Blue Ridge Community and Technical College

Financial Statements as of and for the
Years Ended June 30, 2012 and 2011, and
Independent Auditors' Reports

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Governing Board of
Blue Ridge Community and Technical College:

We have audited the statements of net assets of Blue Ridge Community and Technical College (the "College") as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets, and of cash flows for the years then ended. These financial statements are the responsibility of the management of the College. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2012 and 2011, and changes in its net assets and its cash flows of the College for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2012, 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

November 20, 2012

The Blue Ridge Community and Technical College

Management Discussion and Analysis

Fiscal Year 2012

About The Blue Ridge Community and Technical College

The Blue Ridge Community and Technical College (the "College") is a state- supported institution within the West Virginia System of Higher Education Policy. The College is under the authority of the West Virginia Council for Community and Technical College Education (the "Council").

The College offers associate degrees, workforce development programs, and collaborative programs in government, business and industry sectors. The College achieved separate accreditation during fiscal year 2005, and became a complete separate entity for financial reporting purposes on July 1, 2006.

Overview of the Financial Statements and Financial Analysis

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 discussion and analysis of the College's financial statements provides an overview of its financial activities for the three years ended June 30, 2012, with a focus on 2012, and is required supplemental information.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the College as of the end of the fiscal year. The Statement of Net Assets is a point-of-time financial statement. The Statement of Net Assets presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities). From the data presented, readers of the 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, the Statement of Net Assets provides a snapshot picture of the net assets (assets minus liabilities) and their availability for expenditure by the College.

Net assets are divided into three major categories. The first category, invested in capital assets-net of related debt, provides equity in property, plant, and equipment owned by the College. The second asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The College does not currently have nonexpendable restricted assets. The corpus of nonexpendable restricted resources is available only for investment purposes. 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 the assets. The third category is unrestricted net assets. Unrestricted assets are available to the College for any lawful purpose of the College.

Condensed Schedules of Net Assets
As of June 30, 2012, 2011, and 2010
(In thousands of dollars)

	2012	2011	2010
Assets			
Cash	$ 9,847	$ 8,576	$ 7,389
Other Current Assets	331	689	102
Noncurrent Assets	19,822	7,323	5,109
Total Assets	30,000	16,588	12,600
Liabilities			
Current Liabilities	5,266	2,795	2,726
Noncurrent Liabilities	1,351	897	534
Total Liabilities	6,617	3,692	3,260
Net Assets			
Invested in Capital Assets	19,281	4,321	2,012
Restricted	1,214	556	138
Unrestricted	2,888	8,019	7,190
Total Net Assets	$ 23,383	$ 12,896	$ 9,340

The liquidity of the College is strong as cash exceeds total current and noncurrent liabilities. The College's quick ratio (cash to current liabilities) is 1.87, 3.07 and 2.70 as of June 30, 2012, 2011 and 2010. The working capital (current assets to current liabilities) is 1.93, 3.31 and 2.75 as of June 30, 2012, 2011 and 2010.

Other items of interest related to assets are as follows:

- Approximately 34% of the assets as of June 30, 2012 were held in cash and cash equivalents, compared to 52% and 59% in cash and cash equivalents as of June 30, 2011 and 2010, respectively. The sharp increase in capital additions caused the percentage of cash and cash equivalents to decrease, although cash increased $1.27M. Cash and cash equivalents now comprise a smaller share of the total assets, while maintaining a healthy balance.
- Other current assets include due from the Council/Commission; net accounts receivable, which is a combination of student accounts receivable and grants receivable; other receivables; and prepaid expenses.
    - The amount in due from the Council/Commission as of June 30, 2012 represents approximately $43,000 related to grants and $941 in interest receivable from interagency funds.
    - The net student accounts receivable of $75,346, $289,922, and $38,411 at June 30, 2012, 2011, and 2010 have varied significantly. This variation is largely due to the unknown collectability of receivables related to the return of student financial aid to the federal and state agencies for students that withdrew from classes. While management has determined that the collectability for this segment of student receivables is poor, the College has established a sufficient bad debt reserve to account for this. Additionally,

there is an effort to collect these funds through a third party. The bad debt reserve is $827,204, $217,320, and $122,841 as of June 30, 2012, 2011, and 2010. The College will assess the need to write off these receivables as the collectability trend through the third party becomes apparent.
    - Grants receivable consists of $115,852, $186,045, and $48,577 at June 30, 2012, 2011, and 2010. The current year balance primarily represents various amounts due to the College for financial aid disbursed to students.
    - Other receivables represent an amount due from an employee.
    - Prepaid expenses of $47,325, $34,640, and $12,778 at June 30, 2012, 2011 and 2011 include expenditures for services of more than $500 that span over a six month period. Much of this amount represents costs for software warranties and subscriptions.
- Noncurrent assets include an appropriation due from Primary Government and capital assets.
    - The appropriation due from Primary Government at June 30, 2012 decreased $2,419,088 from June 30, 2011 to June 30, 2012. These funds were used for the purchase of land and construction of a new building. The balance of $540,267 will be expended in FY13 on additional construction expenses. The original appropriation from the State of West Virginia for this project was $3,000,000.
    - Construction in Process at June 30, 2012, and 2011 was $16,727,697 and $2,382,905, respectively. These expenditures were funded by proceeds from 2009 Series A Bonds, 2008 state appropriation funds, and college reserve funds. The total bond funding for the project is $13,500,000; total appropriation funding is $3,000,000; and college reserve funding is approximated at $2,000,000. The project reached substantial completion as of June 30, 2012 with occupancy in late July.
    - Other capital assets at June 30, 2012 are made up of $1,997,053 for building improvements and $2,723,973 for equipment net of depreciation of approximately $2,168,617. The College spent $510,199, $2,925, and $657,854 for leasehold improvements during 2012, 2011, and 2010. Most of this amount represents the expenditure to build out classroom space at the Berkeley Business Park location. The college also spent approximately $420,000, $399,335, and $468,065 for equipment used primarily in the classrooms during the 2012, 2011, and 2010 fiscal years, while disposing of $540,600 of fixed assets.

