# West Virginia Northern Community College

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

# WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

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## 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, 2010 and 2009, 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's 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 respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

The Management Discussion and Analysis on pages 3 to 11 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 12, 2010, 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.

Costey + Associates, PLLC

October 12, 2010

# West Virginia Northern Community College
# Management Discussion and Analysis
# Fiscal Year Ending June 30, 2010

## Overview

West Virginia Northern Community College (WVNCC or the "College") is providing its financial statements for the fiscal year 2010, along with a comparative of fiscal years 2009 and 2008. 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, 2010, with comparisons to the two previous fiscal years (June 30, 2009 and 2008).

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 footnotes 12 and 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, 2010. 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

| | 2010 | 2009 | 2008 | Change FY 10-09 |
|---|---|---|---|---|
| Assets: | | | | |
| Current Assets | $11,176,394 | $ 8,894,916 | $ 7,685,377 | 25.65% |
| Other Noncurrent Assets | 2,177,712 | 1,616,257 | 323,106 | 34.74% |
| Capital Assets - Net | 23,618,602 | 22,894,748 | 24,410,696 | 3.16% |
| Total Assets | 36,972,708 | 33,405,921 | 32,419,179 | 10.68% |
| | | | | |
| Liabilities: | | | | |
| Current Liabilities | 1,839,914 | 1,745,518 | 1,782,943 | 5.41% |
| Noncurrent Liabilities | 1,023,913 | 214,863 | 222,004 | 376.54% |
| Total Liabilities | 2,863,827 | 1,960,381 | 2,004,947 | 46.09% |
| | | | | |
| Net Assets: | | | | |
| Invested in Capital Assets | 23,522,053 | 22,749,732 | 24,219,377 | 3.39% |
| Restricted Expendable | 2,189,852 | 1,607,763 | 295,345 | 36.20% |
| Unrestricted | 8,396,976 | 7,088,045 | 5,899,510 | 18.47% |
| Total Net Assets | $34,108,881 | $31,445,540 | $30,414,232 | 8.47% |

## Statement of Net Assets 2010 to 2009 Financial Highlights:

### *Assets*

- Current and Non-current cash and cash equivalents increased $2,842,933.
- Net Assets - Investments in Capital Assets increased by $723,854.
- Accounts Receivable increased by $71,073.
- Total Assets increased by $3,566,787.

### *Liabilities*

- Current Liabilities increased by $94,396.
- Non-current Liabilities increased by $809,050.
- Post Employment Benefits Liability increased by $870,808.
- Total liabilities increased by $903,446.

### *Comments*

An indicator that the College has sufficient resources available to meet its obligations is the current ratio (current assets to current liabilities). This ratio is calculated at 6.07 to 1 and 5.10 to 1 for 2010 and 2009 respectively, which demonstrates strong asset growth for Fiscal Year 2010.

West Virginia Northern Community College continues to maintain a strong cash position with current cash and cash equivalents representing 29% of total assets for FY 2010. The percentage increase in total assets (11%) and the percentage increase in net assets (8%) continue to show consistent growth in the College's financial position. The increase in Accounts Receivable was due primarily to providing additional payment plan opportunities to early entrance and other students. The College has added approximately $9.8 million in net fixed assets over the last 8 years.

The increase in Other Post Employment Benefits (OPEB) Liability is due to the rise in the annual OPEB cost as determined by the State's actuarial calculation. In addition, the State previously reduced these liabilities by transferring revenues from their General Fund. In FY 2010, the State directed all Universities and Colleges to account for the full amount of these OPEB liabilities without the transfer of any State general revenue funds.

## 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, 2010 compared to fiscal years ended June 30, 2009 and 2008. 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

| | 2010 | 2009 | 2008 | Change FY 10-09 |
|---|---|---|---|---|
| Total Operating Revenues | $ 5,571,740 | $ 5,782,691 | $ 4,580,552 | -3.65% |
| Total Operating Expenses | 19,248,531 | 16,023,437 | 15,318,000 | 20.13% |
| Operating Loss | (13,676,791) | (10,240,746) | (10,737,448) | 33.55% |
| Net Nonoperating Revenues | 15,829,485 | 11,272,054 | 11,714,741 | 40.43% |
| State Capital Grants (Federal) | 501,540 | - | - | |
| Capital Payments on Behalf of College | 9,107 | - | - | |
| Transfer of Assets from Commission | - | - | 25,000 | |
| Bond/Capital Proceeds from the Commission | - | - | 555,468 | |
| Increase in Net Assets Before Cumulative Effect | 2,663,341 | 1,031,308 | 1,557,761 | 158.25% |
| Change Accounting Principle-Cumulative Effect | - | - | 988,293 | 0.00% |
| Increase in Net Assets | 2,663,341 | 1,031,308 | 2,546,054 | 158.25% |
| Net Assets - Beginning of Year | 31,445,540 | 30,414,232 | 27,868,178 | 3.39% |
| Net Assets - End of Year | $ 34,108,881 | $ 31,445,540 | $ 30,414,232 | 8.47% |

**Statement of Revenues, Expenses and Changees in Net Assets 2010 to 2009 Financial Highlights:**

***Operating Revenue***

- Total Operating Revenues decreased $210,951.
- Net Student Tuition & Fees increased $202,162.
- State Contracts and Grants decreased $377,466.
- Private Contracts and Grants decreased $34,605.

***Operating Expenses***

- Total Operating Expenses increased $3,225,094.
- Salaries and Wages increased $309,205.
- Employee Benefits increased $716,355.
- Student Financial Aid increased $1,723,710.

***Non-Operating Revenues (Expenses)***

- Net Non-Operating Revenues increased by $4,657,431.
- State Appropriations decreased $350,540.
- State Stabilization funds to the College increased $525,540.
- Federal Pell Grants to student increased by $3,243,015.

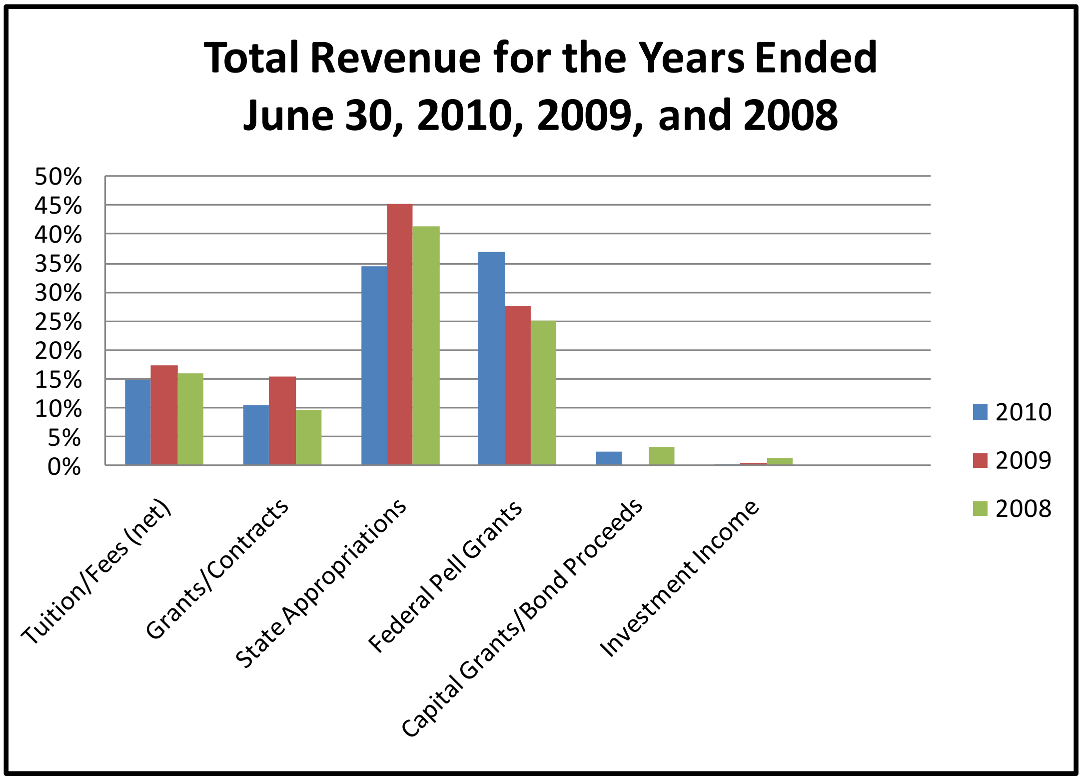
***Comments***

Total operating revenues decreased. Contract and grant revenue decreased by a larger margin than net tuition and fees increased. Gross tuition and fees increased by over $1.6 million, however netting scholarship allowances against gross tuition and fees yielded only a $202,162 increase.

