

# Eastern West Virginia Community and Technical College

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

# EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

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## INDEPENDENT AUDITORS' REPORT

To the Governing Board of  
Eastern West Virginia Community and Technical College:

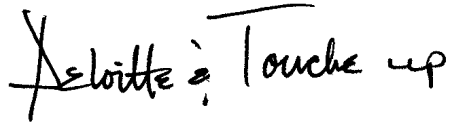
We have audited the accompanying statements of net assets of Eastern West Virginia Community and Technical College (the "College") as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets, and of cash flows for the years then ended. These financial statements 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 the changes in its net assets and its cash flows 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 9 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 audits.

A handwritten signature in black ink that reads "Deloitte Touche up". The word "Deloitte" is written in a cursive style, and "Touche up" is written in a more casual, slightly slanted cursive.

November 20, 2012

# EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

## MANAGEMENT DISCUSSION AND ANALYSIS FISCAL YEAR 2012

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### **Overview of the Financial Statements and Financial Analysis**

The Governmental Accounting Standards Board (“GASB”) issued directives for presentation of college and university financial statements which were adopted in Fiscal Year 2002 by Eastern West Virginia Community and Technical College (“Eastern” or the “College”). The previous reporting format presented financial balances and activities by fund groups. The current format places emphasis on the overall economic resources of the College.

The following discussion and analysis of the College’s financial statements provides an overview of its financial activities during the fiscal years ended June 30, 2012 and June 30, 2011 with the primary focus on 2012. This discussion and analysis is required supplementary information. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

### **Statement of Net Assets**

The Statement of Net Assets presents the assets, liabilities, and net assets of the College. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the College. The Statement of Net Assets presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Assets (Assets minus Liabilities). The difference between current and noncurrent assets and liabilities are discussed in the footnotes to the financial statements.

From the data presented, readers of the Statement of Net Assets are able to determine the availability of net assets (assets minus liabilities) for expenditure to continue the operations of the College. They are also able to determine how much the College owes vendors and employees.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the College’s equity in equipment and library books owned by the College. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. Nonexpendable restricted net assets are for the Endowment Program where funds are invested and the earnings are available for expenditure but the original investment (corpus) is not. The College does not currently have nonexpendable restricted net assets since all funds of this nature would generally be directed to The Eastern West Virginia Community and Technical College Foundation, Incorporated. Expendable restricted net assets are available for expenditure by the College but have a specific purpose (i.e. time or purpose restrictions). The final category is unrestricted net assets. Unrestricted assets are available to the College for any lawful purpose of the College.

Condensed Schedules of Net Assets  
As of June 30, 2012, 2011 and 2010

|                                         | <u>June 30, 2012</u>      | <u>June 30, 2011</u>      | <u>June 30, 2010</u>      |
|-----------------------------------------|---------------------------|---------------------------|---------------------------|
| <b>Assets:</b>                          |                           |                           |                           |
| Current assets                          | \$2,598,804               | \$2,510,888               | \$2,237,801               |
| Noncurrent assets                       | <u>8,964,274</u>          | <u>9,085,824</u>          | <u>8,846,421</u>          |
| <b>Total Assets</b>                     | 11,563,078                | 11,596,712                | 11,084,222                |
| <b>Liabilities:</b>                     |                           |                           |                           |
| Current Liabilities                     | 871,636                   | 1,113,299                 | 1,236,937                 |
| Noncurrent Liabilities                  | <u>1,200,340</u>          | <u>1,018,511</u>          | <u>848,422</u>            |
| <b>Total Liabilities</b>                | 2,071,976                 | 2,131,810                 | 2,085,359                 |
| <b>Net Assets:</b>                      |                           |                           |                           |
| Invested in capital assets, net of debt | 8,080,864                 | 8,245,645                 | 8,048,967                 |
| Restricted-expendable                   | 265,279                   | 222,014                   | 179,242                   |
| Unrestricted                            | <u>1,144,959</u>          | <u>997,243</u>            | <u>770,654</u>            |
| <b>Total Net Assets</b>                 | <u><u>\$9,491,102</u></u> | <u><u>\$9,464,902</u></u> | <u><u>\$8,998,863</u></u> |

Financial Highlights:

- Assets

Current assets as of June 30, 2012 increased \$87,916 from June 30, 2011. Cash increased by \$414,263 in part due to increase enrollment and grant funding. Accounts receivable decreased \$150,955 from June 30, 2011 to June 30, 2012. Current assets as of June 30, 2011 reflect an increase of \$273,087 from June 30, 2010. Cash, as of June 30, 2011, increased by \$367,317 from June 30, 2010 in part due to increase tuition and grant funding.

Non-current assets decreased by \$121,550 as of June 30, 2012 from June 30, 2011 at which time reflected an increase of \$239,403 in comparison to June 30, 2010. The increase from 2010 to 2011 was due to increase grant funding which purchased fixed assets.

- Liabilities

Current Liabilities as of June 30, 2012 decreased by \$241,663 from the previous year. June 30, 2011 as compared to June 30, 2010 showed a decrease in current liabilities of \$123,638. Accounts payable reflects an increase of \$80,352 from June 30, 2011 to June 30, 2012. Deferred revenue decreased by \$311,408 from June 30, 2011 and June 30, 2012 as grant money is being used. Deferred revenue decreased \$201,163 from June 30, 2010 to June 30, 2011 as a result of several grants that required the money to be requested.

Noncurrent or long-term liabilities represent accrued compensated absences, other post employment benefits liability (OPEB) and a long liability for a capital project. Included in compensation absences are employees' balances of annual leave which are in excess of one year's annual leave rate for June 30, 2012 and 2011 and sick leave for those employees hired before July 1, 2002 as of June 30, 2010. Non-current liabilities increased \$181,829 from June 30, 2011 to June 30, 2012, primarily as a result of the increase in OPEB liability. Noncurrent liabilities increased \$170,089, also due to the increase in OPEB liability.

- Net Assets

Investment in capital assets reports a decrease of \$164,781 in fixed assets (net of depreciation) between June 30, 2011 and June 30, 2012. The comparison of June 30, 2010 to June 30, 2011 reflects an increase of \$196,678 in fixed assets (net of depreciation), as described in the above highlighted "Non-current Assets" section.

Restricted net assets shows an increase of \$43,265 and \$42,772 between 2012 and 2011 and 2011 and 2010, respectively. This is the result of the increase in collections of education and general tuition & fees capital fee that is expendable but restricted for capital projects.