Items of interest related to liabilities are as follows:

- Current liabilities of $5,265,643, $2,794,630, $2,725,876 at June 30, 2012, 2011, and 2010 increased by $2,471,013, $68,754, and $135,613.
    - Accounts payable of $1,866,831 at June 30, 2012 is skewed by construction payables of $1,527,675 and new building equipment of approximately $175,000. The residual balance of $164,156, and the prior year balances of $204,144 (which included $39,572 for property additions), and $201,552 at June 30, 2011 and 2010 represent typical operating expenses such as supplies and utilities.
    - Accrued payroll of $335,636, $261,742, and $217,086 at June 30, 2012, 2011, and 2010 has seen a steady increase each year due to new full time positions, promotions, salary increases, and additional part-time faculty wages.
    - Likewise, accrued annual leave of $431,087, $337,218 and $313,452 at June 30, 2012, 2011 and 2010 has increased year over year due to additional employees, increased wages, and an increase in unused hours by full time employees.
    - Deferred revenues of $2,622,160, $1,943,052 and $1,884,727 at June 30, 2012, 2011, and 2010 have increased because of the number of grants awarded from the State for development of new technical programs. Many of the grants cover a three year period. An additional component of deferred revenue is related to summer school. Roughly 50% of revenue generated from summer school courses is earned in the current fiscal year,

while the remaining 50% is earned in the following fiscal year. The College reduced its summer course offerings at the main campus facility due to the move of that facility to the newly constructed headquarters building that took place in July. Therefore, the summer school deferred revenue was decreased by approximately $100,000. Summer school revenue is expected to meet or exceed normal revenues in summer 2013.

    - Due to Council/Commission and State agencies of $9,929, $5,012 and $14,393 at June 30, 2012, 2011 and 2010 are a combination of amounts due for services the state provides the College and for West Virginia Higher Education Grants. The 2012 balance is primarily comprised of amounts due for services rendered by WVNET and a consortium purchase of online tutoring services facilitated by the WVCTCS. The previous year's balance was decreased by an amount due to the State for unused and distributed student West Virginia Higher Education Grants.
- Noncurrent Liabilities include:
    - The accrual for other post employment benefits (OPEB) at June 30, 2012, 2011 and 2010 was $1,350,900, $897,526 and $490,413. The liability is determined by the number of employees enrolled in the health insurance program. The college accrued $794 per month per person in 2012. The OPEB liability was new in fiscal year 2008 as the College adopted GASB No. 45. The liability started to increase significantly in 2010 because of the State's inability to contribute to the Trust, as in the prior year, and also due to the low rate of returns on the investments in the Trust.

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 College, both operating and non-operating, and the expenses paid by the College, operating and non-operating, and any other revenues, expenses, gains, and losses received or spent by the College.

In general, operating revenues are received for goods and services rendered to 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.

Condensed Schedules of
Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2012, 2011 and 2010
(In thousands of dollars)

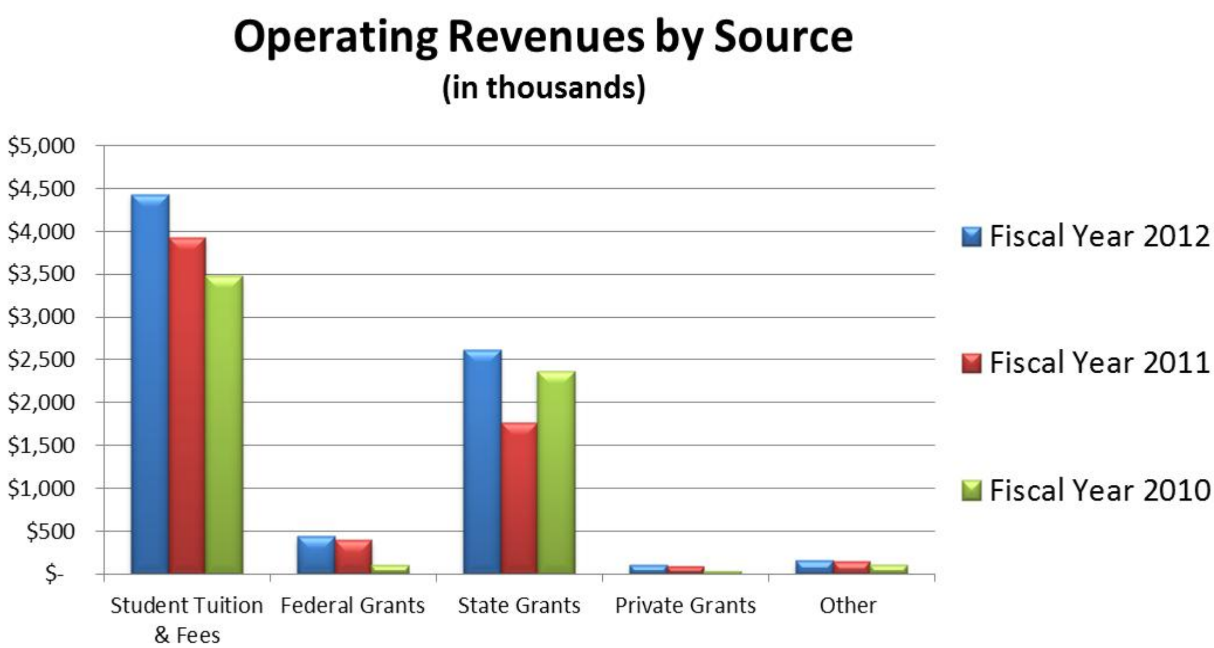
	2012	2011	2010
Operating Revenues	$ 7,768	$ 6,338	$ 6,103
Operating Expenses	16,471	13,140	10,969
Operating Loss	(8,703)	(6,802)	(4,866)
Nonoperating Revenues - Net	8,793	7,991	6,482
Increase in Net Assts	90	1,189	1,616
Capital Payments Made/ Expenses Incurred on Behalf of College	10,398	2,367	16
Increase in Net Assts	10,488	3,556	1,632
Net Assets - Beginning of Year	12,896	9,340	7,708
Net Assets - End of Year	23,384	12,896	9,340

Operating Revenues

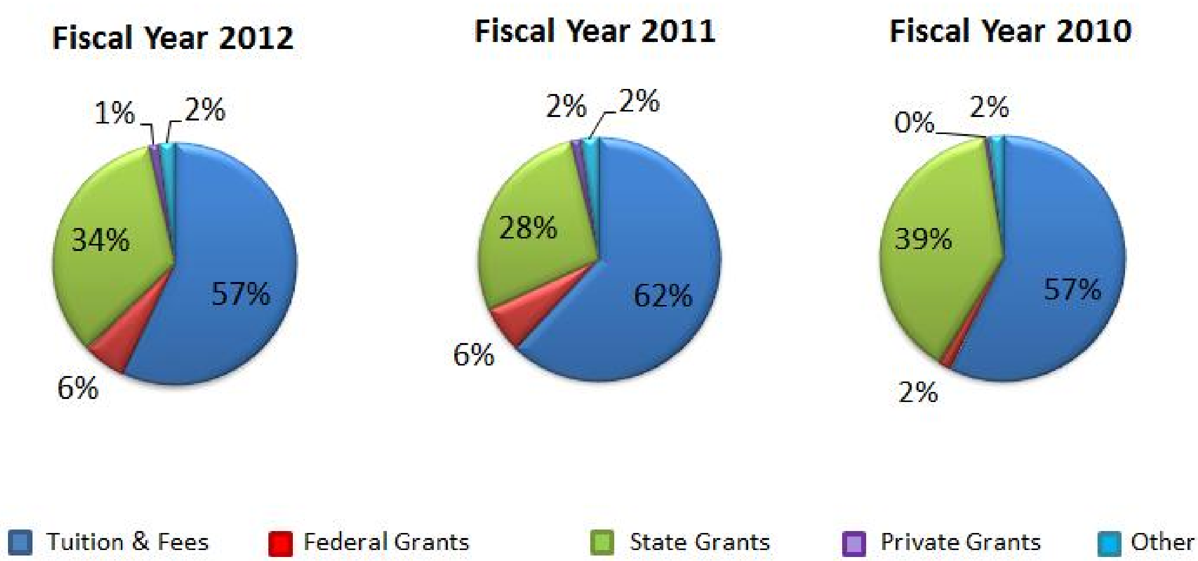
Over half of the operating revenue for the College is from tuition and fee assessments. Federal grants provide funding for varying degrees of technical education support, temporary funding for targeted green industry training, and grant funds for students. State grants provide funding for new technical program activities, business and industry workforce development, and sustainability funds for high cost programs. The following is an overview of revenues and their sources:

- Student tuition and fees for 2012, 2011 and 2010 increased over each previous fiscal year by $500,577, $452,778, $1,013,696, respectively. These increases were a result of FTE (full time equivalent) increases of 8%, 13% and 22% for fiscal 2012, 2011 and 2010, respectively.
- Federal grants for the current fiscal year consist of 43% Carl D. Perkins Act funds, 30% GreenUp ARRA funds, 15% Supplemental Educational Opportunity Grant (SEOG) funds, and 12% Work Study funds.
- State grants in the form of WV Advance, Technical Program, and HB3009 grants make up approximately 57%, or $1.489M of total revenues reported as State Contracts and Grants. The remaining 43% of revenues is attributed to WV student financial aid grants.

The overall growth in revenues is illustrated in figure A. Student tuition and fees and federal grants show measurable increases year over year, while State grants illustrate the fluctuations that are representative of institutional grant activity. The pie charts in figure B demonstrate the consistency in revenue sources by percentage from year to year.

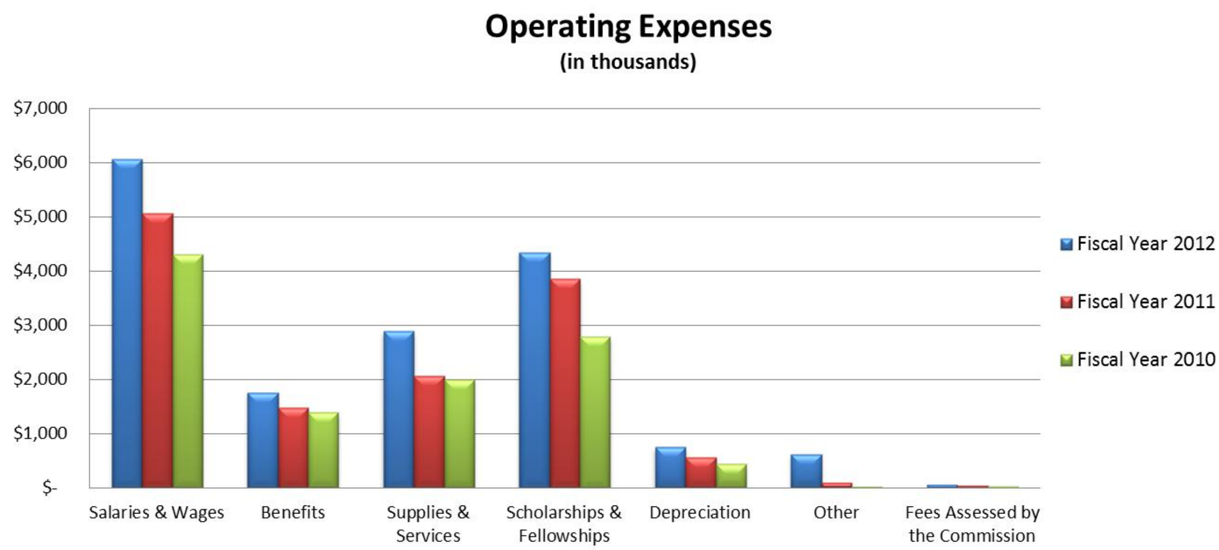


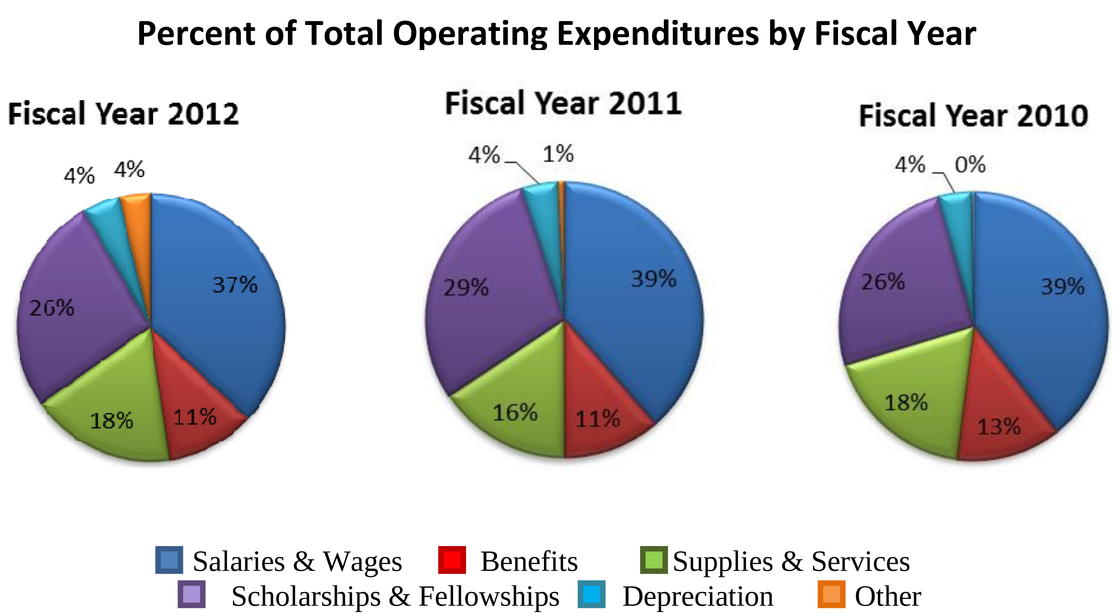
Percent of Total Operating Revenues by Fiscal Year



Operating Expenses

Nearly half of the fiscal year 2012, 2011 and 2010 operating expenses were incurred for personnel services and benefits. Supplies and other services increased by $1.348M from fiscal year 2011 to 2012, with a large portion of this resulting from bad debt expense of $615,000. Other incremental increases occurred in contractual, classroom furnishings, travel and rent. The phase 3 and 4 build outs at the Technology Center that were complete in August 2011 were the significant cost drivers, as well as the addition of new employees. Student scholarships account for 26% and 29% of the operating expenses in fiscal years 2012 and 2011, respectively. The student financial aid scholarships increased in fiscal year 2012 by approximately $497,000 over fiscal year 2011, increased in 2011 by approximately $1,062,000 over fiscal year 2010, and increased in fiscal year 2010 by approximately $1,633,000 over fiscal year 2009. These increases align with enrollment figures and also availability of State and federal financial aid awards.