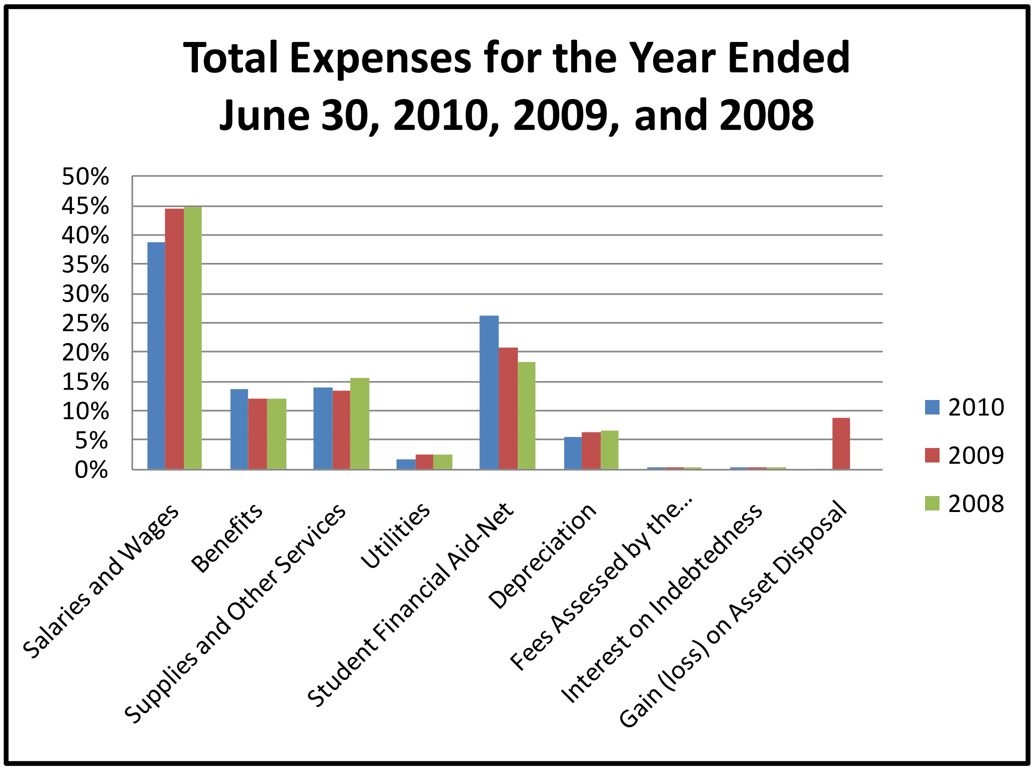
Total operating expenses increased due to an increase in financial aid disbursements and an overall 11% increase in salary & benefits. Salaries and wages increased 4% and benefits 37% over 2009. The large increase in benefits is directly related to the increase in other post employment benefits liability.

The Non-Operating Revenues increased as a result of an increase in Federal Pell Grants disbursed to students as well as the State Stabilization funds used to reimburse the College for reductions in State Appropriations.

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 $21,408,172, $17,064,235, and $16,888,639 for the years ended 2010, 2009, 2008 respectively.



The graph illustrates the operating expenses by natural classification, non-operating expenses, and percentage based on the total expenditures of $19,255,478, $16,032,927, and $15,330,878 for the years ended 2010, 2009 and 2008, 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 for 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

| | 2010 | 2009 | 2008 | Change FY 10-09 |
|---|---|---|---|---|
| Cash provided by (used in): | | | | |
| Operating Activities | $ (11,914,470) | $ (9,180,533) | $ (9,530,755) | 29.78% |
| Noncapital Financing Activities | 15,813,594 | 12,395,579 | 11,223,222 | 27.57% |
| Capital Financing Activities | (1,703,459) | (2,417,694) | (718,611) | -29.54% |
| Investing Activities | 24,420 | 102,106 | 257,601 | -76.08% |
| Increase in Cash and Cash Equivalents | 2,220,085 | 899,458 | 1,231,457 | 146.82% |
| Cash and Cash Equivalents - beginning of year | 8,321,840 | 7,422,382 | 6,190,925 | 12.12% |
| Cash and Cash Equivalents - end of year | $ 10,541,925 | $ 8,321,840 | $ 7,422,382 | 26.68% |

## Comments

The College generated positive cash flows which resulted in ending cash balance increases 26.68% and 12.12% for the years ended 2010 and 2009, respectively. The 2010 increase is supported by the increased Federal Pell Grants and State Stabilization Funds. These increases were offset by disbursements in financial aid, wages and benefits, and purchases of capital assets.

## Economic Outlook

WVNCC regional service area has a mixed economic future. Currently, Ohio and Marshall Counties have high employment and shortage of skilled workers for the existing jobs. The counties of Hancock, Brooke, Wetzel and Tyler face economic slowdowns caused by heavy industry reductions and out migration. In all areas, high school population continues to decline while the elderly population is increasing. This is a formula that will produce negative economic issues for the region.

The competition for students also increased with the region's nine higher education institutions tapping a similar customer base. WVNCC is planning to outpace the other institutions by focusing on select markets, expanding the Allied Health programs, and enhancing the technical programs. With funds provided through state initiatives, the College will purchase a flexible space site in Wheeling and add on to the Weirton Campus for technical training.

Another enrollment effort focuses on Northern's e-learning expansion. With the hiring of an Instructional Technologist, the College is committed to making a significant impact on e-learning in the region. The goal is to expand on-line courses by 25% within a year.
In addition, the College will work with current faculty to offer 10% more hybrid courses. Within two years, it is expected Northern will have three complete programs on-line.

The last initiative focuses on the adult market in terms of expanded evening and weekend courses, accelerated programs and certificates, and certification offerings. Partnerships with WVU and Bethany College will provide a pathway for our students to continue their studies after the Associate Degree while remaining on their community college campus.

WVNCC has worked diligently to establish contingency, deferred maintenance, and base budget funds. All department budgets have adequate funding, but a cautionary stance is still maintained within the budget. Increased efficiencies have permitted the College to reinvest in its infrastructure and personnel. Northern is expected to be financially stable going into the next fiscal year.

# WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

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

| | 2010 | 2009 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 10,541,925 | $ 8,321,840 |
| Accounts receivable—net | 302,028 | 230,955 |
| Interest receivable on State cash accounts | 2,933 | 2,402 |
| Due from Commission/Council | 311,662 | 310,974 |
| Loans to students—current portion | 17,844 | 17,913 |
| Prepaid expenses | 2 | 10,832 |
| Total current assets | 11,176,394 | 8,894,916 |
| NONCURRENT ASSETS: | | |
| Cash and cash equivalents | 2,155,034 | 1,583,195 |
| Loans to students, net of allowance of $93,997 and $88,510 in 2010 and 2009, respectively | 22,678 | 33,062 |
| Capital assets—net | 23,618,602 | 22,894,748 |
| Total noncurrent assets | 25,796,314 | 24,511,005 |
| TOTAL | $ 36,972,708 | $ 33,405,921 |

(Continued)

# WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

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

| | 2010 | 2009 |
|---|---|---|
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 478,488 | $ 278,535 |
| Due to State of West Virginia | 15,253 | 17,521 |
| Due to Commission | 7,555 | 1,167 |
| Accrued liabilities | 870,653 | 656,771 |
| Deferred revenue | 59,191 | 344,148 |
| Capital leases—current portion | 21,919 | 20,646 |
| Compensated absences—current portion | 358,015 | 398,908 |
| Debt obligation to Commission—current portion | 28,840 | 27,822 |
| Total current liabilities | 1,839,914 | 1,745,518 |
| NONCURRENT LIABILITIES: | | |
| Advances from federal sponsors | 58,685 | 69,685 |
| Other post employment benefits liability | 919,438 | 48,630 |
| Debt obligation to Commission | 13,241 | 42,080 |
| Capital leases | 32,549 | 54,468 |
| Total noncurrent liabilities | 1,023,913 | 214,863 |
| Total liabilities | 2,863,827 | 1,960,381 |
| NET ASSETS: | | |
| Invested in capital assets—net of related debt | 23,522,053 | 22,749,732 |
| Restricted for—expendable: | | |
| Capital projects | 2,136,871 | 1,564,485 |
| Scholarships | 52,981 | 43,278 |
| Total restricted expendable | 2,189,852 | 1,607,763 |
| Unrestricted | 8,396,976 | 7,088,045 |
| Total net assets | 34,108,881 | 31,445,540 |
| TOTAL | $ 36,972,708 | $ 33,405,921 |

See notes to financial statements (Concluded)

## WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

### WEST VIRGINIA NORTHERN COMMUNITY COLLEGE FOUNDATION, INC.
### STATEMENTS OF FINANCIAL POSITION
### AS OF JUNE 30, 2010 AND 2009

| | 2010 | 2009 |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 70,403 | $ 7,048 |
| Unconditional promises to give | 62,598 | 84,520 |
| Accounts receivable | 1,190 | |
| Notes receivable from West Virginia Northern Community College-Current | 21,919 | 20,646 |
| Investments at fair value | 1,834,516 | 1,653,171 |
| Prepaid expenses | 2,463 | 3,232 |
| Other current assets | 3,791 | 6,347 |
| Notes receivable from West Virginia Northern Community College-Long Term | 32,549 | 54,468 |
| TOTAL | $ 2,029,429 | $ 1,829,432 |

**LIABILITIES AND NET ASSETS**

| | 2010 | 2009 |
|---|---|---|
| LIABILITIES: | | |
| Accounts payable | $ 3,020 | $ 706 |
| Deferred revenue | | 4,900 |
| Total liabilities | 3,020 | 5,606 |
| NET ASSETS: | | |
| Unrestricted | 379,056 | 292,744 |
| Temporarily restricted | 1,150,533 | 1,072,256 |
| Permanently restricted | 496,820 | 458,826 |
| Total net assets | 2,026,409 | 1,823,826 |
| TOTAL | $ 2,029,429 | $ 1,829,432 |

See notes to financial statements.

# WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

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

| | 2010 | 2009 |
|---|---|---|
| OPERATING REVENUES: | | |
| Student tuition and fees - net of scholarship allowance of $3,789,600 and $2,350,421 in 2010 and 2009, respectively | $ 3,176,386 | $ 2,974,224 |
| Contracts and grants: | | |
| Federal | 166,017 | 168,116 |
| State | 1,903,709 | 2,281,175 |
| Private | 145,302 | 179,907 |
| Interest on student loans receivable | 908 | 3,432 |
| Sales and services of educational activities | 180,346 | 179,211 |
| Miscellaneous—net | (928) | (3,374) |
| Total operating revenues | 5,571,740 | 5,782,691 |
| OPERATING EXPENSES: | | |
| Salaries and wages | 7,442,401 | 7,133,196 |
| Benefits | 2,641,755 | 1,925,400 |
| Supplies and other services | 2,686,672 | 2,160,045 |
| Utilities | 332,520 | 383,817 |
| Student financial aid—scholarships and fellowships | 5,063,750 | 3,340,040 |
| Depreciation | 1,026,956 | 1,025,209 |
| Fees assessed by the Commission for operations | 54,477 | 55,730 |
| Total operating expenses | 19,248,531 | 16,023,437 |
| OPERATING LOSS | (13,676,791) | (10,240,746) |

(Continued)

# WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

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

| | 2010 | 2009 |
|---|---|---|
| NONOPERATING REVENUES (EXPENSES): | | |
| State appropriations | $ 7,360,176 | $ 7,710,716 |
| State fiscal stabilization funds (federal) | 525,540 | - |
| Federal Pell grants | 7,927,878 | 4,684,863 |
| Payments on behalf of the College | | 190,941 |
| Gain/(Loss) on disposal of assets | 39 | (1,395,574) |
| Investment income | 22,799 | 90,598 |
| Interest on indebtedness | (6,947) | (9,490) |
| Net nonoperating revenues | 15,829,485 | 11,272,054 |
| INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES | 2,152,694 | 1,031,308 |
| STATE CAPITAL GRANTS (FEDERAL) | 501,540 | |
| CAPITAL PAYMENTS MADE ON BEHALF OF COLLEGE | 9,107 | |
| INCREASE IN NET ASSETS | 2,663,341 | 1,031,308 |
| NET ASSETS—Beginning of year | 31,445,540 | 30,414,232 |
| NET ASSETS—End of year | $ 34,108,881 | $ 31,445,540 |

See notes to financial statements

(Concluded)

## WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

**WEST VIRGINIA NORTHERN COMMUNITY COLLEGE FOUNDATION, INC.**
**STATEMENTS OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2010**

| | | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|---|
| SUPPORT AND REVENUES: | | | | | |
| Grants and donations | | $ 16,614 | $ 300,579 | $ 37,994 | $ 355,187 |
| Dividend and interest income | | 9,380 | 29,078 | | 38,458 |
| Special events fundraisers | $ 24,608 | | | | |
| Less costs of direct benefits to donors | (5,851) | 18,757 | | | 18,757 |
| Investment gain | | 28,086 | 30,136 | | 58,222 |
| Net assets released from restrictions— | | | | | |
| Satisfaction of program restrictions | | 281,516 | (281,516) | | |
| Total support and revenues | | 354,353 | 78,277 | 37,994 | 470,624 |
| EXPENSES: | | | | | |
| WV Northern Community College support: | | | | | |
| Scholarships/Student Assistance | | 18,836 | | | 18,836 |
| Capital Improvements | | 54,000 | | | 54,000 |
| Institutional Support | | 145,878 | | | 145,878 |
| Fundraising | | 3,246 | | | 3,246 |
| Management and general | | 46,081 | | | 46,081 |
| Total expenses | | 268,041 | | | 268,041 |
| CHANGE IN NET ASSETS | | 86,312 | 78,277 | 37,994 | 202,583 |
| NET ASSETS—Beginning of year | | 292,744 | 1,072,256 | 458,826 | 1,823,826 |
| NET ASSETS—End of year | | $ 379,056 | $ 1,150,533 | $ 496,820 | $ 2,026,409 |

See notes to financial statements.

## WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

### WEST VIRGINIA NORTHERN COMMUNITY COLLEGE FOUNDATION, INC.
### STATEMENTS OF ACTIVITIES
### FOR THE YEAR ENDED JUNE 30, 2009

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| SUPPORT AND REVENUES: | | | | |
| Grants and donations | $ 15,822 | $ 173,609 | $ 45,533 | $ 234,964 |
| Dividend and interest income | 11,818 | 37,007 | | 48,825 |
| Investment loss | (76,378) | (145,970) | | (222,348) |
| Net assets released from restrictions— | | | | |
| Satisfaction of program restrictions | 129,188 | (129,188) | | |
| Total support and revenues | 80,450 | (64,542) | 45,533 | 61,441 |
| EXPENSES: | | | | |
| WV Northern Community College support: | | | | |
| Scholarships/Student Assistance | 24,343 | | | 24,343 |
| Capital Improvements | 49,512 | | | 49,512 |
| Institutional Support | 7,874 | | | 7,874 |
| Fundraising | 706 | | | 706 |
| Management and general | 54,055 | | | 54,055 |
| Total expenses | 136,490 | | | 136,490 |
| CHANGE IN NET ASSETS | (56,040) | (64,542) | 45,533 | (75,049) |
| NET ASSETS—Beginning of year | 348,784 | 1,136,798 | 413,293 | 1,898,875 |
| NET ASSETS—End of year | $ 292,744 | $ 1,072,256 | $ 458,826 | $ 1,823,826 |

See notes to financial statements.

# WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

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

| | 2010 | 2009 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Student tuition and fees | $ 3,037,807 | $ 2,842,796 |
| Contracts and grants | 2,311,028 | 2,224,322 |
| Payments to and on behalf of employees | (9,213,215) | (8,775,351) |
| Payments to suppliers | (2,855,732) | (2,135,628) |
| Payments to utilities | (325,656) | (381,303) |
| Payments for scholarships and fellowships | (5,063,750) | (3,340,040) |
| Loans issued to students | (91,607) | (4,308,191) |
| Collection of loans to students | 165,996 | 4,574,222 |
| Sales and service of educational activities | 180,346 | 179,211 |
| Fees assessed by the Commission for operations | (54,477) | (55,730) |
| Other receipts—net | (5,210) | (4,841) |
| Net cash used in operating activities | (11,914,470) | (9,180,533) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| State appropriations | 7,360,176 | 7,710,716 |
| State fiscal stabilization funds (federal) | 525,540 | |
| Federal Pell grants | 7,927,878 | 4,684,863 |
| Federal direct lending receipts | 5,745,342 | |
| Federal direct lending payments | (5,745,342) | |
| Net cash provided by noncapital financing activities | 15,813,594 | 12,395,579 |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES: | | |
| Purchases of capital assets | (1,584,672) | (1,708,357) |
| Proceeds on disposal of capital assets | 39 | 593,250 |
| Principal paid on leases | (20,646) | (19,446) |
| Interest paid on leases | (3,944) | (5,144) |
| Principal payment on debt obligation due Commission | (27,822) | (26,856) |
| Interest paid on obligation to Commission | (3,002) | (4,346) |
| Fees assessed by Commission | (2,220) | (2,212) |
| Bond Proceeds from Policy Commission | | 49,040 |
| State capital grants (federal) | 501,540 | |
| Capital payments made on behalf of college | 9,107 | |
| Deposits to noncurrent cash and cash equivalents | (571,839) | (1,293,623) |
| Net cash used in capital financing activities | (1,703,459) | (2,417,694) |
| CASH FLOWS FROM INVESTING ACTIVITY - Interest on investments | 24,420 | 102,106 |
| INCREASE IN CASH AND CASH EQUIVALENTS | 2,220,085 | 899,458 |
| CASH AND CASH EQUIVALENTS—Beginning of year | 8,321,840 | 7,422,382 |
| CASH AND CASH EQUIVALENTS—End of year | $ 10,541,925 | $ 8,321,840 |

(Continued)

# WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

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

| | 2010 | 2009 |
|---|---|---|
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES: | | |
| Operating loss | $ (13,676,791) | $ (10,240,746) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation expense | 1,026,956 | 1,025,209 |
| Expenses paid on behalf of the College | | 190,941 |
| Changes in assets and liabilities: | | |
| Accounts receivables—net | (71,073) | (116,027) |
| Interest receivable from State cash accounts | (531) | 11,497 |
| Due from Commission/Council | (688) | (211,184) |
| Loans to students—net | 10,453 | 6,124 |
| Prepaid expenses | 10,830 | (19) |
| Accounts payable | 201,766 | 9,248 |
| Due to State of West Virginia | (2,268) | (10,336) |
| Due to Commission | | (514) |
| Due to affiliates of Commission | 7,555 | |
| Due to Council | | (220,000) |
| Accrued liabilities | 41,024 | 33,059 |
| Deferred revenue | (284,957) | 277,937 |
| Compensated absences | (40,893) | 22,951 |
| Other post employment benefits | 870,808 | 35,870 |
| Advances from federal sponsors | (11,000) | 5,457 |
| Other | 4,339 | |
| NET CASH USED IN OPERATING ACTIVITIES | $ (11,914,470) | $ (9,180,533) |
| NONCASH TRANSACTIONS: | | |
| Capital assets purchased through accounts payable and accrued liabilities | $ 270,429 | $ 99,384 |

See notes to financial statements. (Concluded)

### 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 448 ("S.B. 448").

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

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 (generally accepted accounting principles) as prescribed by the Governmental Accounting Standards Board (GASB). The financial statement presentation required by GASB provide 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 of West Virginia (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 (WVNET)), form the Higher Education Fund of the State. The Higher Education Fund is considered a component unit of the State, and its financial statements are discretely presented in the State's comprehensive annual financial report.

The accompanying financial statements present all funds under the authority of the College. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities. A related alumni association of the College is not part of the College reporting entity and is not included in the accompanying financial statements, since 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.

The audited financial statements of West Virginia Northern Community College Foundation, Inc. (the "Foundation") are presented here as a discrete component unit with the College's financial statements in accordance with GASB. The Foundation is a separate, private, nonprofit organization that reports under FASB standards. 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 establishes standards for external financial reporting for public colleges and universities and require that financial statements be presented on a basis to focus on the College as a whole. Net assets are classified into four categories according to external donor restrictions or availability of assets for satisfaction of College obligations. The College's net assets are classified as follows:

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

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

The West Virginia Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds, by Article 10, *Fees and Other Money Collected at State Institutions of Higher Education* of the West Virginia State Code. House Bill 101 passed in March 2004 simplified the tuition and 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 Legislature.

*Restricted Net Assets, Nonexpendable*—This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College does not have any restricted nonexpendable net assets at June 30, 2010 and 2009.

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

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

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

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the "State Treasurer") are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (BTI). These funds are transferred to the BTI, and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, provisions of bond indentures, and trust agreements when applicable. Balances in the investment pools are recorded at fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or on the first day of each month for the WV Short Term Bond Pool (formerly Enhanced Yield Pool) and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

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

***Allowance for Doubtful Accounts***—It is the College's policy to provide for future losses on uncollectible accounts, contracts, grants and loans receivable based on an evaluation of the underlying account, contract, grant and loan balances; the historical collectibility experienced by the College on such balances; and such other factors that, 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 and long-term loans to students, or to maintain sinking or reserve funds, (2) to purchase capital or other noncurrent assets, or (3) permanently restricted net assets, is classified as a noncurrent asset in the statements 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 at 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, 2010 and 2009. 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. The accompanying financial statements reflect all adjustments required by GASB.

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

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

GASB provides standards for the measurement, recognition, and display of other post employment benefit (OPEB) expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. The College is required to participate in this multiple-employer, cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State of West Virginia. Details regarding this plan can be obtained by contacting West Virginia

Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston WV 25305-0710 or http://www.wvpeia.com.

These GASB statements require entities to accrue for employees' rights to receive compensation for vacation leave or payments in lieu of accrued vacation or sick leave as such benefits are earned and payment becomes probable.

The College's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1-1/2 sick-leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988, 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. This liability is now provided for under the multiple-employer, cost-sharing plan sponsored by the State.

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

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

***Risk Management***—The State's Board of Risk and Insurance Management (BRIM) provides general, property and casualty, and liability coverage to the College and its employees. Such coverage 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 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, and job-related injuries coverage.

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

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

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

*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—***For the year ended June 30, 2010, the College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students through institutions like the College. Direct student loan receivables are not included in the College's accompanying statements of net assets since the loans are repayable directly to the U.S. Department of Education. In 2010, the College received and disbursed approximately $5.7 million under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net assets.

For the year ended June 30, 2009, the College made loans to students under the Federal Stafford Loan Program. Under this program, the U.S. Department of Education made interest subsidized and nonsubsidized loans directly to students through institutions like the College. Federal Stafford loan receivables were not included in the College's accompanying statements of net assets since the loans are repayable directly to the Pennsylvania Higher Education Assistance Agency. In 2009, the College received and disbursed approximately $4.3 million, 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 financial statements. In 2010 and 2009, the College received and disbursed approximately $8.1 and $4.9 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 accompanying statements of revenues, expenses and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the student’s behalf.