Unrestricted net assets increased by \$147,716 as of June 30, 2012 in comparison to June 30, 2011 and increased of \$226,589 as of June 30, 2011 in comparison to June 30, 2010.

In total, net assets as of June 30, 2012 increased by \$26,200 from June 30, 2011 as compared to an increase of \$466,039 between June 30, 2011 and June 30, 2010.

### **Statement of Revenues, Expenses and Changes in Net Assets**

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues generated and expenses incurred by the College, both operating and non-operating. In addition, any other revenues, expenses, gains or losses are also reflected in this financial statement.

*Operating revenues* are generated by providing goods and services to the College's customers and constituencies and in the form of federally-funded and state-funded grants. *Operating expenses* are expenses incurred by the College in order to generate operating revenue and to carry out the mission of the College.

*Nonoperating revenue* is revenue received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the West Virginia Legislature to the College without the West Virginia Legislature directly receiving commensurate goods and services for those revenues.

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

|                                                                 | Fiscal Year<br>2012 | Fiscal Year<br>2011 | Fiscal Year<br>2010 |
|-----------------------------------------------------------------|---------------------|---------------------|---------------------|
| Operating revenues                                              | \$2,180,990         | \$2,186,626         | \$1,027,571         |
| Operating expenses                                              | 5,944,519           | 5,295,607           | 4,344,492           |
| Operating loss                                                  | (3,763,529)         | (3,108,981)         | (3,316,921)         |
| Nonoperating revenues                                           | 3,725,043           | 3,527,204           | 3,040,546           |
| <br>                                                            |                     |                     |                     |
| (Loss) income before other revenues,<br>expenses, gain or loses | (38,486)            | 418,223             | (276,375)           |
| Capital projects and bond proceeds                              | 5,000               | 10,281              | 197,672             |
| Capital grants                                                  | 54,686              | 37,535              | 324,301             |
| Gain on sale of fixed assets                                    | -                   | -                   | 2,205               |
| Donated equipment                                               | 5,000               | -                   | -                   |
| Increase in net assets                                          | 26,200              | 466,039             | 247,803             |
| Net Assets - Beginning of year                                  | 9,464,902           | 8,998,863           | 8,751,060           |
| Net Assets - End of year                                        | \$9,491,102         | \$9,464,902         | \$8,998,863         |

Financial Highlights:

Operating revenues decreased by \$5,636 in fiscal year 2012 as compared to fiscal year 2011. Net tuition and fee revenue decreased by \$10,002 as a result of more students obtaining increased financial aid. The scholarship allowance increased by \$64,429 in 2012 as compared to 2011. Workforce fees increased by \$18,919 in fiscal year 2012 as compared to fiscal year 2011. Revenue from grants and contracts reflected a slight increase of \$21,775 during this period. Grants and contracts are cyclical by nature and cannot be relied upon for sustained revenue from one year to the next.

Operating expenses in fiscal year 2012 increased by \$648,912 from fiscal year 2011. Fiscal year 2011 also showed an increase in operating expenses of \$951,115 as compared to fiscal year 2010. The increase in 2012 is due to increases in payroll wages, benefits, student financial aid, other services and utilities. Payroll increased in 2012 by \$165,938 as a result of salary increases, full staffing and the need for additional staff.

The increase in supplies and other services of \$260,338 is a result of implementation of new programs and promotional strategies. Student financial aid increase \$109,371 in 2011 as compared to 2010. Depreciation reflected an increase of \$46,328 as Eastern continued to purchase fixed assets for the startup of the Wind Technology program.

Nonoperating revenue increased by \$197,839 in fiscal year 2012 as compared to fiscal year 2011. Federal Pell grants showed an increase of \$173,800 in 2012 compared to 2011. Fiscal year 2011 as compared to fiscal year 2010 resulted in a \$486,658 increase in nonoperating revenue primarily due to the College processing Pell grants for the first time. Investment income decreased by \$1,188 in 2012 compared to 2011. The College participates in the investment pool managed by the state.



Other revenues increased by \$16,870 in fiscal year 2012 from fiscal year 2011 as compared to a decrease of \$476,362 in fiscal year 2011 from fiscal 2010. The decrease in 2011 compared to 2010 is a result of the completion of the Eastern complex, which required less bond revenue.

## Statement of Cash Flows

The final statement presented by the College is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the College during the year. The statement is divided into five sections.

The *first section* reflects cash in-flows/out-flows generated from operating activities. The *second section* reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for nonoperating, non-investing, and noncapital financing purposes. The *third section* deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The *fourth section* reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The *fifth section* reconciles the net cash used to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

### Condensed Schedules of Cash Flows For the Years Ended June 30, 2012, 2011 and 2010

|                                               | Fiscal Year<br>2012 | Fiscal Year<br>2011 | Fiscal Year<br>2010 |
|-----------------------------------------------|---------------------|---------------------|---------------------|
| Cash (used in) provided by:                   |                     |                     |                     |
| Operating activities                          | (\$3,174,235)       | (\$2,660,621)       | (\$2,073,559)       |
| Noncapital financing activities               | 3,883,530           | 3,639,160           | 2,756,039           |
| Capital and related financing activities      | (297,586)           | (615,641)           | (477,356)           |
| Investing activities                          | 2,554               | 4,419               | 3,297               |
| Increase in cash and cash equivalents         | 414,263             | 367,317             | 208,421             |
| Cash and cash equivalents - Beginning of year | 1,974,485           | 1,607,168           | 1,398,747           |
| Cash and cash equivalents - End of year       | \$2,388,748         | \$1,974,485         | \$1,607,168         |

### Financial Highlights:

Cash flows from operating activities increased by \$513,614 in fiscal year 2012 from the previous year. A slight decrease of \$29,104 in cash flows from tuition and fees is a result of the student aid increase. Cash flow from grants and contracts saw an increase of \$116,523 from fiscal 2011 to fiscal 2012 due to an increase in grants and contracts received by the College. Cash flows for payments to and on behalf of employees increased by \$273,855 in fiscal 2012 as compared to fiscal 2011 as a result of the increase in the “salary & wages” and “benefits”. Fiscal year 2012 experienced an increase of \$270,349 in cash flows for payments to suppliers over fiscal year 2011.

Cash flows from noncapital financing activities increased by \$244,370 in fiscal year 2012 as compared to fiscal year 2011 as a result of Federal Pell grants. Fiscal Year 2011 noncapital financing activities reflected an increase in cash flows of \$883,121 over fiscal year 2010.

