West Virginia Northern Community College

Financial Statements as of and for the Years Ended June 30, 2007 and 2006, and Independent Auditors' Reports

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

TABLE OF CONTENTS

COSTANZO
& ASSOCIATES, PLLC
Certified Public Accountants

1341 National Road
P.O. Box 2050
Wheeling, WV 26003-0251
Voice: 304-242-4400
Fax: 304-242-1989
E-mail: ljc@costanzocpas.com
Web Site: www.costanzocpas.com

INDEPENDENT AUDITORS' REPORT

To the Governing Board of
West Virginia Northern Community College:

We have audited the accompanying financial statements of West Virginia Northern Community College (the "College") and West Virginia Northern Community College Foundation, Inc. (the "Foundation" a discretely presented component unit of the College) as of June 30, 2007 and 2006, and for the years then ended, which collectively comprise the College's basic financial statements listed in the foregoing Table of Contents. These financial statements are the responsibility of the College and Foundation's management. 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. The Foundation's financial statements were not audited in accordance with *Government Auditing Standards* but were audited in accordance with auditing standards generally accepted in the United States of America. Both 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 audit 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, such financial statements present fairly, in all material respects, the respective financial position of the College and Foundation at June 30, 2007 and 2006, and the respective changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 to 10 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the College's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2007 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Costanzo & Associates, PLLC

Costanzo & Associates, PLLC
Wheeling, WV
October 4, 2007

West Virginia Northern Community College
Management Discussion and Analysis
Fiscal Year Ending June 30, 2007

Overview

West Virginia Northern Community College (WVNCC or the "College") is pleased to present its financial statements for the fiscal year 2007, along with a three year comparative including fiscal years 2005 and 2006. There are three Financial Statements presented: the Statements of Net Assets; the Statements of Revenues, Expenses, and Changes in Net Assets; and the Statements of Cash Flows as required by GASB No. 35 reporting standards. This section of the annual financial report focuses on an overview of the College's financial performance during the fiscal year ended June 30, 2007, with comparisons to the previous two fiscal years (June 30, 2006 and 2005).

In addition, WVNCC Foundation consists of two basic financial statements; the Statements of Financial Position and the Statements of Activities. The WVNCC Foundation Assets are controlled by a separate Board of Trustees and its historical purpose has been in support of student scholarships, capital improvements, and institutional support. More information about the accounting and reporting aspects of the Foundation can be found in footnote 16 of these financial statements.

Statements of Net Assets

The Statements of Net Assets present the Assets (current and non-current), Liabilities (current and non-current), and Net Assets (Assets minus Liabilities) of the College as of June 30, 2007. Assets denote the resources available to continue the operations of the College. Liabilities indicate how much the College owes vendors, employees, lending institutions and the West Virginia Higher Education Policy Commission. Net Assets provide a way to measure the financial position of the College.

Net Assets are displayed in three major categories:

Invested in capital assets, net of related debt. This category provides equity in the property, plant, and equipment owned by WVNCC. The title is held by the West Virginia Northern Community College Board of Governors. It represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted Net Assets. This category includes net assets whose use is restricted either due to externally imposed constraints or because of restrictions imposed by law. They are further divided into two additional components – expendable and non-expendable:

> **Expendable restricted net assets** include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. For example, the expenditure must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.
>
> **Non-expendable restricted net assets** include 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 presently does not have any non-expendable net assets.

Unrestricted Net Assets. This category represents resources derived from tuition and fees, State appropriations and sales and services of educational activities. These resources are used for transactions related to the educational and general operations of the College, and may be used at the sole discretion of the Governing Board to meet current expenses for any purpose.

Statements of Net Assets
Fiscal Years Ended June 30

	2007	2006	2005	Change FY 07-06
Assets:				
Current Assets	$ 6,418,066	$ 5,166,681	$ 4,854,047	24.22%
Other Noncurrent Assets	218,859	552,261	123,812	(60.37)%
Capital Assets - Net	24,100,204	23,983,600	17,079,506	0.49%
Total Assets	30,737,129	29,702,542	22,057,365	3.48%
Liabilities:				
Current Liabilities	1,586,542	3,057,082	1,966,742	(48.10)%
Noncurrent Liabilities	1,282,409	1,484,193	1,589,542	(13.60)%
Total Liabilities	2,868,951	4,541,275	3,556,284	(36.82)%
Net Assets:				
Invested in Capital Assets	23,854,463	23,518,471	16,479,150	1.43%
Restricted Expendable	191,960	1,266,813	933,829	(84.85)%
Unrestricted	3,821,755	375,983	1,088,102	916.47%
Total Net Assets	$ 27,868,178	$ 25,161,267	$ 18,501,081	10.76%

Statement of Net Assets 2007 to 2006 Financial Highlights:

Assets

- Current and Non-current cash and cash equivalents increased $1,581,239.
- Net Investments in Capital Assets increased by $116,604.
- The amount due from Commission decreased by $737,877.
- Total Assets increased by $1,034,587.

Liabilities

- Current Liabilities decreased by $1,470,540.
- Non-current Liabilities decreased by $201,784.
- Accrued Liabilities decreased by $546,297.
- Total liabilities decreased by $1,672,324.

Comments

An indicator that the College has competent available resources to meet its obligations is the current ratio (current assets to current liabilities). It was 4.04 to 1 and 1.69 to 1 for 2007 and 2006 respectively, which shows that it has more than doubled for the current fiscal year.

West Virginia Northern Community College continues to show strong cash position with cash representing 20% of total assets. The percentage increase in total assets (3%), the percentage increase in net assets (11%), and the decrease in liabilities (37%) continues to show the growth in the College's financial position.

The net investments in capital assets increased predominantly due to the education center being placed into service in the 4^{th} quarter, fiscal year 2006. The B & O building had new windows installed during fiscal year 2006, along with the development of a plaza in the back of the building. Interior renovations to the B & O building were the only construction project done in fiscal year 2007.

The decrease in accounts payable and accrued liabilities is significantly related to the new furniture and equipment for the completed education center that remained payable at 6/30/06. The amount due from commission decreased mainly due to bond draws that were receivable in fiscal year 2006 and were received in fiscal year 2007 to pay for construction work performed in fiscal year 2006.

Statements of Revenues, Expenses and Changes in Net Assets

The Statements of Revenues, Expenses and Changes in Net Assets present the operating results of the College for the fiscal year ended June 30, 2007 compared to fiscal year ended June 30, 2006 and 2005. The purpose of the Statement is to present the revenues of the College (operating and non-operating), the expenses of the College (operating and non-operating), and any other revenues, expenses, gains and losses of the College. State Appropriations, while budgeted for operations, are considered and reported as non-operating revenues. This is due to State Appropriations being provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues. The utilization of capital assets is reflected in the Financial Statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Statements of Revenues, Expenses, and Changes in Net Assets
Fiscal Years Ended June 30

	2007	2006	2005	Change FY 07-06
Total Operating Revenues	$ 8,830,572	$ 8,092,579	$ 8,135,095	9.12%
Total Operating Expenses	13,786,228	13,654,883	13,105,195	0.96%
Operating Loss	(4,955,656)	(5,562,304)	(4,970,100)	10.91%
Net Nonoperating Revenues	6,837,721	6,185,732	6,171,845	10.54%
Bond/Capital Proceeds from the Commission	824,846	6,036,758	2,426,597	(86.34)%
Increase (Decrease) in Net Assets	2,706,911	6,660,186	3,628,342	(59.36)%
Net Assets - Beginning of Year	25,161,267	18,501,081	14,872,739	36.00%
Net Assets - End of Year	$ 27,868,178	$ 25,161,267	$ 18,501,081	10.76%

Statement of Revenues, Expenses and Changes in Net Assets 2007 to 2006 Financial Highlights:

Operating Revenue

- Total Operating Revenues increased $737,993.
- Federal Contracts and Grants increased $343,949.
- State Contracts and Grants increased $15,827.
- The Sales and Services of Educational Activities increased $89,773.

Operating Expenses

- Total Operating Expenses increased $131,345.
- Salaries and Wages increased $82,729.
- Supplies and other services decreased $187,480.
- Depreciation increased $310,348.

Non-operating Revenues (Expenses)

- Non-operating Revenues increased by $651,989.
- State Appropriations increased $525,900.
- Investment Income increased $123,418.

