

Bridgemont Community and Technical College

Financial Statements
Years Ended June 30, 2012 and 2011

and

Independent Auditors' Reports

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3 – 4
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)	5 – 15
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2012 AND 2011:	
Statements of Net Assets	16
Statements of Revenues, Expenses, and Changes in Net Assets	17
Statements of Cash Flows	18
Notes to Financial Statements	19 – 40
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 <i>GOVERNMENT AUDITING STANDARDS</i>	41 – 42

INDEPENDENT AUDITORS' REPORT

Board of Governors
Bridgemont Community and
Technical College
Montgomery, West Virginia

We have audited the accompanying financial statements of the business-type activities, of Bridgemont Community and Technical College (the College), as of and for the year ended June 30, 2012, which collectively comprise the College's financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of the College as of and for the year ended June 30, 2011 were audited by other auditors whose report dated December 9, 2011, expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of the College, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2012, 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 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.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "Seittle & Stalnakar, PLLC".

Charleston, West Virginia
October 23, 2012

**Management's Discussion and Analysis
Year Ended June 30, 2012****History**

Bridgemont Community and Technical College ("Bridgemont" or the "College") is a West Virginia ("WV or State") supported institution within the West Virginia Council for Community and Technical College Education (the "Council"). Bridgemont offers certificate and associate-degree programs primarily in technical and health areas and customized training in these respective fields through workforce development. Until February 2004, the College was a component of West Virginia University Institute of Technology, ("WVU Tech") a regional campus of West Virginia University ("WVU"). WVU Tech operated two components, the baccalaureate component and the community and technical college component. The community and technical college component became independently accredited by the Higher Learning Commission of the North Central Association (the "Commission") while still under the WVU Tech Board of Governors. In accordance with House Bill 3215 passed by the West Virginia State Legislature (the "Legislature") in the 2008 session, Bridgemont became a separate entity effective July 1, 2008, and received net assets transferred from WVU as of this date. Effective July 1, 2008, House Bill 3215 provided the College with a separate governing board. In May 2009, the College's Board of Governors officially changed the college name to Bridgemont Community and Technical College. Effective July 1, 2009, Bridgemont began operating as a separate college completing the transition from an administratively linked college.

Overview

The Management's Discussion and Analysis is required supplementary information and has been prepared in accordance with the requirements of Governmental Accounting Standards Board ("GASB") standards. This section of Bridgemont's annual financial report provides an overview of the College's financial performance during the fiscal years ended June 30, 2012, 2011, and 2010, with a focus on 2012. A comparative analysis is presented for fiscal year 2012 compared to fiscal year 2011.

Bridgemont's annual report consists of three basic financial statements: the statement of net assets, the statement of revenues, expenses, and changes in net assets, and the statement of cash flows. These statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole. Each of these statements is discussed below.

Financial Highlights

At June 30, 2012, Bridgemont's total net assets were \$6,811,880 representing an increase of \$3,211,239 in net assets. This increase in net assets was primarily attributable to increases in amounts paid on behalf of the College for capital assets partially offset by increases in deferred revenue and Other Post Employment Liabilities ("OPEB").

Management's Discussion and Analysis
Year Ended June 30, 2012

Total operating revenues decreased by more than 12% over prior year primarily due to decreases in student tuition and fees and nongovernmental grants and contracts. Total operating expenses increased by over 2% over prior year mainly because of increases in salaries and wages and depreciation offset by a decrease in scholarships and fellowships and net service agreement expenses to WVU. Net nonoperating revenue decreased by a nearly 1.5% primarily due to decreases in state fiscal stabilization funds and federal Pell grant revenue offset by the increase in State appropriations.

Net Assets

The statement of net assets presents the assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities) of the College as of the end of the fiscal year. Assets denote the resources available to continue the operations of the College. Liabilities indicate how much the College owes vendors, employees, and lenders. Net assets measure the equity or the availability of funds of the College for future periods.