Cash flows from capital financing decreased in fiscal year 2012 from fiscal year 2011 by \$318,055 and increased by \$138,285 in 2011 as compared to 2010.

Cash flows from investing activities decreased in fiscal year 2012 from fiscal year 2011 by \$1,865. This decrease was due to less invested monies and lower investment returns. There was an increase in fiscal year 2011 from fiscal year 2010 by \$1,122.

Overall cash increased by \$414,263 in fiscal year 2012 as compared to an overall cash increase of \$367,317 in fiscal year 2011.

## **Capital Activity**

During August 2004, the West Virginia Higher Education Policy Commission issued \$167,260,000 of 2004 Series B Revenue Bonds (Higher Education Facilities). The College has been approved for \$8,000,000 for capital projects from this bond issuance. This bond is to be repaid by excess State lottery funds with no debt responsibility for the College.

As of July 27, 2009, the College moved into its first Classroom/Laboratory/General Support building that is being funded through the 2004 Revenue Bond. A ten-year Campus Facility Master Plan and a five-year Capital Expenditure Plan were developed and approved by the West Virginia Community and Technical College Council.

The College has agreements with the West Virginia Development Office (WVDO) totaling \$2,485,000. These funds were used to construct a new sewer system and access road for the College's new facility. The College will repay the WVDO "if non-operating funds become available" or "when an appropriate non-operating income stream is established" or "if the College sells or disposes of the two acres of property." The amount owed to the WVDO, in the event that one of the two previous conditions are met, is recorded as a noncurrent liability in the statement of net assets.

Eastern has consulted with an architect to provide plans for a 16,000 square foot wing to accommodate additional classroom space. The total project will cost approximately \$4,500,000. Eastern currently has \$3,000,000 available for the project.

## **Economic Outlook**

Eastern's headcount enrollment and FTEs continues to increase reflecting a pattern of growth since 2007. The College implemented a revised tuition rate of \$91.00 for FY 2012. FY 2012 YTD actual tuition and fees revenue totaled \$720,706 (net of scholarship allowance). With state appropriations not keeping pace with enrollment growth, the Board of Governors submitted a request to West Virginia Community and Technical College Council to increase the tuition rate to \$101.00 effective fall 2012. A 10% increase was approved. Enrollment growth and an increased tuition rate will generate additional tuition and fees revenue to support academic and workforce education programs and services.

| <u>Semester</u> | <u>Headcount</u> | <u>FTEs</u> |
|-----------------|------------------|-------------|
| Fall 2010       | 645              | 357.7       |
| Fall 2011       | 779              | 438.8       |
| Fall 2012       | 813              | 447.0       |

State funding received for FY 12 was equal to 2009 appropriations and in FY13 slightly higher. However, the College anticipates a 7.5% reduction in state funding in FY14, creating a \$157,000 decrease. Linking strategic planning to the budget will provide a projected reserve of \$935,116 in FY13 which will help Eastern to manage the decline in state funding for FY14.

In 2006, due to high market costs during the “bid phase” of the Moorefield campus, the College was forced to eliminate critical classroom space. Due to recent increased headcount, the campus has reached its capacity. An architect provided Eastern plans for a 16,000 square foot wing that will accommodate academic classrooms, a Workforce/Community Education space that can be divided into two sections, a wet and dry lab for science and allied health instruction, Nursing and a needed Student Center. The College has obtained \$3 million, but needs \$1.5 million to construct a \$4.5 million wing. The 2013 West Virginia Legislative session may identify funding to construct the academic wing. The construction of an academic wing will provide new classrooms permitting Eastern to create new class offerings and open additional course sections to support enrollment growth.

# EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

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

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|                                                  | 2012                 | 2011                 |
|--------------------------------------------------|----------------------|----------------------|
| <b>ASSETS</b>                                    |                      |                      |
| CURRENT ASSETS:                                  |                      |                      |
| Cash and cash equivalents                        | \$ 2,388,748         | \$ 1,974,485         |
| Appropriations due from primary government       | 5,863                | 167,156              |
| Accounts receivable — net                        | 204,068              | 355,023              |
| Prepaid assets                                   | <u>125</u>           | <u>14,224</u>        |
| Total current assets                             | <u>2,598,804</u>     | <u>2,510,888</u>     |
| NONCURRENT ASSETS:                               |                      |                      |
| Cash and cash equivalents                        | 263,478              | 220,247              |
| Capital assets — net                             | <u>8,700,796</u>     | <u>8,865,577</u>     |
| Total noncurrent assets                          | <u>8,964,274</u>     | <u>9,085,824</u>     |
| TOTAL                                            | <u>\$ 11,563,078</u> | <u>\$ 11,596,712</u> |
| <b>LIABILITIES AND NET ASSETS</b>                |                      |                      |
| CURRENT LIABILITIES:                             |                      |                      |
| Accounts payable                                 | \$ 205,856           | \$ 125,504           |
| Amount due to the Commission                     | 20,217               | 16,914               |
| Accrued liabilities and deposits                 | 87,198               | 110,667              |
| Compensated absences — current portion           | 94,114               | 84,555               |
| Deferred revenue                                 | <u>464,251</u>       | <u>775,659</u>       |
| Total current liabilities                        | <u>871,636</u>       | <u>1,113,299</u>     |
| NONCURRENT LIABILITIES:                          |                      |                      |
| Compensated absences                             | 26,161               | 21,394               |
| Other post employment benefits liability         | 554,247              | 377,185              |
| Funds due to West Virginia Development Office    | <u>619,932</u>       | <u>619,932</u>       |
| Total noncurrent liabilities                     | <u>1,200,340</u>     | <u>1,018,511</u>     |
| Total liabilities                                | <u>2,071,976</u>     | <u>2,131,810</u>     |
| NET ASSETS:                                      |                      |                      |
| Invested in capital assets — net of related debt | 8,080,864            | 8,245,645            |
| Restricted — expendable for capital projects     | 265,279              | 222,014              |
| Unrestricted                                     | <u>1,144,959</u>     | <u>997,243</u>       |
| Total net assets                                 | <u>9,491,102</u>     | <u>9,464,902</u>     |
| TOTAL                                            | <u>\$ 11,563,078</u> | <u>\$ 11,596,712</u> |

See notes to financial statements.

# EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

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

|                                                                                                                   | 2012                | 2011                |
|-------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| <b>OPERATING REVENUES:</b>                                                                                        |                     |                     |
| Student tuition and fees — net of scholarship allowance of \$642,840 and \$578,411 in 2012 and 2011, respectively | \$ 720,706          | \$ 730,708          |
| Contracts and grants:                                                                                             |                     |                     |
| State                                                                                                             | 1,360,996           | 1,343,255           |
| Private                                                                                                           | 75,740              | 71,706              |
| Sales and services of educational activities                                                                      | 2,742               | 842                 |
| Miscellaneous                                                                                                     | <u>20,806</u>       | <u>40,115</u>       |
| Total operating revenues                                                                                          | <u>2,180,990</u>    | <u>2,186,626</u>    |
| <b>OPERATING EXPENSES:</b>                                                                                        |                     |                     |
| Salaries and wages                                                                                                | 2,017,256           | 1,851,318           |
| Benefits                                                                                                          | 593,495             | 537,302             |
| Supplies and other services                                                                                       | 1,656,803           | 1,396,465           |
| Rent                                                                                                              | 99,943              | 90,040              |
| Utilities                                                                                                         | 100,200             | 100,842             |
| Student financial aid — scholarships                                                                              | 985,345             | 875,974             |
| Depreciation                                                                                                      | 480,332             | 434,004             |
| Fees assessed by the Commission for operations                                                                    | <u>11,145</u>       | <u>9,662</u>        |
| Total operating expenses                                                                                          | <u>5,944,519</u>    | <u>5,295,607</u>    |
| <b>OPERATING LOSS</b>                                                                                             | <u>(3,763,529)</u>  | <u>(3,108,981)</u>  |
| <b>NONOPERATING REVENUES:</b>                                                                                     |                     |                     |
| State appropriations                                                                                              | 2,094,052           | 1,906,570           |
| State fiscal stabilization funds (federal)                                                                        |                     | 162,255             |
| Federal Pell grants                                                                                               | 1,628,185           | 1,454,385           |
| Investment income                                                                                                 | <u>2,806</u>        | <u>3,994</u>        |
| Total nonoperating revenues                                                                                       | <u>3,725,043</u>    | <u>3,527,204</u>    |
| <b>(LOSS) INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>                                            | (38,486)            | 418,223             |
| <b>CAPITAL PROJECTS AND BOND PROCEEDS FROM THE COMMISSION</b>                                                     | 5,000               | 10,281              |
| <b>CAPITAL GRANTS</b>                                                                                             | 54,686              | 37,535              |
| <b>DONATED EQUIPMENT</b>                                                                                          | <u>5,000</u>        | <u>-</u>            |
| <b>INCREASE IN NET ASSETS</b>                                                                                     | 26,200              | 466,039             |
| <b>NET ASSETS — Beginning of year</b>                                                                             | <u>9,464,902</u>    | <u>8,998,863</u>    |
| <b>NET ASSETS — End of year</b>                                                                                   | <u>\$ 9,491,102</u> | <u>\$ 9,464,902</u> |

See notes to financial statements.

# EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

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

|                                                                                   | 2012                        | 2011                        |
|-----------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                      |                             |                             |
| Student tuition and fees                                                          | \$ 704,367                  | \$ 733,471                  |
| Contracts and grants                                                              | 1,305,286                   | 1,188,763                   |
| Payments to and on behalf of employees                                            | (2,442,467)                 | (2,168,612)                 |
| Payments to suppliers                                                             | (1,650,816)                 | (1,380,467)                 |
| Payments to utilities                                                             | (179,435)                   | (190,882)                   |
| Payments for scholarships                                                         | (909,867)                   | (875,974)                   |
| Sales and service of educational activities                                       | (12,502)                    | 15,005                      |
| Fees retained by the Commission                                                   | (11,145)                    | (9,662)                     |
| Other (payments) receipts — net                                                   | <u>22,344</u>               | <u>27,737</u>               |
| Net cash used in operating activities                                             | <u>(3,174,235)</u>          | <u>(2,660,621)</u>          |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>                           |                             |                             |
| State appropriations                                                              | 2,255,345                   | 2,022,520                   |
| State fiscal stabilization funds (federal)                                        |                             | 162,255                     |
| Federal Pell grants                                                               | 1,628,185                   | 1,454,385                   |
| Federal Direct Loan Program — direct lending receipts                             | 882,649                     | 393,764                     |
| Federal Direct Loan Program — direct lending payments                             | <u>(882,649)</u>            | <u>(393,764)</u>            |
| Cash provided by noncapital financing activities                                  | <u>3,883,530</u>            | <u>3,639,160</u>            |
| <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>                              |                             |                             |
| Capital project proceeds from the Commission                                      | -                           | 10,281                      |
| Capital grants                                                                    | 54,686                      | 37,535                      |
| Purchases of capital assets                                                       | (309,039)                   | (620,732)                   |
| Draws from noncurrent cash and cash equivalents                                   | 2,883                       | 1,696                       |
| Deposits to noncurrent cash and cash equivalents                                  | <u>(46,116)</u>             | <u>(44,421)</u>             |
| Net cash used in capital financing activities                                     | <u>(297,586)</u>            | <u>(615,641)</u>            |
| CASH FLOWS FROM INVESTING ACTIVITIES — Interest on investments                    | <u>2,554</u>                | <u>4,419</u>                |
| <b>INCREASE IN CASH AND CASH EQUIVALENTS</b>                                      | <b>414,263</b>              | <b>367,317</b>              |
| CASH AND CASH EQUIVALENTS — Beginning of year                                     | <u>1,974,485</u>            | <u>1,607,168</u>            |
| CASH AND CASH EQUIVALENTS — End of year                                           | <u>\$ 2,388,748</u>         | <u>\$ 1,974,485</u>         |
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b> |                             |                             |
| Operating loss                                                                    | \$(3,763,529)               | \$(3,108,981)               |
| Adjustments to reconcile operating loss to net cash used in operating activities: |                             |                             |
| Depreciation expense                                                              | 480,332                     | 434,004                     |
| Changes in assets and liabilities:                                                |                             |                             |
| Accounts receivable                                                               | 156,207                     | (7,921)                     |
| Prepaid expenses                                                                  | 14,099                      | (14,224)                    |
| Accounts payable/amounts due                                                      | 82,145                      | 17,656                      |
| Accrued liabilities and deposits                                                  | (23,469)                    | 44,339                      |
| Other post employment benefits liability                                          | 177,062                     | 167,098                     |
| Compensated absences                                                              | 14,326                      | 8,571                       |
| Deferred revenue                                                                  | <u>(311,408)</u>            | <u>(201,163)</u>            |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>                                      | <b><u>\$(3,174,235)</u></b> | <b><u>\$(2,660,621)</u></b> |
| NONCASH TRANSACTION — Capital assets additions included in accounts payable       | <u>\$ 11,460</u>            | <u>\$ 9,950</u>             |

See notes to financial statements.

# EASTERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

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### 1. ORGANIZATION

Eastern West Virginia Community and Technical College (the “College”) is governed by the Eastern West Virginia Community and Technical College Governing Board (the “Board”). The Board was established by Senate Bill 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 its College.

Senate Bill 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 (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.

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

The accompanying financial statements present all funds under the authority of the College. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the College’s ability to significantly influence operations and accountability for fiscal matters of related entities. A related foundation and another affiliate of the College are not part of the College reporting entity and are not included in the accompanying financial statements since the College has no ability to designate management, cannot significantly influence operations of these entities, and is not accountable for the fiscal matters of these entities under GASB.

**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 depreciation, and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

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

The West Virginia State Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees and Other Money Collected at State Institutions of Higher Education, of the West Virginia State Code*. House Bill 101, passed in March 2004, simplified the tuition and fee restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of the College. These restrictions are subject to change by future actions of the West Virginia State Legislature.

*Restricted Net Assets — Nonexpendable* — This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College does not have any restricted nonexpendable net assets at June 30, 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 of West Virginia Treasurer’s Office (the “State Treasurer”) are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (BTI). These funds are transferred to the BTI and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, and by provisions of bond indentures and trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources in accordance with GASB. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or on the first day of each month for the WV Short-Term Bond Pool 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 asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual report. A copy of those annual reports can be obtained from the following address: 1900 Kanawha Blvd., E. Room E-122, Charleston, WV 25305 or <http://wvbt.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 collectability experienced by the College on such balances and such other factors, which, in the College's judgment, require consideration in estimating doubtful accounts.

**Noncurrent Cash and Cash Equivalents** — Cash and cash equivalents that are (1) externally restricted to make debt service payments and long-term loans to students, or to maintain sinking or reserve funds, (2) to purchase capital or other noncurrent assets or settle long-term liabilities, or (3) permanently restricted net assets are classified as noncurrent assets in the accompanying combined statements of net assets.

**Capital Assets** — Capital assets include land, building/improvements, construction in progress, furniture and equipment, and books and materials that are part of a catalogued library. Capital assets are stated at cost at the date of acquisition or construction or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years of buildings, 7 years for library books and 3 to 10 years for furniture and equipment. The College's capitalization threshold is \$1,000.

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

**Compensated Absences and Other Post Employment Benefits (OPEBs)** — GASB provides for the measurement, recognition, and display of OPEB expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. 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 on 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 sponsored by the State.

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally, 3 1/3 years of teaching service extend health insurance for one year of single coverage and five years of teaching service extend health insurance for one year of family coverage. The same hire date mentioned above applies to coverage for faculty employees also. Faculty hired after July 1, 2009, will no longer receive years of service credit toward insurance premiums when they retire. 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 and expense incurred for the vacation leave or OPEB benefits are recorded as a component of benefits expense in the statements of revenues, expenses, and changes in net assets.

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

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

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

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

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

*Nonoperating Revenues* — Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as state appropriations, federal Pell grants, 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, except the College has not utilized the restricted net assets for capital projects.

**Federal Financial Assistance Programs** — Federal Direct 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 \$883,000 and \$394,000, respectively, under the Federal Direct 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 program. The activity of this program is recorded in the accompanying financial statements. In 2012 and 2011, the College received and disbursed approximately \$1,628,000 and \$1,454,000, respectively, under this federal student aid program. Prior to 2010, the College did not distribute student financial assistance funds on behalf of the federal government to students under the federal Pell Grant program. Pell Grant funds distributed for 2009 were made through Southern West Virginia Community and Technical College.

**Scholarship Allowances** — Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements of revenues, expenses, and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the student's behalf.

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

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

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

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

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

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

**Newly Adopted Statements Issued by the Governmental Accounting Standards Board** — During 2011, the College 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. No SCAs were identified by the College.

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, was held as follows:

| <b>2012</b>     | <b>Current</b>     | <b>Noncurrent</b> | <b>Total</b>       |
|-----------------|--------------------|-------------------|--------------------|
| State Treasurer | \$2,311,779        | \$263,478         | \$2,575,257        |
| Bank            | 76,669             | -                 | 76,669             |
| Cash on hand    | <u>300</u>         | <u>-</u>          | <u>300</u>         |
|                 | <u>\$2,388,748</u> | <u>\$263,478</u>  | <u>\$2,652,226</u> |
| <b>2011</b>     | <b>Current</b>     | <b>Noncurrent</b> | <b>Total</b>       |
| State Treasurer | \$1,962,758        | \$220,247         | \$2,183,005        |
| Bank            | 11,427             | -                 | 11,427             |
| Cash on hand    | <u>300</u>         | <u>-</u>          | <u>300</u>         |
|                 | <u>\$1,974,485</u> | <u>\$220,247</u>  | <u>\$2,194,732</u> |

Amounts held by the State Treasurer included \$263,478 and \$220,247 of restricted cash for purposes specified by West Virginia State Code as of June 30, 2012 and 2011, respectively.

The combined carrying amount of cash in the bank was \$76,669 and \$11,427, at June 30, 2012 and 2011, respectively. The combined bank balance was equal to the carrying amount of cash in the bank at both June 30, 2012 and 2011. 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. Non-interest bearing accounts are 100% insured through December 31, 2012.

Amounts with the State Treasurer as of June 30, 2012 and 2011, were 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 0.08% and 0.06%, 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 0.01% and 0.01%, respectively.

