Equipment		1,437,581	73,599	(318,853)	1,192,327
Total other capital assets	-	2,115,265	73,599	(318,853)	1,870,011
Less accumulated depreciation for:					
Building leasehold improvements		125,371	13,554		138,925
Equipment		1,013,425	139,724	(284,074)	869,075
Total accumulated depreciation	-	1,138,796	153,278	(284,074)	1,008,000
Other capital assets — net	$ -	$ 1,606,826	$ (14,731)	$ (34,779)	$ 1,557,316
Capital asset summary:					
Capital assets not being depreciated	$ -	$ 630,357	$ 64,948	$ -	$ 695,305
Other capital assets		2,115,265	73,599	(318,853)	1,870,011
Total cost of capital assets	-	2,745,622	138,547	(318,853)	2,565,316
Less accumulated depreciation	-	(1,138,796)	(153,278)	284,074	(1,008,000)
Capital assets — net	$ -	$ 1,606,826	$ (14,731)	$ (34,779)	$ 1,557,316

6. NONCURRENT LIABILITIES

Summary of noncurrent obligation transactions for the College for the years ended June 30, 2010 and 2009, are as follows:

	Beginning Balance	Transfer	Additions	Reductions	Ending Balance	Current Portion
Noncurrent liabilities:						
OPEB liability	$ 104,338	$ -	$ 687,363	$ -	$ 791,701	
Debt obligation due to Commission	2,380,282			(319,821)	2,060,461	$333,622
Total noncurrent liabilities	$2,484,620	$ -	$ 687,363	$(319,821)	$ 2,852,162	

	2009					
	Beginning Balance	Transfer	Additions	Reductions	Ending Balance	Current Portion
Noncurrent liabilities:						
OPEB liability	$ -	$ 59,106	$ 45,232	$ -	$ 104,338	
Debt obligation due to Commission		2,686,956		(306,674)	2,380,282	$319,821
Total noncurrent liabilities	$ -	$ 2,746,062	$ 45,232	$(306,674)	$ 2,484,620	

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 costs was $791,701 and $104,338, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $813,503 and $126,140 and $262,430 and $114,920, respectively, during 2010 and 2009. As of both years ended June 30, 2010 and 2009, there were two retirees receiving these benefits.

8. 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 the 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, including certain facilities of the College. Financing for these facilities was provided through revenue bonds issued by the former Board of Regents or the former Boards of the University and College Systems (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 has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration 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 the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as a capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission.

For the years ended June 30, 2010 and 2009, debt services assessed are as follows:

	2010	2009
Principal	$ 319,821	$ 306,674
Interest	109,561	122,530
Other	5,409	5,389
	$ 434,791	$ 434,593

During the year ended June 30, 2005, the Commission issued $167,000,000 of 2004 Series B 30-year Revenue Bonds to fund capital projects at various higher education institutions in the State. The College has been approved to receive $4,253,559 of these funds. The College has recognized $4,203,115 and $4,068,571 of this approved amount as of June 30, 2010 and 2009, respectively. State lottery funds will be used to repay the debt, although, the College revenues are pledged if lottery funds prove insufficient.

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. The bond projects listed in the bond offering for the 2009 Bonds proposes bond funding of $13,500,000 for MCTC. As of June 30, 2010, $7,680,907 has been recognized as capital payments made on behalf of MCTC. State lottery funds will be used to repay the debt.

9. UNRESTRICTED NET ASSETS

The College did not have any designated unrestricted net assets as of June 30, 2010 or 2009.

	2010	2009
Total unrestricted net assets before OPEB liability	$8,456,804	$8,645,609
Less OPEB liability	(791,701)	(104,338)
Total unrestricted net assets	$7,665,103	$8,541,271

10. RETIREMENT PLANS

Substantially, all full-time employees of the College participate in either the West Virginia Teachers' Retirement System (STRS) or the Teachers' Insurance and Annuities Association — College Retirement Equities Fund (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 New Educators Money 401(a) basic retirement plan (Educators Money). New hires have the choice of either plan.

Total contributions to the Educators Money for the years ended June 30, 2010 and 2009, were approximately $10,000 and $10,000, respectively, which consisted of approximately $5,000 and $5,000 from both the College and from covered employees, respectively, for both years.

The STRS is a cost-sharing, defined benefit, public employee retirement system. Employer and employee contribution rates are established annually by the West Virginia State Legislature. The contractual maximum contribution rate is 15%. 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, 2010 and 2009. Required employee contributions were 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.

Total contributions to the STRS for the years ended June 30, 2010 and 2009, were approximately $78,000 and $73,000, respectively, which consisted of approximately $56,000 and $52,000, respectively, from the College and approximately $22,000 and $21,000, respectively, from the covered employees.