Net Assets are displayed in three major categories:

Invested in capital assets, net of related debt. This category 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. This category includes net assets, the use of which is restricted, either due to externally imposed constraints or because of restrictions imposed by law. They are further divided into two additional components — nonexpendable and expendable. Nonexpendable restricted net assets include endowment and similar type funds for 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. Expendable restricted net assets include resources for which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net assets. This category includes resources that are not subject to externally imposed stipulations. Such resources are derived primarily from tuition and fees (not restricted as to use), state appropriations, and sales and services of educational activities. Unrestricted net assets are used for transactions related to the educational and general operations of the College and may be designated for specific purposes by action of the College's management or the Board of Governors.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
Management's Discussion and Analysis
Year Ended June 30, 2012

Condensed Schedules of Net Assets

	<u>As of June 30</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets			
Current assets	\$ 2,775,604	\$ 2,404,524	\$ 2,620,482
Noncurrent assets	<u>9,043,996</u>	<u>4,488,613</u>	<u>4,089,216</u>
Total assets	<u>\$ 11,819,600</u>	<u>\$ 6,893,137</u>	<u>\$ 6,709,698</u>
Liabilities			
Current liabilities	\$ 2,742,819	\$ 1,958,431	\$ 2,284,093
Noncurrent liabilities	<u>2,264,901</u>	<u>1,334,065</u>	<u>1,015,346</u>
Total liabilities	<u>\$ 5,007,720</u>	<u>\$ 3,292,496</u>	<u>\$ 3,299,439</u>
Net assets (Deficit)			
Invested in capital assets	\$ 7,580,880	\$ 3,569,698	\$ 3,052,803
Restricted for:			
Nonexpendable	50,000	50,000	50,000
Expendable	-	-	74,530
Unrestricted (Deficit)	<u>(819,000)</u>	<u>(19,057)</u>	<u>232,926</u>
Total net assets	<u>\$ 6,811,880</u>	<u>\$ 3,600,641</u>	<u>\$ 3,410,259</u>

Total 2012 assets increased by \$4,926,463 over 2011 and \$5,109,902 over 2010. The primary reasons for this increase in 2012 compared with 2011 (which also had a similar impact to the increase in total assets from 2012 to 2010) are as follows:

- Capital assets, net increased by \$4,583,025 primarily due to the addition in construction in process for the Davis Hall renovations project and purchase of some grant-funded equipment.
- Due from the Council/Commission increased by \$520,926 primarily related to the receipt of two WV Advanced grants totaling \$543,600

Total liabilities in 2012 increased by \$1,715,224 compared with 2011 and increased by \$1,708,281 compared with 2010. The primary reasons for this increase in 2012 compared with 2011 (which also had a similar impact to the increase in total assets from 2012 to 2010) are as follows:

- The OPEB liability increased by \$432,640 primarily due to the continued lack of State contributions for the last three years in the West Virginia Retiree Health Benefit Trust Fund (the "Trust") on behalf of Bridgemont. The OPEB liability represents Bridgemont's accumulated unpaid annual required contribution to the Trust established by the WV State Legislature. The Trust accumulates and manages funds for retiree health benefits under a defined benefit cost sharing multiple employer OPEB plan. The Public Employees Insurance Agency ("PEIA") has been assigned the responsibility for the administration of the Trust. PEIA invoices the participants

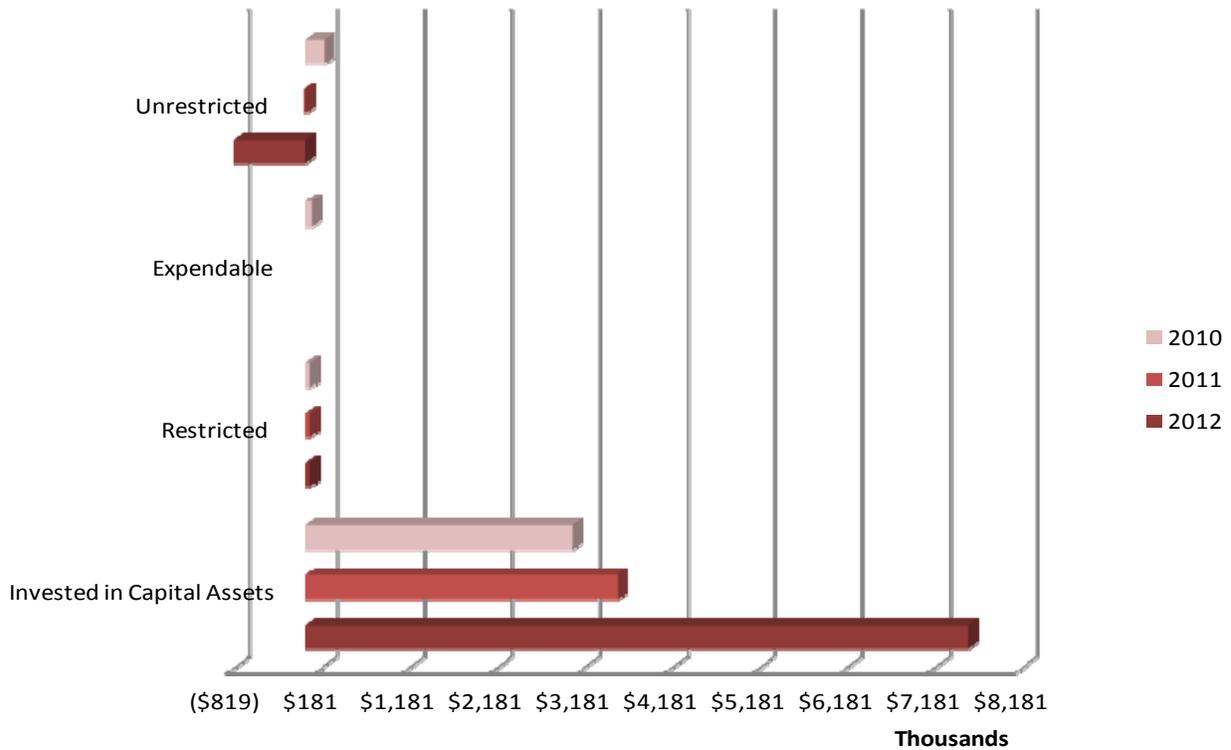
BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
Management's Discussion and Analysis
Year Ended June 30, 2012