## WV Short Term Bond Pool:

*Credit Risk* — The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated A by Standards & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standards & Poor's and P-1 by Moody's. As this pool has not been rated, investments (in thousands):

| Security Type                              | Credit Rating* |         | 2012             |                        | 2011             |                        |
|--------------------------------------------|----------------|---------|------------------|------------------------|------------------|------------------------|
|                                            | 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                   |
|                                            |                |         |                  | <u>144,419</u>         | <u>28.68</u>     | <u>114,981</u>         |
| 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             | -                      | -                |                        |
|                                            |                |         | <u>151,248</u>   | <u>30.03</u>           | <u>104,295</u>   | <u>22.00</u>           |
| 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            | AAA     | 41,610           | 8.26                   | 96,287           | 20.32                  |
|                                            |                |         | <u>\$503,617</u> | <u>100 %</u>           | <u>\$473,905</u> | <u>100 %</u>           |

\* 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 0.06% and 0.05%, 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:

| Security Type              | 2012                             |               | 2011                             |               |
|----------------------------|----------------------------------|---------------|----------------------------------|---------------|
|                            | Carrying Value<br>(In thousands) | WAM<br>(Days) | Carrying Value<br>(In thousands) | WAM<br>(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         | <u>200,054</u>                   | 1             | <u>200,279</u>                   | 1             |
|                            | <u>\$2,786,968</u>               | 46            | <u>\$3,018,560</u>               | 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:

| Security Type              | 2012                             |               | 2011                             |               |
|----------------------------|----------------------------------|---------------|----------------------------------|---------------|
|                            | Carrying Value<br>(In thousands) | WAM<br>(Days) | Carrying Value<br>(In thousands) | WAM<br>(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         | <u>5</u>                         | 1             | <u>131</u>                       | 1             |
|                            | <u>\$299,629</u>                 | 54            | <u>\$262,692</u>                 | 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:

| Security Type                          | 2012                             |                              | 2011                             |                              |
|----------------------------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|
|                                        | Carrying Value<br>(In Thousands) | Effective Duration<br>(Days) | Carrying Value<br>(In Thousands) | Effective Duration<br>(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                            |
|                                        | <u>\$ 503,617</u>                | 180                          | <u>\$ 473,905</u>                | 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, were as follows:

|                                                                                                                             | 2012              | 2011              |
|-----------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Student tuition and fees — net of allowance for doubtful accounts of \$239,711 and \$185,593 in 2012 and 2011, respectively | \$ 79,673         | \$ 57,072         |
| Due from Commission/Council                                                                                                 | 124,083           | 263,067           |
| Due from other State Agencies                                                                                               | -                 | 32,862            |
| Accrued interest receivable                                                                                                 | 272               | 20                |
| Other accounts receivable                                                                                                   | 40                | 2,002             |
|                                                                                                                             | <u>\$ 204,068</u> | <u>\$ 355,023</u> |

#### 5. CAPITAL ASSETS

A summary of capital asset transactions for the College for the years ended June 30, 2012 and 2011, is as follows:

|                                             | 2012                |                     |             |                     |
|---------------------------------------------|---------------------|---------------------|-------------|---------------------|
|                                             | Beginning Balance   | Additions           | Reductions  |                     |
| Capital assets not being depreciated — land | <u>\$ 50,000</u>    | <u>\$ -</u>         | <u>\$ -</u> | <u>\$ 50,000</u>    |
| Other capital assets:                       |                     |                     |             |                     |
| Building/improvements                       | \$ 7,695,077        | \$ -                | \$ -        | \$ 7,695,077        |
| Equipment                                   | <u>2,788,772</u>    | <u>315,551</u>      | <u>-</u>    | <u>3,104,323</u>    |
| Total other capital assets                  | <u>10,483,849</u>   | <u>315,551</u>      | <u>-</u>    | <u>10,799,400</u>   |
| Less accumulated depreciation for:          |                     |                     |             |                     |
| Building/improvements                       | 307,909             | 155,748             | -           | 463,657             |
| Equipment                                   | <u>1,360,363</u>    | <u>324,584</u>      | <u>-</u>    | <u>1,684,947</u>    |
| Total accumulated depreciation              | <u>1,668,272</u>    | <u>480,332</u>      | <u>-</u>    | <u>2,148,604</u>    |
| Other capital assets — net                  | <u>\$ 8,815,577</u> | <u>\$ (164,781)</u> | <u>\$ -</u> | <u>\$ 8,650,796</u> |
| Capital asset summary:                      |                     |                     |             |                     |
| Capital assets not being depreciated        | \$ 50,000           | \$ -                | \$ -        | \$ 50,000           |
| Other capital assets                        | <u>10,483,849</u>   | <u>315,551</u>      | <u>-</u>    | <u>10,799,400</u>   |
| Total cost of capital assets                | 10,533,849          | 315,551             | -           | 10,849,400          |
| Less accumulated depreciation               | <u>1,668,272</u>    | <u>480,332</u>      | <u>-</u>    | <u>2,148,604</u>    |
| Capital assets — net                        | <u>\$ 8,865,577</u> | <u>\$ (164,781)</u> | <u>\$ -</u> | <u>\$ 8,700,796</u> |

|                                             | <b>2011</b>                  |                   |                   |                           |
|---------------------------------------------|------------------------------|-------------------|-------------------|---------------------------|
|                                             | <b>Beginning<br/>Balance</b> | <b>Additions</b>  | <b>Reductions</b> | <b>Ending<br/>Balance</b> |
| Capital assets not being depreciated — land | \$ 50,000                    | \$ -              | \$ -              | \$ 50,000                 |
| Other capital assets:                       |                              |                   |                   |                           |
| Building/improvements                       | \$ 7,690,762                 | \$ 4,405          | \$ -              | \$ 7,695,077              |
| Equipment                                   | 2,898,523                    | 626,277           | 736,028           | 2,788,772                 |
| Library books                               | 6,477                        | -                 | 6,477             | -                         |
| Total other capital assets                  | <u>10,595,762</u>            | <u>630,682</u>    | <u>742,505</u>    | <u>10,483,849</u>         |
| Less accumulated depreciation for:          |                              |                   |                   |                           |
| Building/improvements                       | 153,480                      | 154,429           | -                 | 307,909                   |
| Equipment                                   | 1,816,840                    | 279,551           | 736,028           | 1,360,363                 |
| Library books                               | 6,453                        | 24                | 6,477             | -                         |
| Total accumulated depreciation              | <u>1,976,773</u>             | <u>434,004</u>    | <u>742,505</u>    | <u>1,668,272</u>          |
| Other capital assets — net                  | <u>\$ 8,618,989</u>          | <u>\$ 196,678</u> | <u>\$ -</u>       | <u>\$ 8,815,577</u>       |
| Capital asset summary:                      |                              |                   |                   |                           |
| Capital assets not being depreciated        | \$ 50,000                    | \$ -              | \$ -              | \$ 50,000                 |
| Other capital assets                        | <u>10,595,672</u>            | <u>630,682</u>    | <u>742,505</u>    | <u>10,483,849</u>         |
| Total cost of capital assets                | 10,645,672                   | 630,682           | 742,505           | 10,533,849                |
| Less accumulated depreciation               | <u>1,976,773</u>             | <u>434,004</u>    | <u>742,505</u>    | <u>1,668,272</u>          |
| Capital assets — net                        | <u>\$ 8,668,899</u>          | <u>\$ 196,678</u> | <u>\$ -</u>       | <u>\$ 8,865,577</u>       |

As of June 30, 2012, the College had no outstanding construction commitments.