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

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

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

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

***Reclassification—***Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 classifications for comparative purposes.

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

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

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

## 3. CASH AND CASH EQUIVALENTS

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

| 2010 | Current | Noncurrent | Total |
|---|---|---|---|
| State Treasurer | $ 9,862,359 | $ 2,136,872 | $ 11,999,231 |
| Bank | 679,566 | 18,162 | 697,728 |
| | $ 10,541,925 | $ 2,155,034 | $ 12,696,959 |

| 2009 | Current | Noncurrent | Total |
|---|---|---|---|
| State Treasurer | $ 8,232,486 | $ 1,564,485 | $ 9,796,971 |
| Bank | 89,354 | 18,710 | 108,064 |
| | $ 8,321,840 | $ 1,583,195 | $ 9,905,035 |

Amounts held by the State Treasurer include $2,136,872 and $1,564,485 at June 30, 2010 and 2009, respectively, restricted for capital assets. These amounts were collateralized by financial instruments held by the State's agent.

The combined carrying amounts of cash in the bank at June 30, 2010 and 2009 were $697,728 and $108,064, respectively, as compared with the combined bank balance of $708,405 and $155,383, respectively. The difference is primarily caused by items in transit and outstanding checks. The bank balances are covered by federal depository insurance or are collateralized by securities held by the State's agent.

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

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

**WV Money Market**

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

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

At June 30, 2010 and 2009, the WV Money Market Pool investments had a total carrying value of $2,876,711,000 and $2,570,261,000, of which the College's ownership represents 0.39% and 0.31%, respectively.

**WV Government Money Market Pool**

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

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

At June 30, 2010 and 2009, the WV Government Money Market Pool investments had a total carrying value of $221,183,000 and $283,826,000, of which the College's ownership represents 0.04% and 0.02%, respectively.

**WV Short Term Bond Pool**

*Credit Risk* — The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated A by Standards & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standards & Poor's and P1 by Moody's. The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands) at June 30, 2010 and 2009:

| Security Type | Credit Rating* Moody's | S&P | 2010 Carrying Value | 2010 Percent of Pool Assets | 2009 Carrying Value | 2009 Percent of Pool Assets |
|---|---|---|---|---|---|---|
| Corporate asset backed securities | Aaa | AAA | $ 24,330 | 5.37 % | $ 16,402 | 5.21 % |
| | Aaa | NR * | 10,353 | 2.28 | 5,136 | 1.63 |
| | Aa3 | AAA | 1,000 | 0.22 | 223 | 0.07 |
| | Aa2 | AAA | | | 461 | 0.15 |
| | A3 | AAA | | | 273 | 0.09 |
| | Baa2 | AAA | | | 831 | 0.26 |
| | Baa1 | BBB** | | | 332 | 0.10 |
| | Baa2 | BBB** | | | 1,376 | 0.44 |
| | Ba1 | CC** | 45 | 0.01 | | |
| | Ba2 | BB** | 219 | 0.05 | | |
| | Ba3 | AAA | | | 645 | 0.20 |
| | B1 | AAA | | | 779 | 0.25 |
| | B1 | BBB** | 605 | 0.13 | | |
| | B1 | CCC** | 857 | 0.19 | | |
| | B2 | B** | | | 493 | 0.16 |
| | B2 | CCC** | 366 | 0.08 | 539 | 0.17 |
| | B3 | AAA | | | 949 | 0.30 |
| | B3 | B** | 442 | 0.10 | | |
| | B3 | BBB** | 247 | 0.05 | | |
| | B3 | CCC** | 554 | 0.12 | | |
| | Caal | BB** | | | 254 | 0.08 |
| | Caal | CCC** | 230 | 0.05 | | |
| | Caa2 | CCC** | 779 | 0.17 | | |
| | NR * | AAA | 3,538 | 0.78 | 679 | 0.22 |
| | | | 43,565 | 9.60 | 29,372 | 9.33 |
| Corporate bonds and notes | Aaa | AAA | 72,549 | 16.00 | 47,204 | 14.99 |
| | Aaa | AA | 2,060 | 0.46 | | |
| | Aa1 | AA | 5,430 | 1.20 | 4,445 | 1.41 |
| | Aa1 | A | | | 2,052 | 0.65 |
| | Aa2 | AAA | | | 3,040 | 0.96 |
| | Aa2 | AA | 6,650 | 1.47 | 9,066 | 2.88 |
| | Aa3 | AA | 6,722 | 1.48 | | |
| | Aa3 | A | 13,850 | 3.05 | 7,831 | 2.49 |
| | A1 | AA | 15,485 | 3.41 | 4,813 | 1.53 |
| | A1 | A | 21,098 | 4.65 | 5,522 | 1.75 |
| | A2 | A | 41,093 | 9.06 | 32,040 | 10.17 |
| | A3 | A | 4,158 | 0.92 | 7,024 | 2.23 |
| | Baa3 | A | | | 2,067 | 0.66 |
| | | | 189,095 | 41.70 | 125,104 | 39.72 |
| | | | | | | .00 |
| U.S. agency bonds | Aaa | AAA | 40,180 | 8.86 | 60,250 | 19.13 |
| U.S. Treasury notes*** | Aaa | AAA | 158,423 | 34.93 | 88,805 | 28.20 |
| U.S. agency mortgage backed securities**** | Aaa | AAA | 4,540 | 1.00 | 4,975 | 1.58 |
| Money market funds | Aaa | AAA | 17,715 | 3.91 | 6,426 | 2.04 |
| | | | $ 453,518 | 100 % | $ 314,932 | 100 % |

* NR = Not Rated

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

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

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

At June 30, 2010 and 2009, the College's ownership represents 0.21% and 0.05%, respectively, of these amounts held by the BTI.

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

The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool at June 30, 2010 and 2009 (in thousands):

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

The overall weighted average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool at June 30, 2010 and 2009 (in thousands):

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

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

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

*Other Investment Risks* — Other investment risks include concentration of credit risk, custodial credit risk, and foreign currency risk. None of the BTI's Consolidated Fund's investment pools or accounts is exposed to these risks as described below.

Concentration of credit risk is the risk of loss attributed to the magnitude of the BTI's Consolidated Fund pool or account's investment in a single corporate issuer. The BTI investment policy prohibits those pools and accounts permitted to hold corporate securities from investing more than 5% of their assets in any one corporate name or one corporate issue.

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

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

*Deposits* — Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. None of the above pools contain nonnegotiable certificates of deposit. The BTI does not have a deposit policy for custodial credit risk.

## 4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2010 and 2009, are as follows:

| | 2010 | 2009 |
|---|---|---|
| Student tuition and fees, net of allowance for doubtful accounts of $335,720 and $308,912, respectively | $ 293,304 | $ 206,922 |
| Third party contracts receivable | 8,724 | 23,931 |
| Other accounts receivable | | 102 |
| | $ 302,028 | $ 230,955 |