in the State's OPEB plan, including the College, on a monthly basis, its contractually required contribution based on current health insurance policyholders.

- Deferred revenue increased \$395,391 primarily attributable to increases in unearned grants revenue primarily related to the late awarding in the fiscal year of new grant funds.
- Leases payable both current and long-term increased for a total of \$315,017 due to the entering into a new lease for virtualization and remaining final payment of digital signage payable.
- Debt payable both current and long-term to the Commission increased by a total of \$326,333 and College System reflected final payment of old system debt; however the College entered into new system debt of \$410,000 to help fund some of the renovations for Davis Hall.
- Accrued liabilities increased by \$235,305 primarily related to the increase in accrued payroll, from increased pay rates and additional personnel.

The following is a comparative illustration of net assets.

Total Net Assets
As of June 30, 2012, 2011, and 2010



BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
Management's Discussion and Analysis
Year Ended June 30, 2012

Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets presents the operating revenues, operating expenses, nonoperating revenues and expenses, and other revenues, expenses, gains, or losses of Bridgemont for each fiscal year.

State appropriations, while budgeted for operations, are considered and reported as operating revenues. This is because State appropriations are provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues. Likewise, Pell grants are reported as nonoperating, because of specific guidance in the American Institute of Certified Public Accountants industry audit guide.

Student tuition and fees are reported net of scholarship discounts and allowances. Financial aid to students is reported using the National Association of College and University Business Officers alternative method. Under this method certain aid, such as loans and federal direct lending, is accounted for as a third party payment, while all other aid is reflected either as operating expenses or scholarship allowances, which reduce 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.

Condensed Schedules of Revenues, Expenses, and Changes in Net Assets

	<u>As of June 30</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Revenues	\$ 3,458,938	\$ 3,949,876	\$ 3,335,190
Operating Expenses	<u>9,670,092</u>	<u>9,447,797</u>	<u>9,026,714</u>
Operating Loss	(6,211,154)	(5,497,921)	(5,691,524)
Net Nonoperating Revenues	<u>5,260,904</u>	<u>5,339,918</u>	<u>5,147,950</u>
Income (Loss) before Other Revenues, Expenses, Gains or Losses	(950,250)	(158,003)	(543,574)
Capital Grants and Gifts and Payments on Behalf	4,161,489	339,416	862,215
Transfer of Net Assets from WVSU	<u>-</u>	<u>8,969</u>	<u>38,964</u>
Increase (Decrease) in Net Assets	3,211,239	190,382	357,605
Net Assets at Beginning of Year	<u>3,600,641</u>	<u>3,410,259</u>	<u>3,052,654</u>
Net Assets and End of Year	<u>\$ 6,811,880</u>	<u>\$ 3,600,641</u>	<u>\$ 3,410,259</u>

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
Management's Discussion and Analysis
Year Ended June 30, 2012