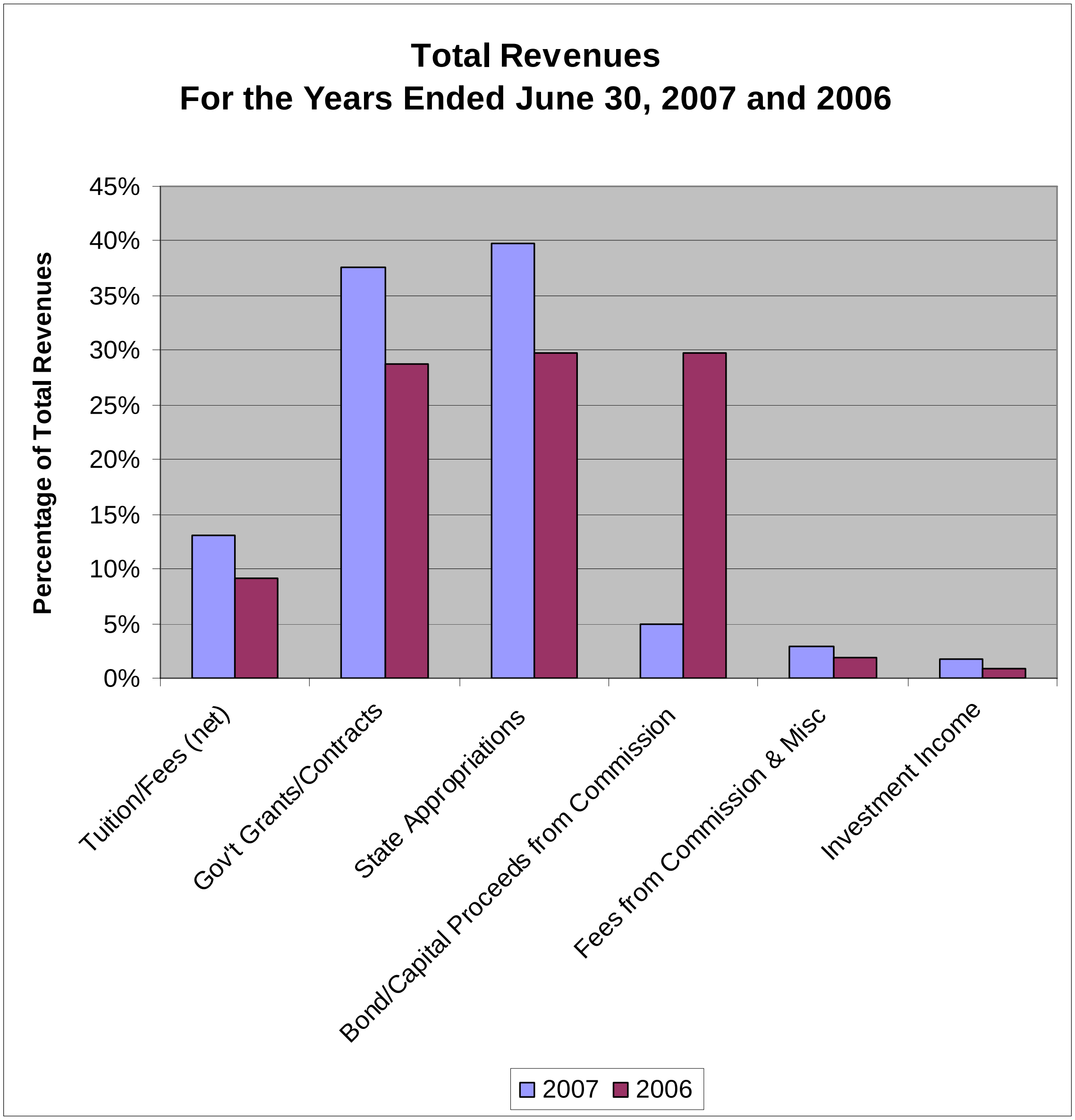
Comments

The total operating revenues increased mainly due to an increase in federal grants (Pell and Title III) and new state grants and contracts (machinist and coal mining technology). Tuition rates increased, along with enrollments - partly related to the table gaming being established in the summer sessions. Total Operating Expenses increased predominantly due to the additional student financial aid disbursements and salary and wages. These expenses were offset by a decrease in supplies and other service support, utilities, and benefits. As of July 1, 2007, WVNCC remained one of only two higher education institutions within the West Virginia state college system to have attained full funding on the Mercer scale for classified staff personnel as legislatively mandated effective July 1, 2006.

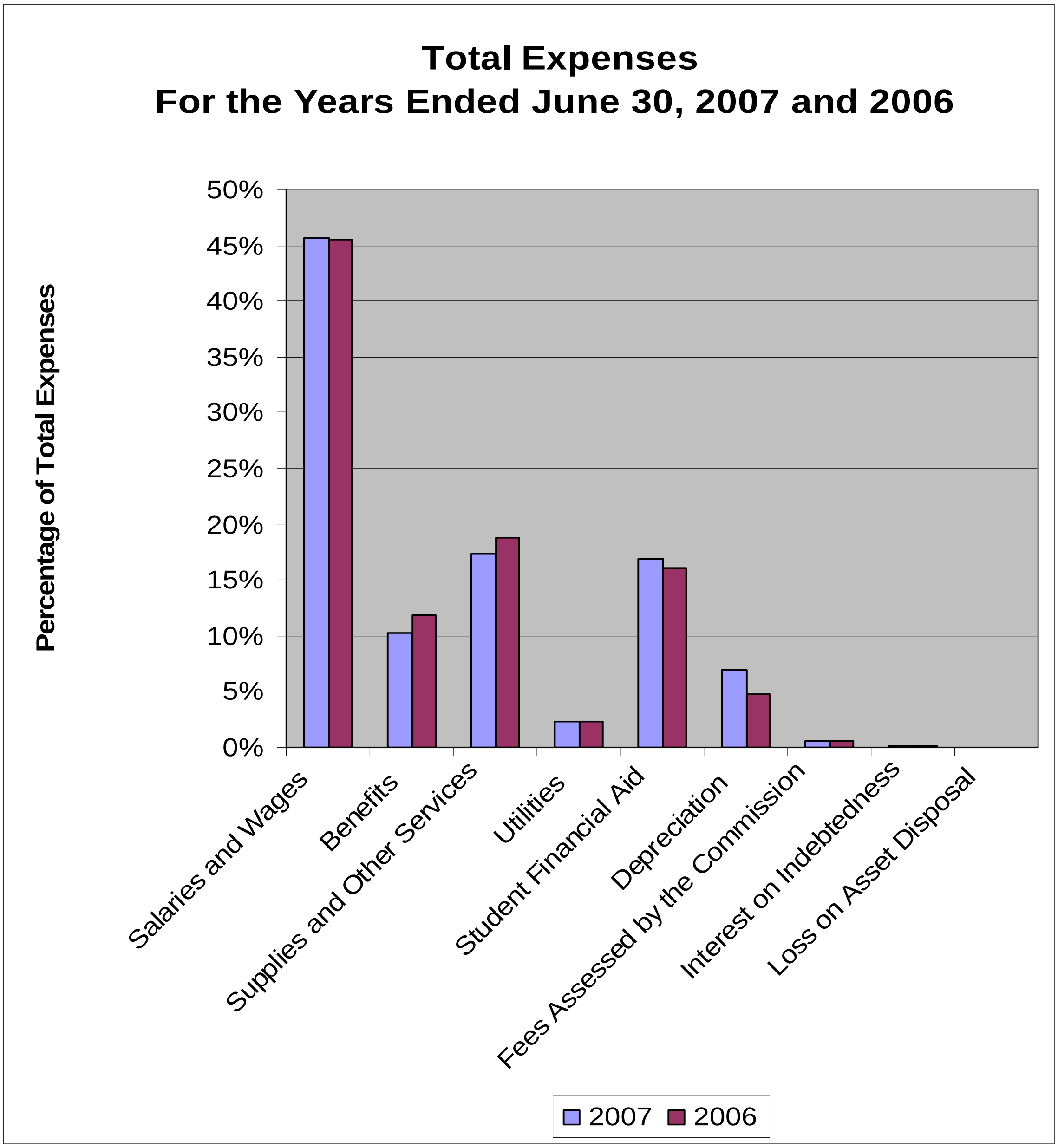
Depreciation increased due to the completion of the education center project and the purchase of new furniture and equipment being placed into service. The College has added over $10 million in net fixed assets over the last 5 years.

The Non-operating Revenues increased as a result of an increase in state appropriations coupled with an increase in investment income due to higher returns based on short term market conditions and the Higher Education Policy Commissions investment policies.

The major sources of revenue for the College consist of program and general. The graph illustrates the revenues by source and percentage based on the total revenue of $16,508,791 and $20,333,392 for the years ended 2007 and 2006, respectively.



The graph illustrates the operating expenses by natural classification, non-operating expenses, and percentage based on the total expenditures of $13,801,880 and $13,673,206 for the years ended 2007 and 2006, respectively.