Non-operating Revenue (Expense)

The net non-operating revenues in fiscal year 2012 increased by $802,455 over fiscal 2011, largely in part to an increase in the State appropriation of $777,212. Federal Pell Grant funds received also increased by approximately $273,000. There were no Federal Stimulus Grant Revenue (ARRA) funds in 2012; fiscal years 2011 and 2010 had ARRA funds totaling $425,000.

Investment income in fiscal year 2012 decreased by $3,814 from 2011. Fees assessed by the Commission also decreased in fiscal 2012 by $10,464.

Capital Payments Made on Behalf of College

Payments have been made on behalf of the College the last three fiscal years. Payments amounted to $10,398,028 in 2012, $2,367,093 in 2011, and $15,812 in 2010. All payments have been in conjunction with the construction of the new building. The funds originated from the 2009 bonds issued by Higher Education Policy Commission (HEPC). A total of $13,500,000 is available from this source for the construction and furnishing of this facility, with approximately $719,000 available as of June 30, 2012.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activities of the College during the year. The statement is divided into five parts. The first part 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 non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital related financing activities. This section deals with cash used for the acquisition and construction for capital assets and related items, and related funding received. 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 provided by (used in) operating activities to the operating income (loss) reflected the Statement of Revenues, Expenses, and Changes in Net Assets.

Condensed Schedules of Cash Flows
For the Year Ended June 30, 2012, 2011 and 2010
(In thousands of dollars)

	2012	2011	2010
Cash Used in (Provided by):			
Operating Activities	$ (6,295)	$ (6,348)	$ (3,786)
Noncapital Financing Activities	8,822	8,003	6,499
Capital and Related Financing Activities	(1,265)	(484)	(1,116)
Investing Activities	9	16	13
Increase in Cash and Cash Equivalents	1,271	1,187	1,610
Cash and Cash Equivalents - Beginning of Year	8,576	7,389	5,779
Cash and Cash Equivalents - End of Year	$ 9,847	$ 8,576	$ 7,389

Cash used in operating activities in 2012 decreased slightly from 2011 in part due to tuition and fees and contract and grants revenues outpacing expenses. Increased enrollment directly impacts the need for more salaries, supplies and student financial aid scholarships. The fiscal 2012 and 2011 increase in noncapital financing activities resulted from increased State appropriation funding and student Federal Pell Grant funding. Additional funds were used in capital financing activities, including leasehold improvements and classroom technology investments.

Capital Asset Activity

2012:

Purchases of capital assets account for the cash used in capital financing activities. The College used $510,000 for expansion of classroom space at Berkeley Business Park. The additional classroom space was outfitted with computer labs in which approximately $55,000 was capitalized. Significant investments in classroom technology funded by grants were made in mechatronics, virtualization, and other informational technology programs. Technology purchases for the new headquarters facility were also underway and amounted to approximately $185,000.

During 2012, over $10 million was expended on behalf of the College for the new building, which was included in construction in progress as of June 30, 2012. The building was placed in service in July 2012.

2011:

Approximately $3,000 was expended for leasehold improvements in fiscal year 2011. Equipment purchases made during the year totaled approximately $399,000; approximately $112,000 for alternate energy lab equipment (wind and thermal training systems); approximately $42,000 for the electric distribution lab equipment; approximately $186,000 for computer labs and classroom technology; and the remainder of approximately $59,000 for classroom and office equipment.

During 2011, approximately $2.4 million was expended on behalf of the College for the new building, which was included in construction in progress as of June 30, 2011.

2010:

Approximately $658,000 was expended for leasehold improvements in fiscal year 2010. These expenditures were made for additional classroom and lab space improvements made at ‘Tech Center’ located at the Berkeley Business Park. Equipment purchases made during the year totaled approximately $468,000; approximately $51,000 for the culinary lab equipment; approximately $139,000 for the electric distribution lab equipment; $44,500 for two vehicles; and the remainder of approximately $233,900 for computer labs and office equipment.

Economic Outlook

The College has sustained its growth through the tough economic conditions of the past several years. Many of our students returned to the classroom to retrain for a new career, while others are traditional students taking the next step after high school. Blue Ridge has positioned itself through partnerships with community businesses and wide offerings of student services to meet the needs of its students so that the dream of a degree is transformed into reality. Our programs are designed to equip individuals with the technical skills needed in today’s ever evolving workplace. For students desiring to attain a four year baccalaureate degree, our transfer articulation agreements ensure students are on the path that is right for them. Blue Ridge offers a cost effective, affordable education solution while providing state of the art facilities and dedicated faculty and staff.

The College received an increase in State appropriation funding effective July 1, 2012 of $1.6M, although it is now anticipating a reduction in State funding for fiscal year 2014. Even so, enrollment is expected to remain steady and the financial stability of the College remains strong.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,847,043	$ 8,575,723
Due from the Council/Commission	43,951	178,099
Accounts receivable — net	239,918	476,052
Prepaids	47,325	34,640
Total current assets	10,178,237	9,264,514
NONCURRENT ASSETS:		
Appropriation due from Primary Government	540,267	2,959,355
Capital assets — net	19,281,597	4,364,050
Total noncurrent assets	19,821,864	7,323,405
TOTAL	$ 30,000,101	$ 16,587,919
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 1,866,831	$ 204,144
Accrued liabilities	335,636	261,742
Due to the Council/Commission	9,929	3,223
Due to State agencies		1,789
Compensated absences	431,087	337,218
Debt obligation due to Commission		43,462
Deferred revenue	2,622,160	1,943,052
Total current liabilities	5,265,643	2,794,630
NONCURRENT LIABILITIES:		
Other postemployment benefits liability	1,350,900	897,526
Total liabilities	6,616,543	3,692,156
NET ASSETS:		
Invested in capital assets — net of related debt	19,281,597	4,320,587
Restricted for — expendable — other	1,214,360	556,335
Unrestricted	2,887,601	8,018,841
Total net assets	23,383,558	12,895,763
TOTAL	$ 30,000,101	$ 16,587,919