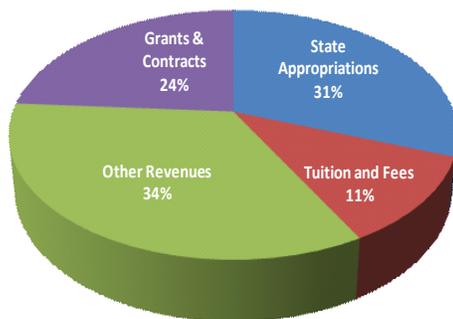
Operating revenue decreased in FY 2012 by \$490,938 over FY 2011 and increased by \$123,748 over FY 2010. Operating expenses continued to increase reflecting a \$222,295 increase over FY 2011 and a \$643,378 increase over FY 2010 resulting in a FY 2012 net operating loss of more than \$713,233 compared with FY 2011 but less of an increase compared with FY 2010 of \$519,630. Net nonoperating revenue decreased in FY 2012 by \$79,014 compared with FY 2011 but increased by \$112,954 compared with FY 2010.

The pie charts below reflect the percentage allocation of total revenue from all sources in FY 2012 compared with FY 2011. Following these charts is a discussion regarding the changes in FY 2012 revenue compared with FY 2011.

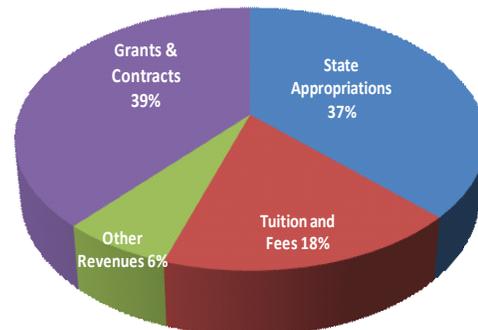
Revenues:

The following charts illustrate the composition of revenues by source for 2012 and 2011.

TOTAL REVENUES
For the Year Ended June 30, 2012



TOTAL REVENUES
For the Year Ended June 30, 2011



Some highlights of the changes in FY 2012 revenues compared with FY 2011 are as follows:

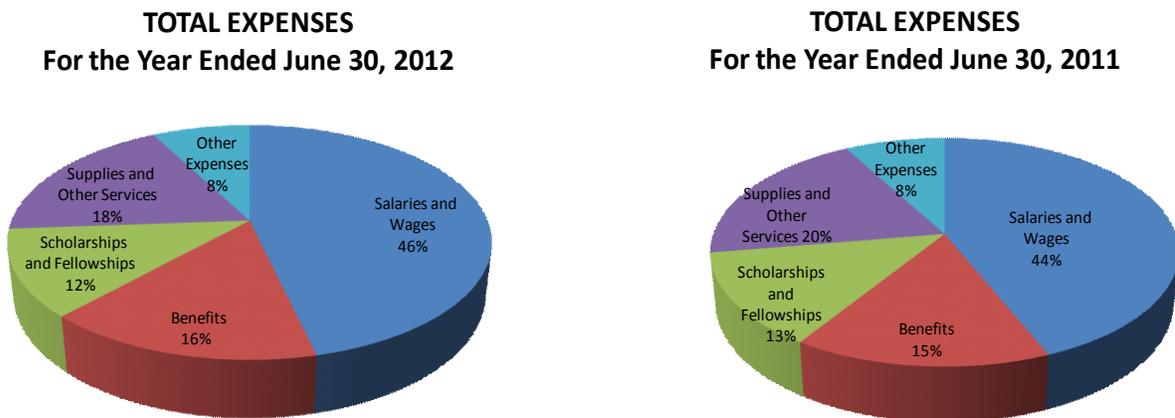
- Other revenues increased by \$3,767,492 over previous year primarily related to the increase in capital payments made on behalf of Bridgemont of \$3,303,807 due to the bond funds payments for the Davis Hall renovations. The college also received an increase in capital grants and gifts of \$202,302 from previous year and Capital projects and bond proceed from the Commission of \$315,964.
- State appropriations increased by \$351,779 due to the restoration of the previous year budget reduction that was back filled by Federal American Recovery and Reinvestment Act funds for \$299,834, which was reported as State Fiscal Stabilization Funds. State appropriations in total increased in FY 2012 compared with FY 2011 by \$52,576 for a 2% salary increase.
- Grants and contracts revenue decreased by \$640,698 primarily related to the decrease in nongovernmental grants and contracts of \$249,201 and the State fiscal stabilization funds of \$299,834.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
Management's Discussion and Analysis
Year Ended June 30, 2012

- Net tuition and fee revenue decreased by \$227,033 primarily related to an increase in third party contracts at reduced tuition rates and a reduction in non-resident tuition and fees rates with level enrollment.