Statements of Cash Flows

The Statements of Cash Flows provide information about the cash receipts, cash payments, and net change in cash resulting from the activities of the College during the year. This Statement helps users assess the College's ability to generate net cash flows, its ability to meet obligations as they come due, and its need form external financing.

The Statement of Cash Flows is divided into four parts:

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

Cash flows from non-capital financing activities. This section reflects the cash received and paid for non-operating, non-investing, and non-capital financing purposes.

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

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

Statements of Cash Flows
Fiscal Years Ended June 30

	2007	2006	2005	Change FY 07-06
Cash provided by (used in):				
Operating Activities	$ (4,788,502)	$ (3,366,416)	$ (4,636,781)	(42.24)%
Noncapital Financing Activities	6,565,528	6,039,628	6,063,705	8.71%
Capital Financing Activities	(143,914)	(2,117,692)	(584,396)	93.20%
Investing Activities	278,564	166,164	53,726	67.64%
Increase (Decrease) in Cash and Cash Equivalents	1,911,676	721,684	896,254	164.89%
Cash and Cash Equivalents - beginning of year	4,279,249	3,557,565	2,661,311	20.29%
Cash and Cash Equivalents - end of year	$ 6,190,925	$ 4,279,249	$ 3,557,565	44.67%

Comments

The College generated increased cash of 44.67% and 20.28% for the years ended 2007 and 2006 respectively. The 2007 **increase** is supported by the increased state appropriations and cash provided by the bond proceeds, along with the increased tuition, federal and state grants and contracts offset by the financial aid disbursements, the decrease in debt and accounts payable. The cash flows from non-capital financing are due to the State appropriations.

The cash flows from capital financing activities are relevant to the bond proceeds from the bond commission; offset by the capital purchases relevant to facilities completed construction projects.

Economic Outlook

WVNCC's financial position is closely tied to that of the State of West Virginia. Although the economic forecasts for the State are mixed and the number of high school graduates continues to decline, the College is positioned in the Northern Panhandle to continue to be a leader in the State, but with slight enrollment growth.

In 2006, WVNCC began the initial planning and development of several new academic and workforce development programs that will be implemented in fiscal year 2008. These programs will broaden curriculum and should result in increased enrollment that will foster growth in revenues to assist in offsetting future budget constraints by the State. The College is experiencing a growth anomaly from table gaming, but these enrollment numbers are not being used for future projections. In addition, the College is reviewing institutional effectiveness to better serve its students while reducing costs.

WVNCC has plotted a course for growth that will assure success in reaching these goals, with a strategy of making brighter the educational future of an increasing number of students. To meet future needs, the College is working toward improving efficiencies by automating as many processes as possible.

WVNCC has not fully determined the effects that GASB statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, will have on the FY 08 financial statements. The impact foreseen on the Statement of Net Assets would be the removal of the sick leave conversion into health care premium liability component of compensated absences. This liability removal will be reflected in the Statement of Revenue, Expenses and Changes in Net Assets as a cumulative effect of a change in accounting principle. This component of compensated absences would be replaced by a monthly accumulation of West Virginia Public Employees Insurance Agency (“PEIA”) billings for the Annual Required Contribution (“ARC”). The college will be billed monthly for their portion of the ARC. In addition revenue and expense will be recognized for payments made into the Other Postemployment Benefits Fund on behalf of WVNCC. At this point we determine that implementation will have no effect on the Statement of Cash Flows as the remaining ARC liability will be accrued by the college but not paid.

Otherwise, WVNCC anticipates that fiscal year (June 30, 2008) will be similar to the last (June 30, 2007) and we will continue to be diligent in watching over our resources to maintain the school's ability to react quickly to internal and external issues. A renewed emphasis has been placed on recruitment, retention, new programming, revised scheduling, and transferability. The College developed a strategic plan to ensure achievement of our goals to build accountability into all aspects of the College. A vision of the future that includes affordable tuition for the students of Northern West Virginia and continued enrollment growth would be severely threatened if peer equity is not fully funded within five years.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

STATEMENTS OF NET ASSETS
JUNE 30, 2007 AND 2006

	2007	2006
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 6,190,925	$ 4,279,249
Accounts receivable—net	122,915	68,155
Loans to students—current portion	24,038	24,279
Due from Commission	24,883	762,760
Due from other State Agencies	44,414	21,351
Prepaid expenses	10,891	10,887
Total current assets	6,418,066	5,166,681
Noncurrent assets:		
Cash and cash equivalents	184,644	515,081
Loans to students, net of allowance of $102,000 and $100,400 in 2007 and 2006, respectively	34,215	37,180
Capital assets—net	24,100,204	23,983,600
Total noncurrent assets	24,319,063	24,535,861
TOTAL ASSETS	$30,737,129	$29,702,542

(Continued)

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

STATEMENTS OF NET ASSETS
JUNE 30, 2007 AND 2006

	2007	2006
LIABILITIES:		
Current liabilities:		
Accounts payable	$ 596,419	$ 1,407,596
Due to State of West Virginia	22,805	38,108
Due to Commission	2,433	1,560
Due to Affiliates of Commission	2,055	
Accrued liabilities	555,369	1,101,666
Deferred revenue	56,297	46,716
Capital leases—current portion	28,530	29,710
Compensated absences—current portion	296,742	324,049
Debt obligations to Commission—current portion	25,892	107,677
Total current liabilities	1,586,542	3,057,082
Noncurrent liabilities:		
Advances from federal sponsors	68,982	71,594
Capital leases	94,560	123,090
Compensated absences	1,022,108	1,084,858
Debt obligations to Commission	96,759	204,651
Total noncurrent liabilities	1,282,409	1,484,193
Total liabilities	2,868,951	4,541,275
NET ASSETS:		
Invested in capital assets—net of related debt	23,854,463	23,518,471
Restricted for—expendable:		
Capital projects	175,452	1,253,943
Scholarships	16,508	12,870
Total restricted expendable	191,960	1,266,813
Unrestricted	3,821,755	375,983
Total net assets	27,868,178	25,161,267
TOTAL LIABILITIES AND NET ASSETS	$ 30,737,129	$ 29,702,542

See notes to financial statements (Concluded)

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

THE WEST VIRGINIA NORTHERN COMMUNITY COLLEGE FOUNDATION, INCORPORATED, A COMPONENT UNIT OF WEST VIRGINIA NORTHERN COMMUNITY COLLEGE STATEMENTS OF FINANCIAL POSITION JUNE 30, 2007 AND 2006

ASSETS	2007	2006
ASSETS:		
Cash	$ 34,316	$ 67,756
Investments at estimated fair value	1,684,384	1,389,857
Unconditional promises to give	45,444	31,716
Notes Receivable from West Virginia Northern Community College	123,090	152,801
Prepaid expenses	3,513	
Other current assets	15,973	9,598
TOTAL ASSETS	$1,906,720	$1,651,728

LIABILITIES AND NET ASSETS	2007	2006
LIABILITIES:		
Accounts payable	$ 10,998	$ 24,145
Deferred revenue	2,500	
Total liabilities	13,498	24,145
NET ASSETS:		
Unrestricted	474,119	402,725
Temporarily restricted	1,054,566	907,984
Permanently restricted	364,537	316,874
Total net assets	1,893,222	1,627,583
TOTAL LIABILITIES AND NET ASSETS	$1,906,720	$1,651,728

See notes to financial statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
OPERATING REVENUES:		
Student tuition and fees (net of scholarship allowance of $1,941,743 and $1,893,987 in 2007 and 2006, respectively)	$ 2,147,610	$ 1,872,489
Contracts and grants:		
Federal	4,678,297	4,334,348
State and Local	1,487,067	1,471,240
Private	39,039	33,159
Interest on student loans receivable	855	990
Sales and services of educational activities	230,696	140,923
Fees from Commission	247,878	229,632
Miscellaneous—net	(870)	9,798
Total operating revenues	8,830,572	8,092,579
OPERATING EXPENSES:		
Salaries and wages	6,305,271	6,222,542
Benefits	1,412,250	1,615,688
Supplies and other services	2,388,981	2,576,461
Utilities	312,915	318,795
Student financial aid—scholarships and fellowships	2,328,474	2,191,159
Depreciation	954,233	643,885
Fees assessed by the Commission for operations	84,104	86,353
Total operating expenses	13,786,228	13,654,883
OPERATING LOSS	(4,955,656)	(5,562,304)

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
NONOPERATING REVENUES (EXPENSES):		
State appropriations	$ 6,565,528	$ 6,039,628
Loss on disposal of assets		(73)
Investment income	287,845	164,427
Interest on indebtedness	(15,652)	(18,250)
Net nonoperating revenues	6,837,721	6,185,732
INCREASE IN NET ASSETS BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	1,882,065	623,428
CAPITAL AND BOND PROCEEDS FROM COMMISSION	824,846	6,036,758
INCREASE IN NET ASSETS	2,706,911	6,660,186
NET ASSETS—Beginning of year	25,161,267	18,501,081
NET ASSETS—End of year	$ 27,868,178	$ 25,161,267