The College maintains certain collections of inexhaustible assets to which no value can be practically determined. Accordingly, such collections are not capitalized or recognized for financial statement purposes. Such collections include contributed works of art that are held for exhibition. These collections are neither disposed of for financial gain nor encumbered in any means.

## 6. LONG-TERM LIABILITIES

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

|                                               | <b>2012</b>                  |                   |                   |                           |                            |
|-----------------------------------------------|------------------------------|-------------------|-------------------|---------------------------|----------------------------|
|                                               | <b>Beginning<br/>Balance</b> | <b>Additions</b>  | <b>Reductions</b> | <b>Ending<br/>Balance</b> | <b>Current<br/>Portion</b> |
| Accrued compensated absences                  | \$ 105,949                   | \$ 14,326         | \$ -              | \$ 120,275                | \$ 94,114                  |
| Funds due to West Virginia Development Office | 619,932                      | -                 | -                 | 619,932                   | -                          |
| OPEB liability                                | <u>377,185</u>               | <u>177,062</u>    | <u>-</u>          | <u>554,247</u>            | -                          |
| Total long-term liabilities                   | <u>\$ 1,103,066</u>          | <u>\$ 191,388</u> | <u>\$ -</u>       | <u>\$ 1,294,454</u>       | -                          |
|                                               |                              |                   |                   |                           |                            |
|                                               | <b>2011</b>                  |                   |                   |                           |                            |
|                                               | <b>Beginning<br/>Balance</b> | <b>Additions</b>  | <b>Reductions</b> | <b>Ending<br/>Balance</b> | <b>Current<br/>Portion</b> |
| Accrued compensated absences                  | \$ 97,378                    | \$ 8,571          | \$ -              | \$ 105,949                | \$ 84,555                  |
| Funds due to West Virginia Development Office | 619,932                      | -                 | -                 | 619,932                   | -                          |
| OPEB liability                                | <u>210,087</u>               | <u>167,098</u>    | <u>-</u>          | <u>377,185</u>            | -                          |
| Total long-term liabilities                   | <u>\$ 927,397</u>            | <u>\$ 175,669</u> | <u>\$ -</u>       | <u>\$ 1,103,066</u>       | -                          |

## 7. LEASE OBLIGATIONS

Future minimum payments under operating leases, which consist primarily of office space, with initial or remaining terms of one year or more, as of June 30, 2012, were as follows:

| <b>Years Ending<br/>June 30</b> |                  |
|---------------------------------|------------------|
| 2013                            | \$ 44,608        |
| 2014                            | <u>8,000</u>     |
|                                 | <u>\$ 52,608</u> |

Total rent expense for operating leases amounted to \$97,972 and \$90,446 for the years ended June 30, 2012 and 2011, respectively.

## 8. OTHER POST EMPLOYMENT 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 \$554,247, \$377,185, and \$210,087, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$227,193 and \$53,087 respectively, during 2012. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was

\$204,611 and \$39,428, respectively, during 2011. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$221,558 and \$35,163, respectively, during 2010. As of and for the years ended June 30, 2012, 2011, and 2010, there was one retiree receiving these benefits.

## 9. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

The College is a State institution of higher education and the College receives a State appropriation to finance its operations. In addition, it is subject to the legislative and administrative mandates of State government. Those mandates affect all aspects of the College's operations, its tuition and fee structure, its personnel policies, and its administrative practices.

The State has chartered the Commission with the responsibility to construct or renovate, finance, and maintain various academic and other facilities of the State's universities and colleges. As of June 30, 2011, the College had completed the construction of its new facility, which is being funded as noted below.

During the year ended June 30, 2005, the Commission issued \$167 million of 2004 Series B 30-year Revenue Bonds to fund capital projects at various higher education institutions in the State. The College was approved to receive \$8 million of these funds. State lottery funds will be used to repay the debt, although College revenues are pledged if lottery funds prove insufficient. The College has recognized approximately \$7,533,000 from these committed funds through June 30, 2012.

## 10. WEST VIRGINIA DEVELOPMENT OFFICE OBLIGATION

In previous years, the College entered into two financial assistance agreements with the West Virginia Development Office (WVDO) for \$685,000 and \$2,000,000; a portion of these funds were used to construct a new sewer system and access road for the College's facility at 316 Eastern, respectively. Under the terms of both agreements, the College agrees to repay the WVDO "if nonoperating funds become available or when an appropriate nonoperating income stream is established" or "if the College sells or disposes of the two acres of property."

## 11. UNRESTRICTED NET ASSETS

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

|                                                     | <b>2012</b>         | <b>2011</b>       |
|-----------------------------------------------------|---------------------|-------------------|
| Total unrestricted net assets before OPEB liability | \$ 1,699,206        | \$ 1,374,428      |
| Less OPEB liability                                 | <u>554,247</u>      | <u>377,185</u>    |
|                                                     | <u>\$ 1,144,959</u> | <u>\$ 997,243</u> |

## 12. RETIREMENT PLANS

Substantially all full-time employees of the College participate in the Teachers' Insurance and Annuities Association — College Retirement Equities Fund (TIAA-CREF).

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the Educators Money 401(a) basic retirement plan ("Educators Money"). New hires have the choice of either plan. As of June 30, 2012 and 2011, no employees were enrolled in Educators Money.

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

Total contributions to the TIAA-CREF for the years ended June 30, 2012, 2011, and 2010, were \$170,918, \$154,735, and \$143,758, respectively, which consisted of contributions of \$85,459, \$77,367, and \$71,879 for 2012, 2011, and 2010, respectively, from both the College and covered employees.

The College's total payroll for the years ended June 30, 2012, 2011, and 2010, was \$2,024,521, \$1,843,647, and \$1,591,162, respectively; total covered employees' salaries in TIAA-CREF were \$1,435,277, \$1,301,084, and \$1,217,113 in 2012, 2011, and 2010, respectively.