See notes to financial statements.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowance of $2,274,380 and $2,316,822 in 2012 and 2011, respectively	$ 4,435,690	$ 3,935,113
Contracts and grants:		
Federal	441,905	394,770
State	2,622,978	1,771,479
Private	110,338	87,478
Sales and services of educational activities	60,305	69,798
Other operating revenues	96,601	79,638
Total operating revenues	7,767,817	6,338,276
OPERATING EXPENSES:		
Salaries and wages	6,067,669	5,060,968
Benefits	1,752,458	1,479,768
Supplies and other services	2,885,534	2,057,559
Student financial aid — scholarships and fellowships	4,343,230	3,846,953
Depreciation	744,897	554,985
Other operating expenses	615,265	95,267
Fees assessed by the Commission for operations	62,145	44,637
Total operating expenses	16,471,198	13,140,137
OPERATING LOSS	(8,703,381)	(6,801,861)
NONOPERATING REVENUES (EXPENSES):		
State appropriations	3,514,578	2,737,366
State fiscal stabilization funds (federal)		230,852
Federal Pell Grant	5,307,912	5,034,599
Investment income	10,450	14,264
Fees assessed by the Commission	(15,924)	(26,388)
Loss on disposals	(23,868)	
Net nonoperating revenues	8,793,148	7,990,693
NET INCREASE IN NET ASSETS BEFORE OTHER REVENUE, EXPENSES, GAINS, OR LOSSES	89,767	1,188,832
CAPITAL PAYMENTS MADE AND EXPENSES INCURRED ON BEHALF OF THE COLLEGE BY THE COMMISSION	10,398,028	2,367,093
NET INCREASE IN NET ASSETS	10,487,795	3,555,925
NET ASSETS — Beginning of year	12,895,763	9,339,838
NET ASSETS — End of year	$ 23,383,558	$ 12,895,763

See notes to financial statements.

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 4,035,000	$ 3,588,250
Contracts and grants	4,015,378	1,996,584
Payments to and on behalf of employees	(7,198,990)	(6,065,201)
Payments to suppliers	(2,893,719)	(2,125,753)
Payments for scholarships and fellowships	(4,343,230)	(3,846,953)
Auxiliary enterprise charges	60,305	69,798
Fees retained by Commission	(62,145)	(44,637)
Other receipts — net	92,101	79,638
Net cash used in operating activities	(6,295,300)	(6,348,274)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	3,514,578	2,737,366
State fiscal stabilization funds (federal)		230,852
Federal Pell Grant	5,307,912	5,034,599
Federal student loan program — direct lending receipts	9,465,946	7,255,794
Federal student loan program — direct lending payments	(9,465,946)	(7,255,794)
Net cash provided by noncapital financing activities	8,822,490	8,002,817
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of capital assets	(1,206,093)	(362,728)
Principal paid on debt	(43,462)	(94,666)
Fees assessed by the Commission	(15,924)	(26,388)
Net cash used in capital financing activities	(1,265,479)	(483,782)
CASH FLOWS FROM INVESTING ACTIVITY — Interest on investments	9,609	16,019
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,271,320	1,186,780
CASH AND CASH EQUIVALENTS — Beginning of year	8,575,723	7,388,943
CASH AND CASH EQUIVALENTS — End of year	$ 9,847,043	$ 8,575,723

(Continued)

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (8,703,381)	$ (6,801,861)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	744,897	554,985
Bad debt expense	615,265	95,267
Changes in assets and liabilities:		
Accounts receivables — net	(379,131)	(484,331)
Due from the Commission/Council	134,990	(177,970)
Prepaid expenses	(12,686)	(21,862)
Accounts payable/due to	4,501	(46,362)
Accrued liabilities	73,894	44,656
Compensated absences	93,869	23,766
Accrued other postemployment benefits liability	453,374	407,113
Deferred revenue	679,108	58,325
Net cash used in operating activities	$ (6,295,300)	$ (6,348,274)
NONCASH TRANSACTIONS:		
Property additions in accounts payable	$ 1,702,675	$ 39,752
Appropriations from primary government for construction in process	$ 2,419,088	$ -
Payments made and expenses incurred on behalf of CTC for construction in process by Commission	$ 10,398,028	$ 2,367,093

See notes to financial statements. (Concluded)

1. ORGANIZATION

Blue Ridge Community and Technical College (the "College") is governed by Blue Ridge Technical College Board of Governors (the "Board"). The Board was established by Senate Bill 448 ("S.B. 448").

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.

S.B. 448 also 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's (the "State") public policy agenda as it relates to community and technical college education.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by 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.

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, 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 in accordance with restrictions imposed by external third parties.

The West Virginia State Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees, and Other Money Collected at State Institutions of Higher Education*, of the West Virginia State Code. House Bill No. 101 passed in March 2004, simplified the tuition and fee restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of the College. These restrictions are subject to change by future actions of the West Virginia State Legislature.

Restricted Net Assets — Nonexpendable — This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College does not have any restricted nonexpendable net assets at June 30, 2012 or 2011.

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

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

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

Cash and cash equivalents balances on deposit with the State Treasurer's Office (the "State Treasurer") are pooled by the State Treasurer with other available funds of the State for investment purposes and are overseen and managed by the West Virginia Board of Treasury Investments (BTI). The BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, and by provisions of bond indentures and trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources in accordance with GASB. The BTI was established by the West Virginia State Legislature and is subject to oversight by the West Virginia 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, 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 College may invest in. These pools have been structured as multiparticipant 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 Boulevard, E. Room E-122, Charleston, WV 25305, or http://www.wvbti.com.

Appropriations Due from Primary Government — For financial reporting purposes, appropriations due from the State are presented separate from cash and cash equivalents, as amounts are not specific deposits with the State Treasurer but are obligations of the State.

Allowance for Doubtful Accounts — It is the College's policy to provide for future losses on uncollectible accounts, contracts, and grants receivable based on an evaluation of the underlying account, contract, and grant 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.

Noncurrent Due From Primary Government — An appropriation due from primary government, that is (1) externally restricted to make debt service payments, long-term loans to students, or to maintain sinking or reserve funds, (2) to purchase capital or other noncurrent assets, or (3) held for permanently restricted net assets, is classified as a noncurrent asset in the statements of net assets.

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. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 years for library books and 3–10 years for furniture and equipment. Leasehold improvements are amortized over the period of the lease. The College capitalizes all purchases of library books and uses a capitalization threshold of $1,000 for other capital assets.

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 — GASB provides standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. Effective July 1, 2007, the College was required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State. Details regarding this plan and its stand-alone financial statements 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.

GASB requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned, and payment becomes probable. The College's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1 1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988 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. Employees hired after July 1, 2010 receive no health insurance premium subsidy from the College. Two groups of employees hired after July 1, 2010 will not be required to pay the unsubsidized rate: 1) active employees who were originally hired before July 1, 2010, who have a break in service of fewer than two years after July 1, 2010; and 2) retired employees who retired before July 1, 2010, return to active service after July 1, 2010, and then go back into retirement. In those cases, the original hire date will apply.