## 5. CAPITAL ASSETS

Capital asset transactions for the years ended June 30, 2010 and 2009 are as follows:

| | 2010 | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance |
| Capital assets not being depreciated: | | | | |
| Land | $ 1,412,926 | $ - | $ - | $ 1,412,926 |
| Construction in Progress | 125,526 | 874,000 | (52,543) | 946,983 |
| Total capital assets not being depreciated | $ 1,538,452 | $ 874,000 | $ (52,543) | $ 2,359,909 |
| Other capital assets: | | | | |
| Land improvements | $ 738,067 | $ - | $ - | $ 738,067 |
| Infrastructure | 972,959 | 1,800 | - | 974,759 |
| Buildings | 24,966,123 | 97,936 | - | 25,064,059 |
| Equipment | 3,417,398 | 806,077 | (60,730) | 4,162,745 |
| Library books | 967,459 | 23,540 | (49,991) | 941,008 |
| Total other capital assets | 31,062,006 | 929,353 | (110,721) | 31,880,638 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (235,613) | (43,664) | - | (279,277) |
| Infrastructure | (749,310) | (29,310) | - | (778,620) |
| Buildings | (5,858,817) | (510,670) | - | (6,369,487) |
| Equipment | (1,976,645) | (421,735) | 60,730 | (2,337,650) |
| Library books | (885,325) | (21,577) | 49,991 | (856,911) |
| Total accumulated depreciation | (9,705,710) | (1,026,956) | 110,721 | (10,621,945) |
| Other capital assets—net | $ 21,356,296 | $ (97,603) | $ - | $ 21,258,693 |
| Capital asset summary: | | | | |
| Capital assets not being depreciated | $ 1,538,452 | $ 874,000 | $ (52,543) | $ 2,359,909 |
| Other capital assets | 31,062,006 | 929,353 | (110,721) | 31,880,638 |
| Total cost of capital assets | 32,600,458 | 1,803,353 | (163,264) | 34,240,547 |
| Less accumulated depreciation | (9,705,710) | (1,026,956) | 110,721 | (10,621,945) |
| Capital assets—net | $ 22,894,748 | $ 776,397 | $ (52,543) | $ 23,618,602 |

| | 2009 | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance |
| Capital assets not being depreciated: | | | | |
| Land | $ 1,462,926 | $ - | $ (50,000) | $ 1,412,926 |
| Construction in Progress | 628,822 | 799,260 | (1,302,556) | 125,526 |
| Total capital assets not being depreciated | $ 2,091,748 | $ 799,260 | $ (1,352,556) | $ 1,538,452 |
| Other capital assets: | | | | |
| Land improvements | $ 738,067 | $ - | $ - | $ 738,067 |
| Infrastructure | 972,959 | - | - | 972,959 |
| Buildings | 27,844,162 | 1,431,199 | (4,309,238) | 24,966,123 |
| Equipment | 3,298,191 | 554,570 | (435,363) | 3,417,398 |
| Library books | 944,312 | 29,012 | (5,865) | 967,459 |
| Total other capital assets | 33,797,691 | 2,014,781 | (4,750,466) | 31,062,006 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (191,949) | (43,664) | - | (235,613) |
| Infrastructure | (720,010) | (29,300) | - | (749,310) |
| Buildings | (7,692,483) | (541,898) | 2,375,564 | (5,858,817) |
| Equipment | (2,004,303) | (389,155) | 416,813 | (1,976,645) |
| Library books | (869,998) | (21,192) | 5,865 | (885,325) |
| Total accumulated depreciation | (11,478,743) | (1,025,209) | 2,798,242 | (9,705,710) |
| Other capital assets—net | $ 22,318,948 | $ 989,572 | $ (1,952,224) | $ 21,356,296 |
| Capital asset summary: | | | | |
| Capital assets not being depreciated | $ 2,091,748 | $ 799,260 | $ (1,352,556) | $ 1,538,452 |
| Other capital assets | 33,797,691 | 2,014,781 | (4,750,466) | 31,062,006 |
| Total cost of capital assets | 35,889,439 | 2,814,041 | (6,103,022) | 32,600,458 |
| Less accumulated depreciation | (11,478,743) | (1,025,209) | 2,798,242 | (9,705,710) |
| Capital assets—net | $ 24,410,696 | $ 1,788,832 | $ (3,304,780) | $ 22,894,748 |

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, 2010, the College had outstanding contractual commitments of approximately $99,700 for property, plant, and equipment expenditures.

## 6. LONG-TERM LIABILITIES

Long-term obligation transactions for the College for the year ended June 30, 2010 and 2009, are as follows:

| | 2010 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| Advances from federal sponsors | $ 69,685 | $ | $ 11,000 | $ 58,685 | |
| Accrued compensated absences | 398,908 | | 40,893 | 358,015 | $ 358,015 |
| OPEB Liability | 48,630 | 870,808 | | 919,438 | |
| Capital leases payable | 75,114 | | 20,646 | 54,468 | 21,919 |
| Debt obligation to Commission | 69,902 | | 27,821 | 42,081 | 28,840 |
| Total long-term liabilities | $ 662,239 | $ 870,808 | $ 100,360 | $ 1,432,687 | |

| | 2009 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| Advances from federal sponsors | $ 64,228 | $ 5,457 | $ | $ 69,685 | |
| Accrued compensated absences | 375,957 | 22,951 | | 398,908 | $ 398,908 |
| Capital leases payable | 94,560 | | 19,446 | 75,114 | 20,646 |
| OPEB Liability | 12,760 | 35,870 | | 48,630 | |
| Debt obligation to Commission | 96,759 | | 26,857 | 69,902 | 27,822 |
| Total long-term liabilities | $ 644,264 | $ 64,278 | $ 46,303 | $ 662,239 | |

## 7. LEASES

The College leases equipment and building space under operating lease agreements. Aggregate payments under these agreements approximated $117,963 and $193,482 for each of the years ended June 30, 2010 and 2009, respectively. Future annual minimum lease payments on operating leases for years subsequent to June 30, 2010, are as follows:

| Year Ending June 30 | |
|---|---|
| 2011 | $ 103,926 |
| 2012 | 91,925 |
| 2013 | 91,925 |
| 2014 | 91,925 |
| 2015 | 45,963 |
| | $ 425,664 |

Included in the financial statements is $10,265 of lease expense for usage and maintenance fees for a library automation system provided by an affiliate for both the years ended June 30, 2010 and 2009.

The College leases land under capital lease agreements. Future annual minimum lease payments for years subsequent to June 30, 2010, are as follows:

| Year Ending June 30 | | |
|---|---|---|
| 2011 | $ | 24,591 |
| 2012 | | 24,591 |
| 2013 | | 9,426 |
| | | 58,608 |
| Less interest | | (4,140) |
| | $ | 54,468 |

## 8. OTHER POST EMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA, based upon actuarial determined amounts. At June 30, 2010 and 2009, the noncurrent liability related to OPEB costs was $919,438 and $48,630, respectively. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was $1,154,941 and $232,449, respectively, during 2010 and $489,921 and $264,042, respectively, during 2009. As of the year ended June 30, 2010, there were 22 retirees receiving these benefits.

## 9. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

The College is a State institution of higher education. It receives a State appropriation to finance a portion of 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 education and general capital fees (previously 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. During 2010 and 2009, the College paid $27,822 and $26,856, respectively, against the debt obligation. The amount due to Commission at June 30, 2010 and 2009 is $42,081 and $69,902.

During December 2009, the Commission, on behalf of the Council, issued $78,295,000 of Community and Technical Colleges Improvement Revenue Bonds, 2009 Series A (the "2009 Bonds"). The proceeds of the 2009 Bonds will be used to finance the acquisition, construction, equipping, or improvement of community and technical college facilities in West Virginia. The bond projects listed in the bond offering for the 2009 Bonds proposes bond funding of $6,000,000 for the College. As of June 30, 2010, $9,107 has been recognized by the College. State lottery funds will be used to repay the debt.

## 10. UNRESTRICTED NET ASSETS

The College's unrestricted net assets at June 30, 2010 and 2009, include certain designated net assets, as follows:

| | 2010 | 2009 |
|---|---|---|
| Designated for capital repairs and improvements | $ 2,000,000 | $ |
| Undesignated | 7,316,414 | 7,136,675 |
| Total unrestricted net assets before OPEB liability | 9,316,414 | 7,136,675 |
| Less: OPEB liability | 919,438 | 48,630 |
| Total unrestricted net assets | $ 8,396,976 | $ 7,088,045 |

## 11. RETIREMENT PLANS

Substantially all full-time employees of the College participate in either the West Virginia State 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.

The STRS is a cost-sharing, defined-benefit public employee retirement system. Employer and employee contribution rates are established annually by the State Legislature. The contractual maximum contribution rate is 15%. The College's contributions to the STRS were at the rate of 15% of each enrolled employee's total annual salaries for the years ended June 30, 2010 and 2009. Required employee contributions were at the rate of 6% of total annual salaries for the years ended June 30, 2010 and 2009. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest 5 years salary out of the last 15 years) multiplied by the number of years of service.