See notes to financial statements

(Concluded)

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

THE WEST VIRGINIA NORTHERN COMMUNITY COLLEGE FOUNDATION, INCORPORATED, A COMPONENT UNIT OF WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:					
Grants and donations		$ 2,420	$ 149,993	$ 47,663	$ 200,076
Special events fundraiser	$ 24,383				
Less costs of direct benefit to donors	(14,067)	10,316			10,316
Investment dividend and interest		16,049	37,298		53,347
Investment gain		14,968	92,331		107,299
Net assets released from restrictions—					
Satisfaction of program restrictions		133,040	(133,040)		
Total revenues, gain and other support		176,793	146,582	47,663	371,038
EXPENSES:					
WV Northern Community College support:					
Scholarships/Student Assistance		34,381			34,381
Capital Improvements		14,249			14,249
Institutional Support		40,928			40,928
Management and general		15,841			15,841
Total expenses		105,399			105,399
CHANGE IN NET ASSETS		71,394	146,582	47,663	265,639
NET ASSETS—Beginning of year		402,725	907,984	316,874	1,627,583
NET ASSETS—End of year		$ 474,119	$ 1,054,566	$ 364,537	$ 1,893,222

See notes to financial statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

THE WEST VIRGINIA NORTHERN COMMUNITY COLLEGE FOUNDATION, INCORPORATED, A COMPONENT UNIT OF WEST VIRGINIA NORTHERN COMMUNITY COLLEGE
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:					
Grants and donations (as restated)		$ 5,361	$ 115,014	$ 47,344	$ 167,719
Special events fundraiser	$ 13,474				
Less costs of direct benefit to donors	(8,196)	5,278			5,278
Investment dividend and interest		16,408	28,948		45,356
Investment gain		2,145	28,239		30,384
Net assets released from restrictions—					
Satisfaction of program restrictions		50,916	(50,916)		
Total revenues, gain and other support		80,108	121,285	47,344	248,737
EXPENSES:					
WV Northern Community College support:					
Scholarships/Student Assistance		28,351			28,351
Capital Improvements		33,159			33,159
Institutional Support		35,263			35,263
Management and general		8,937			8,937
Total expenses		105,710			105,710
CHANGE IN NET ASSETS		(25,602)	121,285	47,344	143,027
NET ASSETS—Beginning of year (as restated)		428,327	786,699	269,530	1,484,556
NET ASSETS—End of year		$ 402,725	$ 907,984	$ 316,874	$ 1,627,583

See notes to financial statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 4,091,653	$ 3,827,311
Contracts and grants	6,230,160	6,452,212
Payments to and on behalf of employees	(7,877,378)	(7,417,597)
Payments to suppliers	(3,038,336)	(2,196,822)
Payments to utilities	(339,452)	(305,905)
Payments for scholarships and fellowships	(4,279,955)	(4,072,276)
Loans issued to students	(4,321,610)	(3,955,133)
Collection of loans to students	4,317,125	3,937,981
Sales and service of educational activities	230,696	145,446
Fees received from Commission	247,878	229,633
Fees assessed by the Commission for operations	(50,065)	(51,572)
Other receipts—net	782	40,306
Net cash used in operating activities	(4,788,502)	(3,366,416)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	6,565,528	6,039,628
Cash provided by noncapital financing activities	6,565,528	6,039,628
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of capital assets	(1,777,277)	(7,590,863)
Principal paid on leases	(29,710)	(27,873)
Interest paid on leases	(9,402)	(11,240)
Principal payment on debt obligation due Commission	(189,677)	(107,356)
Interest paid on obligation to Commission	(6,249)	(7,010)
Fees assessed by Commission	(34,040)	(34,782)
Bond Proceeds from Policy Commission	1,572,004	6,084,841
Decrease(increase) in noncurrent cash and cash equivalents	330,437	(423,409)
Net cash used in capital financing activities	(143,914)	(2,117,692)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on invesments	278,564	166,164
Cash provided by investing activities	278,564	166,164
INCREASE IN CASH AND CASH EQUIVALENTS	1,911,676	721,684
CASH AND CASH EQUIVALENTS—Beginning of year	4,279,249	3,557,565
CASH AND CASH EQUIVALENTS—End of year	$ 6,190,925	$ 4,279,249

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (4,955,656)	$ (5,562,304)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	954,233	643,885
Changes in assets and liabilities:		
Appropriations due from Primary Government		250,673
Accounts receivables—net	(77,823)	77,184
Loans to students—net	3,206	(5,682)
Due from Commission	737,877	72,670
Prepaid expenses	(4)	9,165
Accounts payable	(811,177)	1,140,180
Due to State of West Virginia	(15,303)	(2,315)
Due to Commission	873	(5,040)
Due to affiliates of Commission	2,055	(10,265)
Accrued liabilities	(546,297)	(65,708)
Deferred revenue	9,581	1,131
Compensated absences	(90,057)	73,220
Advances from federal sponsors	(2,612)	(10,984)
Other operating activities	2,602	27,774
NET CASH USED IN OPERATING ACTIVITIES	$ (4,788,502)	$ (3,366,416)
NONCASH TRANSACTIONS:		
Capital assets purchased through accounts payable and accrued liabilities	$ 37,460	$ 1,241,199

See notes to financial statements.

1. ORGANIZATION

West Virginia Northern Community College (the "College") is governed by the West Virginia Northern Community College Board of Governors (the "Board"). The Board was established by Senate Bill 653.

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

S.B. 448 gives the West Virginia Council for Community and Technical College Education (the "Council") the responsibility for 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 the Governmental Accounting Standards Board ("GASB"), including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* (an Amendment of GASB Statement No. 34). The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

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

Reporting Entity—The College is an operating unit of the West Virginia Higher Education Fund and represents separate funds of the State 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 the West Virginia Higher Education Policy Commission (the "Commission") (which includes West Virginia Network for Educational Telecomputing), form the Higher Education Fund of the State. The Higher Education Fund is considered a component unit of the State, and its financial statements are discretely presented in the State's comprehensive annual financial report.

The accompanying financial statements present all funds under the authority of the College. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities. A related alumni association of the College is not part of the College reporting entity and is not included in the accompanying financial statements as the College has no ability to designate management, cannot significantly influence operations of this entity and is not accountable for its fiscal matters, under GASB Statement No. 14, *The Financial Reporting Entity*.

As of July 1, 2003, the College adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, as an amendment to GASB Statement No. 14. As a result, the audited financial statements of The West Virginia Northern Community College Foundation, Incorporated (the "Foundation") are discretely presented here with the College's financial statements for the fiscal years ended June 30, 2007 and 2006. The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein (see also Note 12).

Financial Statement Presentation—GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures* establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a combined basis to focus on the College as a whole. Net assets are classified into four categories according to external donor restrictions or availability of assets for satisfaction of College obligations. The College's net assets are classified as follows:

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

b. *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 institution. These restrictions are subject to change by future actions of the West Virginia State Legislature.

c. *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, 2007 or 2006, respectively.

d. *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 expenditures when materials or services are received.

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

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the "State Treasurer") were 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 Statement No. 31, *Accounting and Financial Reporting for Certain Investments for External Investment Pools.* 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 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 five investment pools, and participant-directed accounts, in which the state and local governmental agencies invest. These pools have been structured as multi-participant variable net asset funds to reduce risk and offer investment liquidity diversification to the fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual reports. 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://wvbti.com.

Investments —The College currently holds no outside investments. Permissible investments for all agencies include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government obligations); corporate debt obligations, including commercial paper, which meet certain ratings; certain money market funds; repurchase agreements; reverse repurchase agreements; asset-backed securities; certificates of deposit; state and local government securities (SLGS); and other investments. Other investments consist primarily of investments in accordance with the Linked Deposit Program, a program using financial institutions in West Virginia to obtain certificates of deposit, loans approved by the legislature, and any other program investments authorized by the legislature.

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

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

Capital Assets—Capital assets include property, plant and equipment, books and materials that are part of a catalogued library, and infrastructure assets. 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. If material, interest on related borrowing, net of interest earnings on invested proceeds, is capitalized during the period of construction. No interest was capitalized as part of the cost of assets for the years ended June 30, 2007 and 2006. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and infrastructure, 15 years for land improvements, 7 years for library books, and 3 to 12 years for furniture and equipment. The College capitalizes all purchases of library books and uses a capitalization threshold of $1,000 for other capital assets. During fiscal year 2006, the College implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairments of Capital Assets and for Insurance Recoveries* ("GASB No 42"). The financial statements reflect all adjustments required by GASB No. 42 as of June 30, 2007 and 2006.