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

Risk Management — The State's Board of Risk and Insurance Management (BRIM) provides general, 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, federal Pell grants, and investment income, and sale of capital assets (including natural resources).

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

Use of Restricted Net Assets — The College has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Generally, the College attempts to utilize restricted net assets first when practicable. The College did not have any designated net assets as of June 30, 2012 and 2011.

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 institutions like the College. Direct student loan receivables are not included in the College's statements of net assets as the loans are repayable directly to the U.S. Department of Education. In 2012 and 2011, the College received and disbursed approximately $9,466,000 and $7,256,000, 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 statements 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 2012 and 2011, the College received and disbursed approximately $5,425,000 and $5,152,000, 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 statements of revenues, expenses, and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the student's behalf.

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and College 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 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.

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

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

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

Reclassifications — Certain reclassifications have been made to the 2011 financial statements to conform to the current year presentation. Other operating expenses of approximately $95,000 were reclassified from Supplies and other services.

Newly Adopted Statements Issued by the Governmental Accounting Standards Board — During 2011, the University adopted Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses how to account for and report service concession arrangements (SCAs) by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators. See related disclosures in Note 13.

The College also adopted issued Statement No. 61, *The Financial Reporting Entity: Omnibus — an amendment of GASB Statements No. 14 and No. 34*. This statement improves financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of the entity. The adoption of this statement did not have a material impact on the financial statements.

The College also adopted Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance included in the FASB and AICPA pronouncements issued on or before November 30, 1989. This statement improves financial reporting by contribution to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The adoption of this statement did not have a material impact on the financial statements.

The College also adopted Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. This statement improves financial reporting by clarifying whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. 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. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for fiscal years beginning after

December 15, 2011. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related disclosures. The College has not yet determined the effect that the adoption of GASB Statement No. 63 may have on its financial statements.

The GASB has also issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for fiscal years beginning after December 15, 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The College has not yet determined the effect that the adoption of GASB Statement No. 65 may have on its financial statements.

The GASB has also issued Statement No. 66, *Technical Corrections — 2012: An Amendment of GASB Statements No. 10 and No. 64*, effective for fiscal years beginning after December 15, 2012 This statement improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November, 1989 FASB and AICPA Pronouncements*. The College has not yet determined the effect that the adoption of GASB Statement No. 66 may have on its financial statements.

The GASB has also issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for fiscal years beginning after June 15, 2014. This statement enhances the information provided in the financial statements regarding the effects of pension-related transactions, the pension obligations of the entity, and the resources available to satisfy those obligations. The College has not yet determined the effect that the adoption of GASB Statement No. 68 may have on its financial statements.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents as of June 30, 2012 and 2011, are held as follows:

	2012	**2011**
State treasurer	$ 8,900,304	$ 8,267,970
In bank	946,739	307,753
	$ 9,847,043	$ 8,575,723

The combined carrying amount of cash in the bank was $946,739 and $307,753, as compared with the combined bank balance of $1,047,766 and $375,717 at June 30, 2012 and 2011, respectively. The difference is primarily caused by outstanding checks. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, interest bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Noninterest bearing accounts are 100% insured through December 31, 2012.

Amounts with the State Treasurer as of June 30, 2012 and 2011, 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 College invests, 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, 2012 and 2011, 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 P-1 by Moody’s. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2012 and 2011, the WV Money Market Pool investments had a total carrying value of $2,786,968,000 and $3,018,560,000, respectively, of which the College’s ownership represents 0.28% and 0.24%, respectively.

WV Government Money Market Pool — Credit Risk — For the years ended June 30, 2012 and 2011, 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, 2012 and 2011, the WV Government Money Market Pool investments had a total carrying value of $299,629,000 and $262,692,000, respectively, of which the College’s ownership represents 0.02% and 0.02%, 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 P-1 by Moody's. As this pool has not been rated, the following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

	Credit Rating*		2012		2011	
Security Type	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Corporate asset backed securities	Aaa	AAA	$ 95,628	18.99 %	$ 87,197	18.40 %
	Aaa	NR *	38,524	7.64	19,891	4.20
	Aa3	AA+ **			454	0.10
	B1	CCC **	896	0.18	885	0.19
	B3	B **			366	0.08
	B3	BB **	311	0.06		
	B3	BBB **			631	0.13
	B3	BBB- **	53	0.01		
	B3	CCC **	280	0.06		
	Ca	CCC **	586	0.12	664	0.14
	Caa2	CCC **	186	0.04	473	0.10
	Caa3	CCC **	243	0.05	393	0.08
	Caa3	D **	26	0.01	27	0.01
	NR	AA+	3,900	0.77		
	NR *	NR *	3,786	0.75	4,000	0.84
			144,419	28.68	114,981	24.27
Corporate bonds and notes	Aaa	AA			2,043	0.43
	Aa1	A			4,143	0.87
	Aa2	AA+	9,025	1.79		
	Aa2	AA			11,866	2.50
	Aa3	AA			7,064	1.49
	Aa3	AA-	15,666	3.11		
	Aa3	A	23,032	4.57	13,040	2.75
	A1	AA	12,145	2.41	8,107	1.71
	A1	A+	30,684	6.09		
	A1	A			22,731	4.80
	A2	AA			2,555	0.54
	A2	A	39,064	7.76	23,976	5.06
	A3	A			8,770	1.85
	A3	A-	7,755	1.54		
	A3	BBB+	3,006	0.60		
	Baa1	A-	4,162	0.83		
	Baa2	A-	6,709	1.33		
			151,248	30.03	104,295	22.00
Commercial paper	P-1	A-1			15,995	3.38
U.S. agency bonds	Aaa	AAA			20,017	4.22
U.S. agency bonds	Aaa	AA+	45,024	8.94		
U.S. Treasury notes***	Aaa	AAA			25,034	5.28
U.S. Treasury notes***	Aaa	AA+	44,251	8.79		
U.S. agency mortgage backed securities****	Aaa	AAA			97,296	20.53
U.S. agency mortgage backed securities****	Aaa	AA+	77,065	15.30		
Money market funds	Aaa	AAAm	41,610	8.26	96,287	20.32
			$503,617	100 %	$473,905	100 %

* NR = Not Rated

** The securities were not in compliance with BTI Investment Policy at June 30, 2012 and/or 2011. 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 explicitly guaranteed by the United States government and are not subject to credit risk.