Total contributions to the STRS for the years ended June 30, 2010, 2009, and 2008 were $103,248, $129,904, and $138,990, respectively, which consisted of $73,749, 92,789, and $99,279, from the College in 2010, 2009, and 2008, respectively, and $29,499, $37,115, and $39,711, from the covered employees in 2010, 2009 and 2008, respectively.

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

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

Total contributions to the TIAA-CREF for the years ended June 30, 2010, 2009, and 2008 were $617,832, $594,258, and $547,308, respectively, which consisted of equal contributions from the College and covered employees of $308,916 in 2010, 297,129 in 2009, and $273,654 in 2008.

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the Educators Money 401(a) Basic Retirement Plan (the "Educators Money"). New hires have the choice of either plan.

Total contributions to Educators Money for the years ended June 30, 2010, 2009, and 2008, were $19,332, $17,558, and $13,846, respectively, which consisted of contributions of $9,666, 8,779, and $6,923, from the College in 2010, 2009 and 2008, respectively, and $9,666, $8,779, and $6,923, from the covered employees in 2010, 2009 and 2008, respectively.

The College's total payroll for the years ended June 30, 2010 and 2009 was $7,442,000 and $7,133,000, respectively; total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were $491,657, $5,146,074, $161,097 and $618,591, $4,951,863, $146,319 in 2010 and 2009, respectively.

## 12. FOUNDATION

The West Virginia Northern Community College Foundation, Inc. is a separate nonprofit organization incorporated in the State and its mission "…seeks, receives and manages private funds to increase the College's capabilities in the areas of institutional development, professional development, capital facilities and equipment, and financial assistance to students." 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 oversees 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. Based on the Foundation's audited financial statements as of June 30, 2010 and 2009, the Foundation's net assets (including unrealized gains) totaled $2,026,409 and $1,823,826, respectively. Complete financial statements for the Foundation can be obtained from the Foundation office located in the College B&O Building, Room 122 at 1704 Market St., Wheeling, WV 26003.

During the years ended June 30, 2010 and 2009, the Foundation contributed $218,714 and $81,729, respectively, to the college for scholarships, capital improvements, and institutional support.

## 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 the blended component requirements. They are not included in the College's accompanying financial statements under directly presented component unit requirements as, they (1) are not material or (2) have dual purposes (i.e. not entirely or almost entirely for the benefit of the College).

## 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 affect the financial position of the College.

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

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities that have been recorded in the financial statements as of June 30, 2010 or 2009.

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 manner. 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 manner.

## 15. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the year ended June 30, 2010 and 2009, the following table represents operating expenses within both natural and functional classifications:

| 2010 | Salaries and Wages | Benefits | Supplies and Other Services | Utilities | Scholarships and Fellowships | Depreciation | Fees Assessed by | Total |
|---|---|---|---|---|---|---|---|---|
| Instruction | $ 4,201,042 | $ 1,737,022 | $ 824,125 | $ 39,079 | $ | $ | $ | $ 6,801,268 |
| Public service | 42,132 | 16,101 | 40,534 | | | | | 98,767 |
| Academic support | 427,009 | 87,789 | 275,356 | 39,078 | | | | 829,232 |
| Student services | 718,095 | 196,513 | 89,869 | | | | | 1,004,477 |
| General institutional support | 1,794,785 | 501,357 | 882,953 | 100,523 | | | | 3,279,618 |
| Operations and maintenance of plant | 259,338 | 102,973 | 543,794 | 153,840 | | | | 1,059,945 |
| Student financial aid | | | | | 5,063,750 | | | 5,063,750 |
| Depreciation | | | | | | 1,026,956 | | 1,026,956 |
| Other | | | | | | | 84,518 | 84,518 |
| Total | $ 7,442,401 | $ 2,641,755 | $ 2,656,631 | $ 332,520 | $ 5,063,750 | $ 1,026,956 | $ 84,518 | $ 19,248,531 |

| 2009 | Salaries and Wages | Benefits | Supplies and Other Services | Utilities | Scholarships and Fellowships | Depreciation | Fees Assessed by | Total |
|---|---|---|---|---|---|---|---|---|
| Instruction | $ 3,905,594 | $ 1,001,205 | $ 421,688 | $ 45,756 | $ | $ | $ | $ 5,374,243 |
| Public service | 42,072 | 14,628 | 143,651 | | | | | 200,351 |
| Academic support | 376,850 | 84,885 | 227,778 | 45,756 | | | | 735,269 |
| Student services | 723,480 | 194,045 | 129,932 | | | | | 1,047,457 |
| General institutional support | 1,831,203 | 532,389 | 578,095 | 118,878 | | | | 3,060,565 |
| Operations and maintenance of plant | 253,997 | 98,248 | 629,832 | 173,427 | | | | 1,155,504 |
| Student financial aid | | | | | 3,340,040 | | | 3,340,040 |
| Depreciation | | | | | | 1,025,209 | | 1,025,209 |
| Other | | | | | | | 84,799 | 84,799 |
| Total | $ 7,133,196 | $ 1,925,400 | $ 2,130,976 | $ 383,817 | $ 3,340,040 | $ 1,025,209 | $ 84,799 | $ 16,023,437 |

## 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. (the "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. The Foundation's mission "…seeks, receives and manages private funds to increase the College's capabilities in the areas of institutional development, professional development, capital facilities and equipment, and financial assistance to students." 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 oversees 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, 2010 and 2009, the Foundation contributed $18,836 and $24,343, respectively, to the college for scholarships and grants.

Basis of Accounting - The Foundation financial statements have been prepared on the accrual basis of accounting in accordance with United States of America generally accepted principles (GAAP).

Basis of Presentation - The Foundation reports its financial position and activities according to standards established by the Financial Accounting Standards Board (FASB). Accordingly, the Foundation has classified its net assets and its revenue, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Under FASB, the Foundation is required to report its financial position and activities according to three classes of net assets. 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 funds 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 endowment funds, 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 are 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.

<u>Use of Estimates</u> - 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.

<u>Cash and cash equivalents</u> - 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.

<u>Contributions</u> - 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 or permanently 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.

Contributions of donated noncash assets are recorded at fair value in the period received. Donated services are recognized as contributions at their fair values in the period received in accordance with FASB, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

<u>Promises to Give</u> - 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 is 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.

<u>Investments</u> - 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.

## UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist primarily of receivables for the marketing and development, Middle College and scholarship programs at June 30, 2010 and 2009. There are no allowances for uncollectible accounts at June 30, 2010 and 2009 as all unconditional promises to give are expected to be collected in full.

At June 30, 2010 and 2009 the receivable balances are as follows:

| | 2010 | 2009 |
|---|---|---|
| Receivable in less than one year | $ 57,660 | $ 64,990 |
| Receivable in one to five years | 5,000 | 20,160 |
| Total unconditional promises to give | 62,660 | 85,150 |
| Less discount to net present value | (62) | (630) |
| Net unconditional promises to give | $ 62,598 | $ 84,520 |

The discount rates used on long-term promises to give were based on risk-free rates of return at June 30, 2010 and 2009.

## NOTES RECEIVABLE

The Foundation leases land under two 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, 2010:

| Year Ending June 30 | |
|---|---|
| 2011 | $ 24,591 |
| 2012 | 24,591 |
| 2013 | 9,426 |
| | 58,608 |
| Less interest | (4,140) |
| | $ 54,468 |

## INVESTMENTS

The cost and estimated fair values of investments at June 30, 2010 and 2009 are:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Cost | Fair Market Value | Cost | Fair Market Value |
| U.S. Government Agency Obligations | | $ 529,970 | | $ 251,695 |
| Corporate Bonds and Notes | | 52,458 | | 47,604 |
| Equity Securities | | 670,072 | | 612,804 |
| Foreign Equity | | 58,747 | | 55,597 |
| Fixed Income Mutual Funds | | 123,225 | | 115,429 |
| Common Trust Fund Balance | 1,684,939 | 1,434,472 | 1,395,783 | 1,083,129 |
| Cash Equivalents | 400,044 | 400,044 | 570,042 | 570,042 |
| | $ 2,084,983 | $ 1,834,516 | $ 1,965,825 | $ 1,653,171 |

Unrealized losses on investments amount to $250,467 and $312,654 at June 30, 2010 and 2009, respectively. Investment income and gains and losses on investments are reported as an increase or decrease in unrestricted net assets unless a donor or law temporarily or permanently restricts their use.