The contribution rate is set by the West Virginia 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 and Educators Money are defined contribution benefit plans 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 and Educators Money, which are not matched by the College.

Total contributions to the TIAA-CREF for the years ended June 30, 2010 and 2009, were approximately $546,000 and $480,000, respectively, which consisted of equal contributions from the College and covered employees of approximately $273,000 and $240,000, respectively.

The College's total payroll for the years ended June 30, 2010 and 2009, was approximately $6,296,000 and $5,630,000, respectively. Total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were approximately $386,000, $4,723,000, and $81,000, respectively, in 2010, and $349,000, $4,005,000, and $76,000, respectively, in 2009.

11. RELATED PARTY TRANSACTIONS

The University continued to provide services to the College and the College recorded $2.2 million and $4.1 million during 2010 and 2009, respectively, in supplies and other services expense in connection with service agreements. The Governing Boards of both institutions have agreed to extend the service agreement past July 1, 2011, on a monthly basis until the College's renovated campus is available for occupancy.

During 2010, MCTC received a $403,744 transfer of net assets from the University, consisting of $703,910 of property offset by a $307,166 liability reduction.

12. CONTINGENCIES

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

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

The University owns various buildings that are known to contain asbestos. The University is not required by federal, state, or local law to remove the asbestos from its buildings. The University is required under federal environmental, health, and safety regulations to manage the presence of asbestos in its buildings in a safe manner. The University addresses its responsibility to manage the presence of asbestos in its buildings on a case-by-case basis. Significant problems of dangerous asbestos conditions are abated as the conditions become known. The University 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 manner.

13. MARSHALL UNIVERSITY FOUNDATION, INC.

The Marshall University Foundation, Inc. (the "Foundation") is a separate nonprofit organization incorporated in the State whose purpose is to benefit the work and services of the University and its affiliated nonprofit organizations. The Foundation has a board of directors authorized to have 40 members selected by its Board members. At present, there are 37 members, including the President of the University as a nonvoting ex-officio member. 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. The MCTC administration does not control the resources of the Foundation. Since the College was a part of the University for many years, the Foundation has obtained resources designated for MCTC programs and/or students. As of June 30, 2010 and 2009, there were five funds for both years within the Foundation of approximately $168,000 and $170,000, respectively.

14. MCTC FOUNDATION, INC.

With the change in State law to establish the College as a separate entity, a separate nonprofit MCTC Foundation, Inc. ("MCTC Foundation") was incorporated in the State, effective July 1, 2009, whose purpose is to benefit the work and services of the College. MCTC Foundation has a nine-member Board. There was limited activity in the MCTC Foundation in fiscal year 2010.

15. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2010 and 2009, the following tables represent operating expenses within both natural and functional classifications:

2010

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 4,591,666	$ 1,416,622	$ 1,513,531	$ -	$ -	$ -	$ -	$ 7,521,819
Public service	81,081	16,021	105,352					202,454
Academic support	167,041	59,560	436,723					663,324
Student services	607,076	253,047	1,353,776					2,213,899
General institutional support	848,807	352,860	890,049					2,091,716
Operations and maintenance of plant			1,320,463	44,773				1,365,236
Student financial aid					4,303,862			4,303,862
Depreciation						159,694		159,694
Other			200,127				59,759	259,886
Total	$ 6,295,671	$ 2,098,110	$ 5,820,021	$ 44,773	$ 4,303,862	$ 159,694	$ 59,759	$ 18,781,890

2009

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 4,620,185	$ 1,074,025	$ 901,934	$ -	$ -	$ -	$ -	$ 6,596,144
Public service	56,446	27,779	142,004					226,229
Academic support	78,896	9,447	805,834					894,177
Student services	232,288	94,191	1,226,741					1,553,220
General institutional support	641,317	196,388	1,692,530					2,530,235
Operations and maintenance of plant			1,715,263	11,856				1,727,119
Student financial aid					2,860,690			2,860,690
Depreciation						153,278		153,278
Other			272,101				66,694	338,795
Total	$ 5,629,132	$ 1,401,830	$ 6,756,407	$ 11,856	$ 2,860,690	$ 153,278	$ 66,694	$ 16,879,887

* * * * * *

Deloitte.

Deloitte & Touche LLP
2500 One PPG Place
Pittsburgh, PA 15222-5401
USA

Tel: +1 412 338 7200
Fax: +1 412 338 7380
www.deloitte.com

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

To the Governing Board of
Mountwest Community and Technical College:

We have audited the financial statements of Mountwest Community and Technical College (formerly Marshall Community and Technical College) (the "College") for the year ended June 30, 2010, and have issued our report thereon dated October 18, 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 the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

This report is intended solely for the information and use of Mountwest Community and Technical College Governing Board, management of the College, 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

October 18, 2010