At June 30, 2012 and 2011, the College's ownership represents 0.21% and 0.20%, 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, except for government floating rate notes, which can be up to 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

	2012		2011	
Security Type	**Carrying Value (In thousands)**	**WAM (Days)**	**Carrying Value (In thousands)**	**WAM (Days)**
Repurchase agreements	$ 90,204	3	$ 84,357	1
U.S. Treasury notes	330,865	122	298,345	137
U.S. Treasury bills	237,978	37	231,051	34
Commercial paper	853,470	35	1,069,576	35
Certificates of deposit	110,000	10	140,000	58
U.S. agency discount notes	738,706	44	697,164	45
Corporate bonds and notes	36,000	48	127,000	20
U.S. agency bonds/notes	189,691	68	170,788	66
Money market funds	200,054	1	200,279	1
	$ 2,786,968	46	$ 3,018,560	46

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, except for government floating rate notes, which can be up to 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

	2012		2011	
Security Type	**Carrying Value (In thousands)**	**WAM (Days)**	**Carrying Value (In thousands)**	**WAM (Days)**
Repurchase agreements	$ 91,900	3	$ 98,400	1
U.S. Treasury notes	103,324	111	45,811	131
U.S. Treasury bills	4,999	62		
U.S. agency discount notes	76,397	52	60,852	74
U.S. agency bonds/notes	23,004	9	57,498	22
Money market funds	5	1	131	1
	$ 299,629	54	$ 262,692	45

The overall effective duration of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum effective duration 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:

	2012		2011	
Security Type	**Carrying Value (in Thousands)**	**Effective Duration (Days)**	**Carrying Value (in Thousands)**	**Effective Duration (Days)**
U. S. Treasury bonds/notes	$ 44,251	366	$ 25,034	227
Commercial paper			15,995	55
Corporate notes	151,248	242	104,295	234
Corporate asset backed securities	144,419	250	114,981	268
U.S. agency bonds/notes	45,024	23	20,017	85
U.S. agency mortgage backed securities	77,065	13	97,296	18
Money market funds	41,610	1	96,287	1
	$ 503,617	180	$ 473,905	138

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 a pool managed by the securities lending agent. 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, 2012 and 2011, is as follows:

	2012	2011
Student tuition and fees — net of allowance for doubtful account of $827,204 and $217,320 in 2012 and 2011, respectively	$ 75,347	$ 289,922
Grants and contracts receivable	160,071	186,130
Other receivables — employee	4,500	
	$ 239,918	$ 476,052

5. CAPITAL ASSETS

Summary of capital assets transactions for the College as of June 30, 2012 and 2011, is as follows:

	2012			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated — construction in progress	$ 2,382,905	$ 14,854,991	$ 510,199	$ 16,727,697
Other capital assets:				
Leasehold improvements	$ 1,486,854	$ 510,199	$ -	$ 1,997,053
Library books	1,492			1,492
Equipment	2,457,118	831,321	564,468	2,723,971
Total other capital assets	3,945,464	1,341,520	564,468	4,722,516
Less accumulated depreciation for:				
Leasehold improvements	472,790	235,021		707,811
Library books	698	186		884
Equipment	1,490,831	509,690	540,600	1,459,921
Total accumulated depreciation	1,964,319	744,897	540,600	2,168,616
Other capital assets — net	$ 1,981,145	$ 596,623	$ 23,868	$ 2,553,900
Capital assets:				
Capital assets not being depreciated	$ 2,382,905	$ 14,854,991	$ 510,199	$ 16,727,697
Other capital assets	3,945,464	1,341,520	564,468	4,722,516
Total cost of capital assets	6,328,369	16,196,511	1,074,667	21,450,213
Less accumulated depreciation	1,964,319	744,897	540,600	2,168,616
Capital assets — net	$ 4,364,050	$ 15,451,614	$ 534,067	$ 19,281,597

	2011			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated — construction in progress	$ 15,812	$2,367,093	$ -	$2,382,905
Other capital assets:				
Leasehold improvements	$1,483,889	$ 2,965	$ -	$1,486,854
Library books	1,492			1,492
Equipment	2,057,783	399,335		2,457,118
Total other capital assets	3,543,164	402,300	-	3,945,464
Less accumulated depreciation for:				
Leasehold improvements	320,867	151,923		472,790
Library books	512	186		698
Equipment	1,087,956	402,875		1,490,831
Total accumulated depreciation	1,409,335	554,984	-	1,964,319
Other capital assets — net	$2,133,829	$ (152,684)	$ -	$1,981,145
Capital assets:				
Capital assets not being depreciated	$ 15,812	$2,367,093	$ -	$2,382,905
Other capital assets	3,543,164	402,300		3,945,464
Total cost of capital assets	3,558,976	2,769,393	-	6,328,369
Less accumulated depreciation	1,409,335	554,984		1,964,319
Capital assets — net	$2,149,641	$2,214,409	$ -	$4,364,050

The College maintains various collections of inexhaustible assets to which no value can be determined. 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. Accordingly, such collections are not capitalized or recognized for financial statement purposes.

6. LONG-TERM LIABILITIES

Summary of long-term obligation transactions for the College for the years ended June 30, 2012 and 2011, is as follows:

	2012				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term liabilities:					
OPEB liability	$897,526	$453,374	$ -	$ 1,350,900	$ -
Debt obligation due to Commission	43,462		43,462		
Total long-term liabilities	$940,988	$453,374	$ 43,462	$ 1,350,900	$ -

	2011				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term liabilities:					
OPEB liability	$ 490,413	$ 407,113	$ -	$ 897,526	$ -
Debt obligation due to Commission	138,128		94,666	43,462	43,462
Total long-term liabilities	$ 628,541	$ 407,113	$ 94,666	$ 940,988	$ 43,462

7. OTHER POSTEMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarially determined amounts. At June 30, 2012, 2011, and 2010 the noncurrent liability related to OPEB costs was $1,350,900, $897,526, and $490,413 respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $588,087 and $134,713, respectively, during 2012, $513,353 and $106,240, respectively, during 2011, and $518,783 and $90,663, respectively, during 2010. As of and for the years ended June 30, 2012, 2011, and 2010 there were two, two, and three, respectively, 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 Municipal Bond Commission, as successor to the former Boards.

The Municipal Bond 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. Although the bonds remain as capital obligation of the Commission, an estimate of the obligation of each institution was reported as a long-term payable by each institution and as a receivable by the Commission, The College paid off its liability to the Commission in 2012.

For the years ended June 30, 2012 and 2011, debt service assessed is as follows:

	2012	2011
Principal	$ 43,462	$ 94,666
Interest	1,962	5,288
Other	13,962	21,100
	$ 59,386	$ 121,054

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 are being 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 included bond funding of $13,500,000 for the College. As of June 30, 2012, approximately $12,800,000 has been recognized by the College under this bond issuance. State lottery funds will be used to repay the debt.

9. LEASES AND AMOUNT DUE TO BERKELEY BUSINESS PARK ASSOCIATES, L.C.

The College leases space from 2 locations as of June 30, 2012, and an additional location in Morgan County as of July 1, 2012, which are accounted for as operating leases. As a result of moving into the College's new building, the lease with Berkeley County Commission has been shortened, and will end September 30, 2012.