Deferred Revenue—Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as deferred revenue, including items such as application, orientation, and tuition fees. Financial aid and other deposits are separately classified as deposits.

Compensated Absences—The College accounts for compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. This statement requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

The College's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1-1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired July 1, 2001, or later will no longer receive sick leave credit toward insurance premiums when they retire.

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally 3-1/3 years of teaching service extend health insurance for one year of single coverage and five years extend health insurance for one year of family coverage.

The estimate of the liability for the extended health or life insurance benefit has been calculated using the vesting method in accordance with the provisions of GASB Statement No. 16. Under that method, the College has identified the accrued sick leave benefit earned to date by each employee, determined the cost of that benefit by reference to the benefit provisions, and the current cost experienced by the College for such coverage, and estimated the probability of the payment of that benefit to employees upon retirement.

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

Risk Management—The State's Board of Risk and Insurance Management ("BRIM") provides general, property and casualty, and liability coverage to the College and its employees. Such coverage is 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 the West Virginia Public Employees Insurance Agency ("PEIA") and a third-party insurer, the College has obtained health, life, prescription drug coverage, and coverage for job related injuries for its employees. In exchange for payment of premiums 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:

a. *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, (4) sales and services of educational activities.

b. *Nonoperating Revenues*—Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, such as state appropriations and investment income. Nonoperating revenues also exclude student fees, which were billed for capital improvements.

c. *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.

Federal Financial Assistance Program—The College makes loans to students under the Federal Stafford Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through universities like the College. Federal Stafford Loan receivables are not included in the College's statements of net assets, as the loans are repayable directly to the Pennsylvania Higher Education Assistance Agency. In 2007 and 2006, the College received and disbursed approximately $3.9 and $3.7 million, respectively, under the Federal Stafford Loan Program on behalf of the Pennsylvania Higher Education Assistance Agency, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net assets.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying combined financial statements. In 2007 and 2006, the College received and disbursed approximately $4.4 and $4.2 million, respectively, under these federal student aid programs.

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

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

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.

Interest Expense—The College accounts for interest expense on debt as an expense of the period in which it is incurred.

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 cash flow statement purposes.

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

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

Recent Statements Issued by the GASB—The GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* effective for fiscal years beginning after December 15, 2006. This statement provides standards for the measurement, recognition, and display of other postemployment benefit expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. 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 is required to participate in this multiple employer cost sharing plan sponsored by the State. Details regarding this plan can be obtained by contacting Public Employees Insurance Agency, State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, WV 25305-0710 or http://www.wvpeia.com. The College has not yet determined the effect that the adoption of GASB Statement No. 45 may have on the financial statements.

The GASB has issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, effective for fiscal years beginning after December 15, 2006. This statement addresses whether an exchange of an interest in expected cash flows for collecting specific receivables of specific future revenues for an immediate lump sum should be regarded as a sale or as a collateralized borrowing resulting in a liability. It establishes criteria to determine whether proceeds should be reported as revenue or a liability. The College has not yet determined the effect that the adoption of GASB Statement No. 48 may have on the financial statements.

The GASB has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for fiscal years beginning after December 15, 2007. This statement addresses the obligations of existing pollution events. It provides guidance on whether any components of a remediation should be recognized as a liability. The College has not yet determined the effect that the adoption of GASB Statement No. 49 may have on the financial statements.

The GASB has issued Statement No. 50. *Pensions Disclosures* (an amendment of GASB Statements No. 25 and No. 27), effective for fiscal years beginning after June 15, 2007. This statement more closely aligns the financial reporting requirements for pension with those for other postemployment benefits, thus enhancing the information disclosed on the notes to the financial statements or presented as required supplementary information. The College has not yet determined the effect that the adoption of GASB Statement No. 50 may have on the financial statements.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2007 and 2006, are held as follows:

2007	**Current**	**Noncurrent**	**Total**
State Treasurer	$ 6,138,627	$ 173,915	$ 6,312,542
Bank	52,298	10,729	63,027
	$ 6,190,925	$ 184,644	$ 6,375,569

2006	**Current**	**Noncurrent**	**Total**
State Treasurer	$ 4,248,900	$ 504,946	$ 4,753,846
Bank	30,349	10,135	40,484
	$ 4,279,249	$ 515,081	$ 4,794,330

Amounts held by the State Treasurer includes $173,915 and $504,946 in 2007 and 2006 restricted for capital assets. The combined carrying amounts of cash in the bank at June 30, 2007 and 2006 were $63,027 and $40,484, respectively, as compared with the combined bank balance of $121,537 and $111,428, respectively. The difference is primarily caused by items in transit and outstanding checks. The bank balances were covered by federal depository insurance or were collateralized by financial instruments held by the State's agent.

Amounts with the State Treasurer as of June 30, 2007 and 2006 are comprised of the following investment pools:

The BTI has adopted an investment policy in accordance with the "Uniform Prudent Investor Act." The "prudent investor rule" guides those with responsibility for investing the money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The BTI's investment policy 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.

Cash Liquidity Pool

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither the BTI nor any of the BTI's Consolidated Fund pools or accounts has been rated for credit risk by any organization. Of the BTI's Consolidated Fund pools and accounts which the College may invest in, three are subject to credit risk: Cash Liquidity Pool, Government Money Market Pool, and Enhanced Yield Pool.

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

The following table provides information on the credit ratings of the Cash Liquidity Pool's investments (in thousands):

	Credit Rating *		2007		2006	
Security Type	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Investments:						
Commercial paper	P1	A-1	$ 1,015,926	48.89 %	$ 943,057	54.14 %
Corporate bonds and notes	Aaa	AAA	98,999	4.76	61,992	3.56
	Aa3	AA	20,001	0.96		
	Aa3	A	23,002	1.11		
	Aa2	AA	15,000	0.72		
	Aa2	A	27,000	1.30		
	Aa1	AA	77,023	3.71		
	Aa	AA			55,063	3.16
	Aa	A			12,000	0.69
			261,025	12.56	129,055	7.41
U.S. agency bonds	Aaa	AAA	46,994	2.26	43,663	2.51
U.S. Treasury bills	Aaa	AAA	358,725	17.27	306,279	17.58
Negotiable certificates of deposit	P1	A-1	76,500	3.68	99,000	5.68
U.S. agency discount notes	P1	A-1	21,655	1.04	93,851	5.39
Money market funds	Aaa	AAA	185	0.01	758	0.04
Repurchase agreements (underlying securities):						
U.S. Treasury notes	Aaa	AAA			73,000	4.19
U.S. agency notes	Aaa	AAA	246,821	11.88	29,339	1.69
			246,821	11.88	102,339	5.88
Deposits:						
Nonnegotiable certificates of deposit	NR	NR	50,000	2.41	23,800	1.37
			$ 2,077,831	100.00 %	$ 1,741,802	100.00 %

* NR = Not Rated. See "Deposits" note at the conclusion of this footnote.

At June 30, 2007 and 2006 the College's ownership represents 0.26% and 0.16%, respectively, of these amounts held by the BTI.

Government Money Market Pool

Credit Risk

The BTI limits the exposure to credit risk in the 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.

The following table provides information on the credit ratings of the Government Money Market Pool's investments (in thousands):

	Credit Rating		2007		2006	
Security Type	**Moody's**	**S&P**	**Carrying Value**	**Percent of Pool Assets**	**Carrying Value**	**Percent of Pool Assets**
U.S. agency bonds	Aaa	AAA	$ 67,620	29.46 %	$ 21,420	11.76 %
U.S. Treasury bills	Aaa	AAA	36,379	15.85	28,346	15.56
U.S. agency discount notes	P1	A-1	74,143	32.30	112,399	61.70
Money market funds	Aaa	AAA	9	-	109	0.06
Repurchase agreements (underlying securities)						
U.S. Treasury notes	Aaa	AAA	51,400	22.39		
U.S. Treasury strips	Aaa	AAA			15,602	8.56
U.S. agency bonds	Aaa	AAA			4,298	2.36
			51,400	22.39	19,900	10.92
			$ 229,551	100.00 %	$ 182,174	100.00 %

At June 30, 2007 and 2006, the College's ownership represents 0.09% and 0.04%, respectively, of these amounts held by the BTI.

Enhanced Yield Pool

Credit Risk

The BTI limits the exposure to credit risk in the Enhanced Yield Pool by requiring all corporate bonds to be rated A- by Standards & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standards & Poor's and P1 by Moody's.