### **13. FOUNDATION (UNAUDITED)**

The Eastern West Virginia Community and Technical College Foundation, Inc. (the "Foundation"), which was incorporated in fiscal year 2001, is a separate nonprofit organization incorporated in the State and has as its purpose "to support, encourage and assist in the development and growth of the College, to render service and assistance to the College, and through it to the citizens of the State of West Virginia." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy, and maintains fiscal accountability over funds administered by the Foundation. Accordingly, the financial statements of the Foundation are not included in the accompanying financial statements because they are not controlled by the College and because they are not significant.

The Foundation's net assets totaled approximately \$29,200 and \$31,000 at June 30, 2012 and 2011, respectively. The net assets include amounts which are restricted by donors to use for specific projects or departments of the College and its affiliated organizations. Contributions to the Foundation, which are not reflected in the accompanying financial statements, totaled \$1,749 and \$6,225 for the years ended June 30, 2012 and 2011, respectively. No contributions were made to the College during either the year ended June 30, 2012 or 2011.

### **14. AFFILIATED ORGANIZATION**

The College has an affiliation agreement with Eastern Workforce Opportunity Regional Center and Services ("Eastern WORCS"). Although Eastern WORCS has been created "to foster and support applied research and workforce development" at the College, it is a separate nonprofit organization incorporated in the State of West Virginia. Oversight of Eastern WORCS is the responsibility of a separate and independently elected Board of Directors. Accordingly, the financial statements of Eastern WORCS are not included in the accompanying financial statements because the economic resources held by Eastern WORCS do not entirely or almost entirely benefit the College. No contributions were made to the College during either the year ended 2012 or 2011.

## **15. CONTINGENCIES**

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

## 16. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The following tables represent operating expenses within both natural and functional classifications for the years ended June 30, 2012 and 2011:

|                                     | 2012               |                  |                             |                 |                  |                  |                  |                                 |                    |
|-------------------------------------|--------------------|------------------|-----------------------------|-----------------|------------------|------------------|------------------|---------------------------------|--------------------|
|                                     | Salaries and Wages | Benefits         | Supplies and Other Services | Rent            | Utilities        | Scholarships     | Depreciation     | Fees Assessed by the Commission | Total              |
| Instruction                         | \$ 632,312         | \$ 82,936        | \$ 219,179                  | \$ -            | \$ -             | \$ -             | \$ -             | \$ -                            | \$ 934,427         |
| Public service                      | 183,600            | 41,358           | 540,257                     | 2,130           | -                | -                | -                | -                               | 767,345            |
| Academic support                    | 462,113            | 98,189           | 151,386                     | 35,000          | -                | -                | -                | -                               | 746,688            |
| Student services                    | 223,562            | 64,137           | 77,825                      | 670             | -                | -                | -                | -                               | 366,194            |
| General institutional support       | 465,268            | 301,535          | 629,450                     | 35              | -                | -                | -                | -                               | 1,396,288          |
| Operations and maintenance of plant | 50,401             | 5,340            | 36,729                      | 62,108          | 100,200          | -                | -                | -                               | 254,778            |
| Student financial aid               | -                  | -                | -                           | -               | -                | 985,345          | -                | -                               | 985,345            |
| Auxiliary                           | -                  | -                | 1,977                       | -               | -                | -                | -                | -                               | 1,977              |
| Depreciation                        | -                  | -                | -                           | -               | -                | -                | 480,332          | -                               | 480,332            |
| Other                               | -                  | -                | -                           | -               | -                | -                | -                | 11,145                          | 11,145             |
| <b>Total</b>                        | <b>\$2,017,256</b> | <b>\$593,495</b> | <b>\$1,656,803</b>          | <b>\$99,943</b> | <b>\$100,200</b> | <b>\$985,345</b> | <b>\$480,332</b> | <b>\$11,145</b>                 | <b>\$5,944,519</b> |

|                                     | 2011               |                  |                             |                 |                  |                  |                  |                                 |                    |
|-------------------------------------|--------------------|------------------|-----------------------------|-----------------|------------------|------------------|------------------|---------------------------------|--------------------|
|                                     | Salaries and Wages | Benefits         | Supplies and Other Services | Rent            | Utilities        | Scholarships     | Depreciation     | Fees Assessed by the Commission | Total              |
| Instruction                         | \$ 615,060         | \$ 79,036        | \$ 212,526                  | \$ -            | \$ -             | \$ -             | \$ -             | \$ -                            | \$ 906,622         |
| Public service                      | 164,686            | 39,277           | 426,733                     | 900             | -                | -                | -                | -                               | 631,596            |
| Academic support                    | 439,496            | 80,165           | 181,044                     | 37,678          | -                | -                | -                | -                               | 738,383            |
| Student services                    | 183,526            | 51,398           | 50,947                      | 510             | -                | -                | -                | -                               | 286,381            |
| General institutional support       | 405,544            | 282,736          | 470,657                     | 125             | -                | -                | -                | -                               | 1,159,062          |
| Operations and maintenance of plant | 43,006             | 4,690            | 53,873                      | 50,827          | 100,842          | -                | -                | -                               | 253,238            |
| Student financial aid               | -                  | -                | -                           | -               | -                | 875,974          | -                | -                               | 875,974            |
| Auxiliary                           | -                  | -                | 685                         | -               | -                | -                | -                | -                               | 685                |
| Depreciation                        | -                  | -                | -                           | -               | -                | -                | 434,004          | -                               | 434,004            |
| Other                               | -                  | -                | -                           | -               | -                | -                | -                | 9,662                           | 7,059              |
| <b>Total</b>                        | <b>\$1,851,318</b> | <b>\$537,302</b> | <b>\$1,396,465</b>          | <b>\$90,040</b> | <b>\$100,842</b> | <b>\$875,974</b> | <b>\$434,004</b> | <b>\$9,662</b>                  | <b>\$5,295,607</b> |

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

To the Governing Board of  
Eastern West Virginia Community and Technical College:

We have audited the financial statements of Eastern West Virginia Community and Technical College (the "College") as of and for the year ended June 30, 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 controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Eastern West Virginia Community and Technical College Governing Board, managements of the College and the West Virginia Higher Education Policy Commission, the West Virginia Council for Community and Technical College Education and the State of West Virginia and is not intended to be, and should not be, used by anyone other than these specified parties.

*Xelotte; Touche up*

November 20, 2012