Future annual scheduled lease payments on operating leases for years subsequent to June 30, 2012, was as follows:

Year Ending June 30	Berkeley County Commission	Berkeley Business Park	Morgan County Commission	Total
2013	$ 39,801	$ 235,443	$ 54,000	$ 329,244
2014		239,043	55,620	294,663
2015		242,727	57,289	300,016
2016		246,795	59,007	305,802
2017		250,873	60,778	311,651
2018		211,967		211,967
Total	$ 39,801	$ 1,426,848	$ 286,694	$ 1,753,343

Total lease expense for the years ended June 30, 2012 and 2011, was $366,855 and $310,238, respectively.

The College does not have any non-cancellable leases.

10. UNRESTRICTED NET ASSETS

The College did not have any designated unrestricted net assets as of June 30, 2012 or 2011.

	2012	2011
Total unrestricted net assets before OPEB liability	$4,238,501	$8,916,367
Less OPEB liability	1,350,900	897,526
Total unrestricted net assets	$2,887,601	$8,018,841

11. 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.

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 the years ended June 30, 2012 and 2011. Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2012 and 2011. 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, 2012, 2011, and 2010, were $14,186, $13,658, and $13,209, respectively, which consisted of $10,134, $9,756, and $9,435, from the College in 2012, 2011, and 2010, respectively, and $4,053, $3,902, and $3,774, from the covered employees in 2012, 2011, and 2010, respectively.

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, 2012, 2011, and 2010, were $578,541, $475,024, and $399,190, respectively, which consisted of equal contributions from the College and covered employees in 2012, 2011, and 2010 of $289,270, $237,512, and $199,595, respectively.

Total contributions to the Educators Money for the year ended June 30, 2012, were $2,856, which consisted of $1,428 from both the College and from covered employees. Total contributions to the Educators Money for the year ended June 30, 2011, were $2,874, which consisted of $1,437 from both the College and from covered employees. Total contributions to the Educators Money for the year ended June 30, 2010, were $2,710, which consisted of $1,355 from both the College and from covered employees.

The College's total payroll for the years ended June 30, 2012, 2011, and 2010, was $6,006,254, $5,052,573, and $4,272,125, respectively, and total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were $67,557, $4,821,175, and $23,803 in 2012, $65,040, $3,958,531, and $23,953 in 2011, and $62,900, $3,326,585, and $22,583 in 2010, respectively.

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.

13. SERVICE CONCESSION ARRANGEMENTS

The College has adopted GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The College has identified one contract for services that meet the four criteria of a service concession arrangement. SCAs are defined as a contract between a government and an operator, another government or a private entity, in which the operator provides services, the operator collects and is compensated by fees from third parties, the government still has control over the services provided and the government retains ownership of the assets at the end of the contract. The contract is with Barnes & Noble College Booksellers, LLC (Barnes & Noble).

The College contracts with Barnes & Noble to operate the bookstore located on the main campus. These services provide the College community with a professional bookstore to meet the needs of students, faculty and staff. The current contract began on May 1, 2012 and allows for five annual renewals. The College receives commission payments calculated as a contractually agreed percentage of bookstore revenue. As of June 30, 2012, the College had not yet received commissions from Barnes & Noble. Fiscal year 2013 will be the first full year for year round onsite bookstore operations.

14. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

Operating expenses within both natural and functional classifications for the years ended June 30, 2012 and 2011, are as follows:

2012

	Salaries and Wages	Benefits	Supplies and Other Services	Scholarships and Fellowships	Depreciation	Other Operating Expenses	Fees Assessed by the Commission	Total
Instruction	$3,542,438	$ 618,610	$1,196,027	$ -	$ -	$ -	$ -	$ 5,357,075
Public service								
Academic support	156,694	45,199	335,277					537,170
Student services	796,407	208,276	193,437					1,198,120
General institutional support	1,413,689	847,959	926,423					3,188,071
Operations and maintenance of plant	158,441	32,414	234,370					425,225
Student financial aid				4,343,230				4,343,230
Depreciation					744,897			744,897
Other						615,265	62,145	677,410
Total	$6,067,669	$1,752,458	$2,885,534	$4,343,230	$744,897	$615,265	$ 62,145	$16,471,198

2011

	Salaries and Wages	Benefits	Supplies and Other Services	Scholarships and Fellowships	Depreciation	Other Operating Expenses	Fees Assessed by the Commission	Total
Instruction	$3,070,790	$ 542,524	$ 737,600	$ -	$ -	$ -	$ -	$ 4,350,914
Public service	8,546							8,546
Academic support	144,120	28,572	269,321					442,013
Student services	599,555	159,065	193,109					951,729
General institutional support	1,166,485	733,052	680,848					2,580,385
Operations and maintenance of plant	71,472	16,555	176,681					264,708
Student financial aid				3,846,953				3,846,953
Depreciation					554,985			554,985
Other						95,267	44,637	139,904
Total	$5,060,968	$1,479,768	$2,057,559	$3,846,953	$554,985	$ 95,267	$ 44,637	$13,140,137

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

To the Governing Board of
Blue Ridge Community and Technical College:

We have audited the financial statements of Blue Ridge Community and Technical College (the "College") as of and for the year ended June 30, 2012, and have issued our report thereon dated November 20, 2012. 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

Management of the College is responsible for establishing and maintaining effective 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 misstatements 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. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as 2012-01, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

The College's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of Blue Ridge 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

November 20, 2012

BLUE RIDGE COMMUNITY AND TECHNICAL COLLEGE

SCHEDULE OF FINDINGS AND RESPONSES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

2012-01

Criteria:	Management of the College is responsible for establishing and maintaining an internal control structure that reduces to an acceptable level the risk of errors and fraud occurring and not being detected in a timely manner. Management is responsible for identifying invoices and accruing for goods and services provided, as applicable, in order to properly record all valid liabilities in the financial statements.
Condition:	Management did not identify and accrue for two invoices that related to FY12, but were paid in FY13.
Context:	In their preparation of the 2012 financial statements, management did not identify two invoices, totaling approximately $1.5 million, which related to construction costs for the College's new building.
Cause:	Management did not identify certain invoices that related to FY12 in a timely manner. These invoices related to the construction of the new facility, and were the first invoices that were the responsibility of the College. Previous invoices were received and paid by HEPC.
Effect:	The identification of this error caused an adjusting entry to be made to the College's 2012 financial statements after the closing process was completed, but prior to issuance.
Recommendation:	We recommend that management establish a formal process for identifying and recording for goods and services provided near year-end, particularly those related to the construction of the new facility or future construction projects.
Views of Responsible Officials and Planned Corrective Action:	Management agrees with the finding. The CFO will establish and implement a formal process in FY13 to identify goods and services provided near year-end that may not be captured by the current process for normal, recurring invoices. Additionally, all remaining construction costs incurred during FY13 related to the new facility will be separately analyzed to ensure proper recording.