The following table provides information on the credit ratings of the Enhanced Yield Pool's investments (in thousands):

	Credit Rating		2007		2006	
Security Type	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Corporate asset backed securities	P1	A-1	$ 42,122	18.40 %	$ 46,963	17.70 %
Corporate bonds and notes	Aaa	AAA	1,667	0.73	2,448	0.92
	Aa3	AA	7,857	3.43		
	Aa3	A	3,905	1.70		
	Aa2	AA	950	0.41		
	Aa2	A	2,177	0.95		
	Aa1	AA	6,431	2.81		
	A3	A	6,958	3.04		
	A2	AA	747	0.33		
	A2	A	8,188	3.58		
	A1	AA	3,034	1.32		
	A1	A	10,706	4.68		
	Aa	AA			3,790	1.43
	Aa	A			15,660	5.90
	A	AA			3,048	1.15
	A	A			46,847	17.65
			52,620	22.98	71,793	27.05
U.S. agency bonds	Aaa	AAA	46,075	20.13	87,215	32.86
U.S. Treasury bills	Aaa	AAA			58,067	21.88
U.S. Treasury notes	Aaa	AAA	55,877	24.41		
U.S. agency mortgage backed securities	Aaa	AAA	11,741	5.13		
Repurchase agreements (underlying securities):						
U.S. agency mortgage backed securities	Aaa	AAA			1,346	0.51
U.S. agency notes	Aaa	AAA	20,485	8.95		
			20,485	8.95	1,346	0.51
			$ 228,920	100 %	$ 265,384	100.00 %

At June 30, 2007 and 2006, the College's ownership represents 0.14% and 0.55%, 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 Cash Liquidity Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase.

The following table provides information on the weighted average maturities for the various asset types in the Cash Liquidity Pool:

Security Type	2007 Carrying Value (In Thousands)	2007 WAM (Days)	2006 Carrying Value (In Thousands)	2006 WAM (Days)
Repurchase agreements	$ 246,821	2	$ 102,339	3
U.S. Treasury bills	358,725	30	306,279	32
Commercial paper	1,015,926	52	943,057	25
Certificates of deposit	126,500	76	122,800	105
U.S. agency discount notes	21,655	113	93,851	89
Corporate notes	261,025	58	129,055	77
U.S. agency bonds/notes	46,994	156	43,663	208
Money market funds	185	1	758	1
	$ 2,077,831	48	$ 1,741,802	42

The overall weighted average maturity of the investments of the Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase.

The following table provides information on the weighted average maturities for the various asset types in the Government Money Market Pool:

Security Type	2007 Carrying Value (In Thousands)	2007 WAM (Days)	2006 Carrying Value (In Thousands)	2006 WAM (Days)
Repurchase agreements	$ 51,400	2	$ 19,900	3
U.S. Treasury bills	36,379	29	28,346	42
U.S. agency discount notes	74,143	106	112,399	39
U.S. agency bonds/notes	67,620	60	21,420	152
Money market funds	9	1	109	1
	$ 229,551	49	$ 182,174	49

The overall weighted average maturity of the investments of the Enhanced Yield Pool cannot exceed 731 days. Maximum maturity of individual securities cannot exceed 1,827 days (five years) from date of purchase.

The following table provides information on the weighted average maturities for the various asset types in the Enhanced Yield Pool:

	2007		2006	
Security Type	**Carrying Value (In Thousands)**	**WAM (Days)**	**Carrying Value (In Thousands)**	**WAM (Days)**
Repurchase agreements	$ 20,485	2	$ 1,346	3
U.S. Treasury bonds/notes	55,877	1,092	58,067	894
Corporate notes	52,620	557	71,793	588
Corporate asset backed securities	42,122	421	46,963	688
U.S. agency bonds/notes	46,075	927		
U.S. agency mortgage backed securities	11,741	814	87,215	594
	$ 228,920	700	$ 265,384	672

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 Consolidated Fund pool or an 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 of one corporate issue.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. Securities lending collateral that is reported on the BTI's Statement of Fiduciary Net Assets is invested in the lending agent's money market fund in the BTI's name. In all transactions, the BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. None of the BTI’s Consolidated Fund’s investment pools or accounts holds interests in foreign currency or interests valued in foreign currency.

Deposits

Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. The Cash Liquidity Pool contains nonnegotiable certificates of deposit valued at $50,000,000, which represents 2.41% of the pool’s assets. The BTI does not have a deposit policy for custodial credit risk.

4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30, 2007 and 2006:

	2007	2006
Student tuition and fees, net of allowance for doubtful accounts of $266,818 and 250,329, respectively	$ 84,342	$ 48,521
Third party contracts receivable	12,443	19,634
Grant receivable	24,500	
Other accounts receivable	1,630	
	$ 122,915	$ 68,155

5. CAPITAL ASSETS

The following is a summary of capital asset transactions for the College for the years ended June 30, 2007 and 2006:

	2007			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 1,462,926	$	$	$ 1,462,926
Construction in Progress	759,544	380,085	(1,139,629)	
Total capital assets not being depreciated	$ 2,222,470	$ 380,085	$ (1,139,629)	$ 1,462,926
Other capital assets:				
Land improvements	$ 730,448	$ 4,998	$	$ 735,446
Infrastructure	961,159	3,350		964,509
Buildings	26,265,375	1,345,063		27,610,438
Equipment	2,966,914	463,323	(379,370)	3,050,867
Library books	1,051,373	21,833	(27,631)	1,045,575
Total other capital assets	31,975,269	1,838,567	(407,001)	33,406,835
Less accumulated depreciation for:				
Land improvements	(105,186)	(43,157)		(148,343)
Infrastructure	(662,412)	(28,532)		(690,944)
Buildings	(6,584,876)	(545,165)		(7,130,041)
Equipment	(1,877,603)	(318,108)	371,184	(1,824,527)
Library books	(984,062)	(19,271)	27,631	(975,702)
Total accumulated depreciation	(10,214,139)	(954,233)	398,815	(10,769,557)
Other capital assets—net	$ 21,761,130	$ 884,334	$ (8,186)	$ 22,637,278
Capital asset summary:				
Capital assets not being depreciated	$ 2,222,470	$ 380,085	$ (1,139,629)	$ 1,462,926
Other capital assets	31,975,269	1,838,567	(407,001)	33,406,835
Total cost of capital assets	34,197,739	2,218,652	(1,546,630)	34,869,761
Less accumulated depreciation	(10,214,139)	(954,233)	398,815	(10,769,557)
Capital assets—net	$ 23,983,600	$ 1,264,419	$ (1,147,815)	$ 24,100,204

	2006			
	Beginning Balance	**Additions**	**Reductions**	**Ending Balance**
Capital assets not being depreciated:				
Land	$ 1,462,926	$	$	$ 1,462,926
Construction in Progress	2,717,775	6,768,642	(8,726,873)	759,544
Total capital assets not being depreciated	$ 4,180,701	$ 6,768,642	$ (8,726,873)	$ 2,222,470
Other capital assets:				
Land improvements	$ 101,815	$ 628,633	$	$ 730,448
Infrastructure	961,159			961,159
Buildings	18,076,270	8,189,105		26,265,375
Equipment	2,374,639	676,570	(84,295)	2,966,914
Library books	1,110,930	21,222	(80,779)	1,051,373
Total other capital assets	22,624,813	9,515,530	(165,074)	31,975,269
Less accumulated depreciation for:				
Land improvements	(90,145)	(15,041)		(105,186)
Infrastructure	(633,898)	(28,514)		(662,412)
Buildings	(6,203,096)	(381,780)		(6,584,876)
Equipment	(1,752,197)	(200,381)	74,975	(1,877,603)
Library books	(1,046,672)	(18,169)	80,779	(984,062)
Total accumulated depreciation	(9,726,008)	(643,885)	155,754	(10,214,139)
Other capital assets—net	$ 12,898,805	$ 8,871,645	$ (9,320)	$ 21,761,130
Capital asset summary:				
Capital assets not being depreciated	$ 4,180,701	$ 6,768,642	$ (8,726,873)	$ 2,222,470
Other capital assets	22,624,813	9,515,530	(165,074)	31,975,269
Total cost of capital assets	26,805,514	16,284,172	(8,891,947)	34,197,739
Less accumulated depreciation	(9,726,008)	(643,885)	155,754	(10,214,139)
Capital assets—net	$ 17,079,506	$ 15,640,287	$ (8,736,193)	$ 23,983,600

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

At June 30, 2007, the College had no outstanding contractual commitments for property, plant, and equipment expenditures.

6. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of long-term obligations for the College as of June 30, 2007 and 2006:

	2007				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from Federal sponsor	$ 71,594	$	$ 2,612	$ 68,982	$
Capital leases payable	152,800		29,710	123,090	28,530
Accrued compensated absences	1,408,907		90,057	1,318,850	296,742
Debt obligation to Commission	312,328		189,677	122,651	25,892
Total long-term liabilities	$ 1,945,629	$	$ 312,056	$1,633,573	$ 351,164

	2006				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from Federal sponsor	$ 82,578	$	$ 10,984	$ 71,594	$
Capital leases payable	180,672		27,872	152,800	29,710
Accrued compensated absences	1,335,687	73,220		1,408,907	324,049
Debt obligation to Commission	419,684		107,356	312,328	107,677
Total long-term liabilities	$ 2,018,621	$ 73,220	$ 146,212	$1,945,629	$ 461,436

7. LEASES

The College leases equipment under operating lease agreements. Aggregate payments under these agreements approximated $169,632 and $170,132 for the years ended June 30, 2007 and 2006, respectively. Future minimum rental commitments are as follows as of June 30, 2007:

Year Ending June 30	
2008	$ 169,632
2009	163,482
2010	72,516
	$ 405,630

Included in the financial statements are $10,265 of expense for usage and maintenance fees for a library automation system provided by an affiliate for both the years ended June 30, 2007 and 2006.

The College leases land under capital lease agreements. The following is a schedule by year of future annual minimum payments required under the lease obligations existing at June 30, 2007:

Year Ending June 30	
2008	$ 35,481
2009	24,591
2010	24,591
2011	24,591
2012	24,591
2013 and thereafter	9,426
	143,271
Less interest	(20,181)
	$ 123,090

8. COMPENSATED ABSENCES

The composition of the compensated absence liability at June 30, 2007 and 2006, are as follows:

	2007	2006
Health or life insurance benefits	$ 988,293	$ 1,103,223
Accrued vacation leave	330,557	305,684
	$ 1,318,850	$ 1,408,907

The cost of health and life insurance benefits paid by the College is based on a combination of years of service and age. For the years ended June 30, 2007 and 2006, the amount paid by the College for extended health or life insurance coverage retirement benefits totaled approximately $75,844 and $64,656, respectively. As of June 30, 2007 and 2006, there were 25 and 24 retirees, respectively, currently 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, including certain facilities of the College. Financing for these facilities was provided through revenue bonds issued by the former Board of Regents or the former Boards of the College and College Systems (the “Boards”). These obligations administered by the Commission are the direct and total responsibility of the Commission, as successor to the former Boards.

The Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State College System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission effective as of June 30, 2002. During 2007 and 2006, the College paid $25,677 and $25,356 , respectively, against the debt obligation. The amount due to Commission at June 30, 2007 and 2006 is $122,651 and $148,328.

During the fiscal year ended June 30, 2003, the Commission loaned $410,000 to the College, which was non-interest bearing and payable in five annual installments of $82,000, which commenced June 15, 2004. The College has paid this $410,000 loan in full with annual installments of $82,000 on June 15, 2006, 2005 and 2004 and one installment of $164,000 on February 12, 2007.

10. UNRESTRICTED NET ASSETS

The College's unrestricted net assets of $3,821,755 and $375,983 at June 30, 2007 and 2006, has no designations for auxiliaries, repairs or any other specific designations. Therefore, the entire unrestricted net asset balance remains undesignated.

11. RETIREMENT PLANS

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

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the Great West Retirement Services ("Great West") 401(a) basic retirement plan. New hires have the choice of either plan. As of June 30, 2007 and 2006, five employees were enrolled in the Great West 401(a) basic retirement plan.

The STRS is a cost sharing, public employee retirement system. The State Legislature establishes employer and employee contribution rates annually. The College accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for both years ended June 30, 2007 and 2006, respectively. Required employee contributions were at the rate of 6% of total annual salary for both the years ended June 30, 2007 and 2006, respectively. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest 5 years' salary out of the last 15 years) multiplied by the number of years of service.

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 STRS for the years ended June 30, 2007, 2006, and 2005 were $144,019, $152,918, and $181,837, respectively, which consisted of $102,871, $109,228, and $129,884, from the College in 2007, 2006, and 2005, respectively, and $41,148, $43,690, and $51,953, from the covered employees in 2007, 2006 and 2005, respectively.

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

Total contributions to the TIAA-CREF for the years ended June 30, 2007, 2006, and 2005 were $522,490, $484,590, and $453,598, respectively, which consisted of equal contributions from the College and covered employees of $261,245 in 2007, $242,295 in 2006, and $226,799 in 2005.

Total contributions to Great West for the years ended June 30, 2007, 2006, and 2005, were $17,518, $16,839, and $2,856, respectively, which consisted of contributions of $8,759, $8,372, and $1,356, from the College in 2007, 2006 and 2005, respectively, and $8,759, $8,227, and $1,500 from the covered employees in 2007, 2006 and 2005, respectively.

The College's total payroll for the years ended June 30, 2007 and 2006 was $6,293,705 and $5,958,589, respectively; total covered employees' salaries in the STRS, TIAA-CREF, and Great West were $685,792 , $4,354,074, $145,983 and $728,185, $4,038,256, and $137,125 in 2007 and 2006, respectively.

12. FOUNDATION

The West Virginia Northern Community College Foundation, Incorporated is a separate nonprofit organization incorporated in the State and has as its purpose "…to aid, strengthen and further in every proper and useful way, the work and services of the College and its affiliated nonprofit organizations…" Oversight of the Foundation is the responsibility of a separate and independently elected Board of Trustees, not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Trustees of the Foundation employs management, forms policy and maintains fiscal accountability over funds administered by the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is therefore discretely presented with the College's financial statements in accordance with GASB Statement No. 39. Based on the Foundation's audited financial statements as of June 30, 2007 and 2006, the Foundation's net assets (including unrealized gains) totaled $1,893,222 and $1,627,583, respectively. Complete financial statements for the Foundation can be obtained from the Foundation office located in the College B&O Building, Room 101 at 1704 Market St., Wheeling, WV 26003.

During the years ended June 30, 2007 and 2006, the Foundation contributed $34,381 and $28,351, respectively, to the college for scholarships.

13. ALUMNI ASSOCIATION (UNAUDITED)

The College has a separately incorporated affiliated organization, the Alumni Association. Oversight responsibility for this entity rests with an independent board and management not otherwise affiliated with the College. Accordingly, the financial statements of this organization are not included in the College's accompanying financial statements under GASB Statement No. 14. And they are not included in the College's accompanying financial statements because they are not significant.

14. CONTINGENCIES

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

The College has had a suit filed in the West Virginia Court of Claims by a former contractor for nonpayment of alleged additional construction work that the contractor performed. The College contends that this construction work was part of the construction contract that the parties agreed upon and has responded to this litigation aggressively, disputing liability to the contractor for the work performed. The case is set for trial next year. The College estimates the range of potential liability to be between $0 to $264,000. No liability has been accrued in these financial statements for this litigation as the potential outcome cannot be presently determined. State funds are reserved from the 2004 Series B 30-Year Revenue Bond Issuance from the West Virginia Higher Education Policy Commission to cover any potential liability.

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

The College owns various buildings, which are known to contain asbestos. The College is not required by Federal, State or local law to remove the asbestos from its buildings. The College is required by Federal Environmental, Health and Safety Regulations to manage the presence of asbestos in its buildings in a safe condition. The College addresses its responsibility to manage the presence of asbestos in its buildings on a case-by-case basis. Significant problems of dangerous asbestos conditions are abated, as the condition becomes known. The College also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing or operating with the asbestos in a safe condition.

15. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the year ended June 30, 2007 and 2006, the following table represents operating expenses within both natural and functional classifications:

2007

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 3,276,211	$ 608,760	$ 573,809	$ 34,027	$	$	$	$ 4,492,807
Public service	324,942	44,561	36,931					406,434
Academic support	741,173	199,876	427,072	37,679				1,405,800
Student services	935,394	230,445	118,165					1,284,004
General institutional support	754,709	223,100	987,981	97,337				2,063,127
Operations and maintenance of plant	272,842	105,508	245,023	143,872				767,245
Student financial aid					2,328,474			2,328,474
Depreciation						954,233		954,233
Other							84,104	84,104
Total	$ 6,305,271	$ 1,412,250	$ 2,388,981	$ 312,915	$ 2,328,474	$ 954,233	$ 84,104	$ 13,786,228

2006

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 3,282,341	$ 803,258	$ 411,901	$ 33,890	$	$	$	$ 4,531,390
Public service	262,451	42,450	15,122					320,023
Academic support	754,034	215,353	583,201	33,890				1,586,478
Student services	909,293	224,643	147,528					1,281,464
General institutional support	790,683	233,055	1,172,649	87,554				2,283,941
Operations and maintenance of plant	223,740	96,929	246,060	163,461				730,190
Student financial aid					2,191,159			2,191,159
Depreciation						643,885		643,885
Other							86,353	86,353
Total	$ 6,222,542	$ 1,615,688	$ 2,576,461	$ 318,795	$ 2,191,159	$ 643,885	$ 86,353	$ 13,654,883

16. COMPONENT UNIT DISCLOSURES (FOUNDATION)

The following are the notes taken directly from the audited Foundation's financial statements:

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities

West Virginia Northern Community College Foundation, Inc. ("Foundation") is a not-for-profit corporation organized under the laws of the State of West Virginia. The Foundation is classified as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation was organized to support and assist in the development and growth of West Virginia Northern Community College ("the College") for all aspects of its programs and services and has as its purpose "…to aid, strengthen and further in every prosper and useful way, the work and services of West Virginia Northern Community College and its affiliated nonprofit organizations…" Oversight of the Foundation is the responsibility of a separate and independently elected Board of Trustees not otherwise affiliated with the College. The president of the College is a non-voting member of the Board of Trustees. In carrying out its responsibilities, the Board of Trustees of the Foundation employs management, forms policy and maintains fiscal accountability over funds administered by the Foundation. Although West Virginia Northern Community College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. During the years ended June 30, 2007 and 2006, the Foundation contributed $34,381 and $28,351, respectively, to the college for scholarships and grants.

Basis of Accounting

Assets, liabilities, revenues and expenses are recognized on the accrual basis of accounting for financial statement purposes in accordance with United States generally accepted principles.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reporting amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments, available for current use, with an initial maturity of three months or less to be cash equivalents.

Promises to Give

All contributions are recorded at their estimated fair value and are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates for United States government issues. Amortization of the discounts in included in contribution revenue. Conditional promises to give are not recorded as support until the conditions are substantially met.

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Investments

Investments in equity securities and all debt securities are reported at their fair value based upon quoted market prices.

The Foundation operates a pooled investment portfolio consisting of common trust funds for all funds. New funds or additions to existing funds are assigned a share in the common trust fund investment pool based upon the amount of cash or estimated fair value of securities deposited. Income, including unrealized appreciation or depreciation and realized capital gains and losses, are allocated to unrestricted or temporarily restricted funds depending on whether the investment was established for general operating (unrestricted) or a specific purpose (temporarily restricted.)

Notes Receivable

Notes receivable are carried at unpaid principal balances. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Net Assets

The Foundation has classified its net assets and its revenue, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Below is a summary of those classifications:

Unrestricted – Assets and contributions that are not restricted by donors or for which restrictions have expired are unrestricted.

Temporarily restricted – Assets and contributions for which the donor has imposed restrictions that permit the Foundation to use or expend the donated assets for College support according to the restriction are temporarily restricted. The restrictions are satisfied either by the passage of time or by actions of the Foundation.

Permanently restricted – Assets and contributions for which the donor stipulates that resources be maintained permanently, but permits the Foundation to use or expend part or all of the income derived from the donated assets, are permanently restricted. Such assets are comprised of investment accounts, which are subject to the restrictions of the donor requiring that the principal be invested in perpetuity. The investment income, including realized and unrealized gains and losses are recorded as temporarily restricted until they released from restrictions by disbursement according to the terms of the gift instrument.

Both temporarily and permanently restricted net assets are to be used for the support and benefit of West Virginia Northern Community College.

Prior Period Adjustments

Net assets at the beginning of July 1, 2005 have been adjusted for permanently restricted net assets that had been misclassified as temporarily restricted net assets in prior years. The correction has no effect on the results of the current year activity; however, the cumulative effect increases permanently restricted and decreases temporarily restricted net assets by $184,936.

Reclassifications

Certain amounts in the prior year have been reclassified to conform to current year classifications and for comparative purposes.

INVESTMENTS

The cost and estimated fair values of investments at June 30, 2007 and 2006 are:

	2007		2006	
	Cost	Fair Market Value	Cost	Fair Market Value
U.S. Government Agency Obligations		$ 417,806		$ 264,984
Corporate Bonds and Notes		-		-
Equity Securities		726,421		700,221
Foreign Equity		70,626		56,384
Fixed Income Mutual Funds		62,483		48,471
Common Trust Fund Balance	1,292,975	1,277,336	1,193,570	1,070,060
Cash Equivalents	407,048	407,048	319,797	319,797
	$ 1,700,023	$ 1,684,384	$ 1,513,367	$ 1,389,857

Unrealized losses on investments amount to $15,639 and $123,510 at June 30, 2007 and 2006. Investment income and gains and losses on investments are reported as increases or decreases in unrestricted net assets unless a donor or law temporarily or permanently restricts their use.

Each of the thirty-two investment funds of the Foundation is invested in a financial institution’s common trust fund. The common trust fund balance reflects the aggregate cost basis that each of these investment funds has in the financial institutions common trust fund. The common trust fund fair market value reflects the market value of individual investments held by the fund at June 30, 2007 and 2006.

The Foundation, through a trust department, invests in cash equivalents and a common trust fund, which allows the Foundation to purchase domestic and foreign equities, fixed income and equity mutual funds, U.S. Government obligations, corporate bonds and commercial paper. “The Foundation’s investment objective is to obtain maximum total return by balancing growth and income and assuming a prudent degree of risk to provide predictable income and achieve an appreciation of the capital after factoring for inflation.” It is the Foundation’s investment policy that no one company shall exceed ten percent of the equity portfolio. The Foundation cannot exceed ten percent investment in international equities and cannot be invested more than twenty-five percent in any one industry. Additionally, any fixed income investment cannot exceed ten years maturity.

UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consists primarily of receivables for the West Virginia Northern Community College Square Project Campaign and Marketing Development program. There are no allowances for uncollectible accounts at June 30, 2007 and 2006.

At June 30, 2007 and 2006 the receivable balances are as follows:

	2007	2006
Receivable in less than one year	$ 38,564	$ 18,918
Receivable in one to five years	7,351	13,733
Total unconditional promises to give	45,915	32,651
Less discount to net present value	(471)	(935)
Net unconditional promises to give at June 30, 2007 and 2006	$ 45,444	$ 31,716

NOTES RECEIVABLE

The Foundation leases land under three capital lease agreements to West Virginia Northern Community College. The following is a schedule by year of future annual minimum payments required under the lease obligations existing at June 30, 2007:

Year Ending June 30	
2008	$ 35,481
2009	24,591
2010	24,591
2011	24,591
2012	24,591
2013 and thereafter	9,426
	143,271
Less interest	(20,181)
	$ 123,090

RELATED PARTY TRANSACTIONS

A member of the Board of Trustees is employed by an entity that is affiliated with the Financial Institution that handles the Foundation's investments. This entity administers security trades for the Financial Institution.

A member of the Board of Trustees also provided legal services for the Foundation. $3,385 is payable to the member at June 30, 2007.

SPECIAL EVENT FUNDRAISERS

For June 30, 2007, the Foundation administered a fundraising event to benefit the Friends of the College groups at all three West Virginia Northern Community College campuses. Proceeds from this fundraiser were $24,383 and direct expenses were $14,067. $8,250 of the direct expense was distributed to the WV Northern Community College Culinary Arts program for providing prepared food for the event. The net proceeds were equally distributed to the three campus Friends of the College groups to distribute as scholarships.

For June 30, 2006, the Foundation held a fundraising dinner entitled "Taste of Wheeling." Proceeds from this fundraiser were $13,474 and direct expenses were $8,196. $5,049 of the direct expense was distributed to the WV Northern Community College Culinary Arts program for providing prepared food for the event.

*****

COSTANZO
& ASSOCIATES, PLLC
Certified Public Accountants

1341 National Road
P.O. Box 2050
Wheeling, WV 26003-0251
Voice: 304-242-4400
Fax: 304-242-1989
E-mail: lcostanzo@costanzocpas.com
Web Site: www.costanzocpas.com

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

To the Governing Board of
West Virginia Northern Community College:

We have audited the financial statements of West Virginia Northern Community College (the "College") as of and for the year ended June 30, 2007, and have issued our report thereon dated October 4, 2007. We conducted our audit, exclusive of the discretely presented component unit, 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. The audit of the discretely presented component unit was audited in accordance with generally accepted auditing standards but not in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our audit 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not e prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 audits, 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*.

We noted certain matters that we reported to management of the College in a separate letter dated October 4, 2007.

This report is intended solely for the information and use of the West Virginia Northern Community College Governing Board, management of the College, the West Virginia Higher Education Policy Commission, the WV Council for Community and Technical College Education, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Costanzo & Associates, PLLC

Costanzo & Associates, PLLC
Wheeling, WV
October 4, 2007