Nineteen of the Twenty-Two Foundation investment funds are 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, 2010 and 2009.

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.

The spending policy states that income available for spending is determined by the Allocation Committee, unless the investment fund has a legal document stipulating otherwise. For scholarships, the Allocation Committee calculates 3% of the three year rolling fair market value average to determine the amount of student assistance available. Capital spending and institutional development spending is discretionary depending on adequate funding sources to maintain the expenditure level of the program. All income and appreciation not needed to meet the spending needs will be reinvested.

## FAIR VALUE OF FINANCIAL INSTRUMENTS

The Foundation follows FASB standard for using fair value to measure financial assets and financial liabilities. This standard applies whenever other standards require or permit assets or liabilities to be measured at fair value.

FASB establishes a three level hierarchy based on pricing availability in measuring fair values for assets and liabilities. These three levels are:

> Level I – Quoted market prices are available in active trading markets for identical assets or liabilities as of the report date.
>
> Level II – Pricing inputs other than quoted market prices are available in active trading markets as of the report date. These assets or liabilities have prices available but are traded less frequently, or are fair valued using other financial instruments, the parameters of which can be directly observed.
>
> Level III – Assets or liabilities have little or no pricing observability as of the report date. These items are usually measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

The Foundation reports all investments at their fair value as of June 30, 2010 and 2009 under Level I of the hierarchy totaling $1,834,516 and $1,653,171, respectively. The Foundation holds no investments as of June 30, 2010 and 2009 under Levels II or III.

## TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Net assets were temporarily and permanently restricted for the following purposes at June 30, 2010 and 2009:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Temporarily Restricted | Permanently Restricted | Temporarily Restricted | Permanently Restricted |
| Scholarships/Student Assistance | $ 849,069 | $ 496,820 | $ 698,308 | $ 458,826 |
| Capital Projects | 27,942 | - | 23,656 | - |
| Institutional Support | 273,522 | - | 350,292 | - |
| Totals | $ 1,150,533 | $ 496,820 | $ 1,072,256 | $ 458,826 |

## ENDOWMENTS

The Foundation discloses its endowment funds under the provisions of FASB, which provides guidance on the net asset classification of donor-restricted and board designated endowment funds for a nonprofit organization subject to an enacted version of the *Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA).* The state of West Virginia has adopted the provisions of the UPMIFA.

The Foundation's endowment consists of two individual funds established for scholarships. Its endowment is donor-restricted only. The Foundation holds no Board of Trustees designed endowments. As required by GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation Board of Trustees has interpreted the UPMIFA as requiring the preservation of the fair value of the original contribution as of the contribution date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets, (a) the original value of contributions donated to the permanent endowment, and (b) the original value of subsequent contributions to the permanent endowment. Accumulations of interest, dividends, and market appreciation made in accordance with the direction of the applicable endowment instrument are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation allocation committee in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to spend or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. Possible effects of inflation/deflation
5. Expected total return from income and the appreciation of investments
6. Other financial resources of the Foundation
7. Foundation investment policies (see footnote #4)

Endowment Net Asset composition as of June 30, 2010 and 2009 is as follows:

| **Endowment Net Assets Composition** | **2010** | **2009** |
|---|---|---|
| Unrestricted | $ (26,493) | $ (44,747) |
| Temporarily restricted | 14,062 | 10,011 |
| Permanently restricted | 496,820 | 458,826 |
| **Total Funds** | $ 484,389 | $ 424,090 |

| **Description of Amounts Classified as Temporarily and Permanently Restricted Net Assets** | **2010** | **2009** |
|---|---|---|
| **Permanently Restricted Net Assets** | | |
| Portion of perpetual endowment funds required to be retained by donor stipulation or UPMIFA | $ 496,820 | $ 458,826 |
| **Temporarily Restricted Net Assets** | | |
| Term endowment funds | $ 14,062 | $ 10,011 |
| Portion of perpetual endowment funds subject to purpose restrictions | - | - |
| **Total** | $ 14,062 | $ 10,011 |

Changes in Endowment Net Assets for the years ended June 30, 2010 and 2009 are as follows:

| **June 30, 2010** | **Unrestricted** | **Temporarily Restricted** | **Permanently Restricted** | **Total** |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ (44,747) | $ 10,011 | $ 458,826 | $ 424,090 |
| Investment return: | | | | |
| Investment income | - | 10,782 | | 10,782 |
| Net depreciation (realized and unrealized) | 18,254 | 1,889 | | 20,143 |
| Total investment return | 18,254 | 12,671 | - | 30,925 |
| Contributions | - | 5,000 | 37,994 | 42,994 |
| Appropriation of endowment assets for expenditure | - | (13,620) | - | (13,620) |
| **Endowment net assets, end of year** | $ (26,493) | $ 14,062 | $ 496,820 | $ 484,389 |

| **June 30, 2009** | **Unrestricted** | **Temporarily Restricted** | **Permanently Restricted** | **Total** |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ - | $ 16,761 | $ 413,293 | $ 430,054 |
| Investment return: | | | | |
| Investment income | | 12,145 | | 12,145 |
| Net depreciation (realized and unrealized) | (44,747) | (20,700) | | (65,447) |
| Total investment return | (44,747) | (8,555) | - | (53,302) |
| Contributions | - | 10,000 | 45,533 | 55,533 |
| Appropriation of endowment assets for expenditure | - | (8,195) | - | (8,195) |
| **Endowment net assets, end of year** | $ (44,747) | $ 10,011 | $ 458,826 | $ 424,090 |

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted perpetual endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $26,493 and $44,747 as of June 30, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations during fiscal years ended June 30, 2010 and 2009.

Return Objectives and Risk Parameters – The Foundation's Board of Trustees has adopted investment and spending policies for endowment assets similar to those as described in investment footnote #4 identified for all investments of the Foundation. Such policies attempt to provide a predictable stream of funding the scholarship programs supported by its endowment while trying to achieve appreciation in excess of inflation rates. Actual returns in any given year may vary from this objective.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objective, Foundation investment strategies rely on a total return philosophy in which returns are achieved through both realized and unrealized capital appreciation and current investment yields. The Foundation seeks diversification of investments with an emphasis on equity-based investments to achieve this objective.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Foundation has a spending policy of appropriating 3% of the three-year rolling fair market value investment average. The Foundation expects the current spending policy to allow its endowment to grow in excess of this spending level. This is consistent with the Foundation's objective to maintain the donor-required level of perpetual duration or for a specified term as well as to provide for additional real growth through new contributions and investment return.

## SPECIAL EVENTS FUNDRAISERS

Various special events fundraisers were held during the year. Gross revenues and direct expenses related to those events are as follows at June 30, 2010:

| | Golf Scramble | Auction | Social Networking | Total |
|---|---|---|---|---|
| Special event revenue | $ 22,128 | $ 1,825 | $ 655 | $ 24,608 |
| Less: Costs of direct benefit to donors | (5,710) | (101) | (40) | (5,851) |
| | $ 16,418 | $ 1,724 | $ 615 | $ 18,757 |

## RELATED PARTY TRANSACTIONS

A member of the Board of Trustees also provided legal services for the Foundation. $225 and $143 was paid to the member's law firm for the fiscal years ended June 30, 2010 and 2009, respectively.

## SUBSEQUENT EVENTS

The Foundation assessed events occurring subsequent to June 30, 2010, through the date of this report for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements which were available to be issued September 17, 2010.

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

To the Governing Board of
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, 2010, and have issued our report thereon dated October 12, 2010. 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 conducted 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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*.

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.

Costey + Associates, PLLC

October 12, 2010