Expenses:

The following is a graphic illustration of total expenses by source for fiscal years 2012 and 2011.



Total expenses for fiscal year 2012 were \$9,678,119, an increase of \$221,734 over FY 2011. Some highlights of the changes in FY 2012 expenses compared with FY 2011 are as follows:

- Salaries and wages increased by \$343,391 primarily in faculty salaries related to final payment of faculty equity, classified staff step increases required by statute, and some additional grant funded new personnel.
- Service agreement expense decreased by \$134,455 due to the reduction of purchased services primarily related to less residence halls rooms reserved than in FY 2011.
- Depreciation increased by \$121,485 primarily related to the purchase of additional depreciable assets.
- Scholarship and fellowship expenses decreased by \$102,107 mainly due to decreases in third party scholarships (primarily Pell).

Management's Discussion and Analysis
Year Ended June 30, 2012

Cash Flows

The statement of cash flows provides information about the cash receipts, cash payments, and net change in cash resulting from the operating, investing, and financing activities (capital and noncapital) 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 five sections:

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

Cash flows from noncapital financing activities. This section reflects the cash received and paid for nonoperating, noninvesting, and noncapital financing purposes.

Cash flows from capital 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.

Reconciliation of operating loss to net cash used in operating activities. This section provides a schedule that reconciles the accrual-based operating income (loss) and net cash used in operating activities.

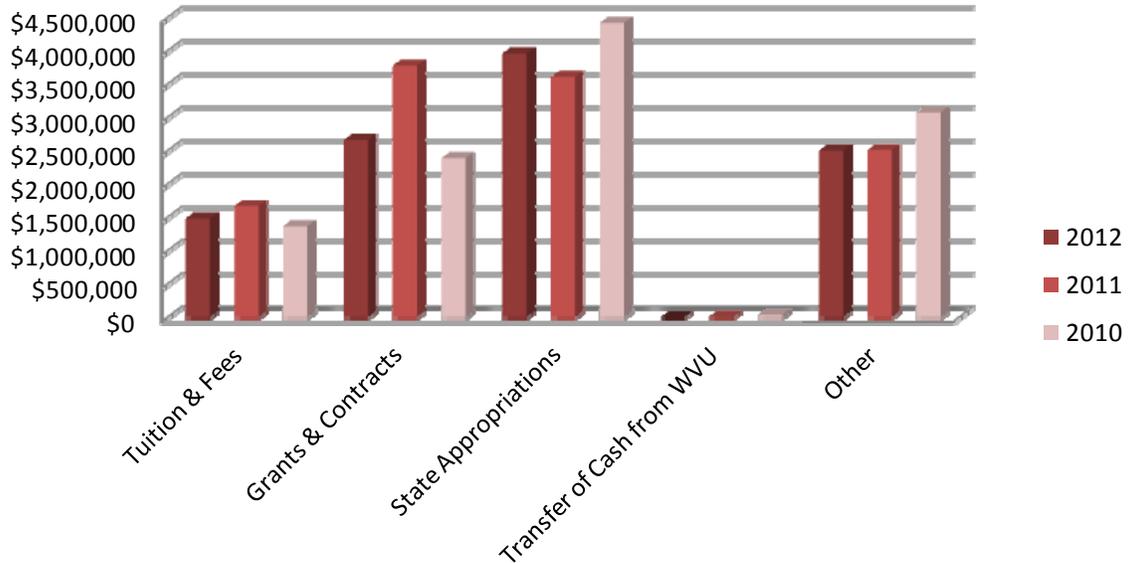
Condensed Statements of Cash Flows

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Cash provided by (used in):			
Operating activities	\$ (5,451,393)	\$ (4,903,721)	\$ (5,594,366)
Noncapital financing activities	5,266,902	5,353,831	5,968,712
Capital and related financing activities	(215,767)	(416,100)	(423,843)
Investing activities	<u>1,875</u>	<u>4,119</u>	<u>4,892</u>
Increase (decrease) in Cash and Cash Equivalents	(398,383)	38,129	(44,605)
Cash and cash equivalents, beginning of year	<u>2,183,073</u>	<u>2,144,944</u>	<u>2,189,549</u>
Cash and cash equivalents, end of year	<u>\$ 1,784,690</u>	<u>\$ 2,183,073</u>	<u>\$ 2,144,944</u>

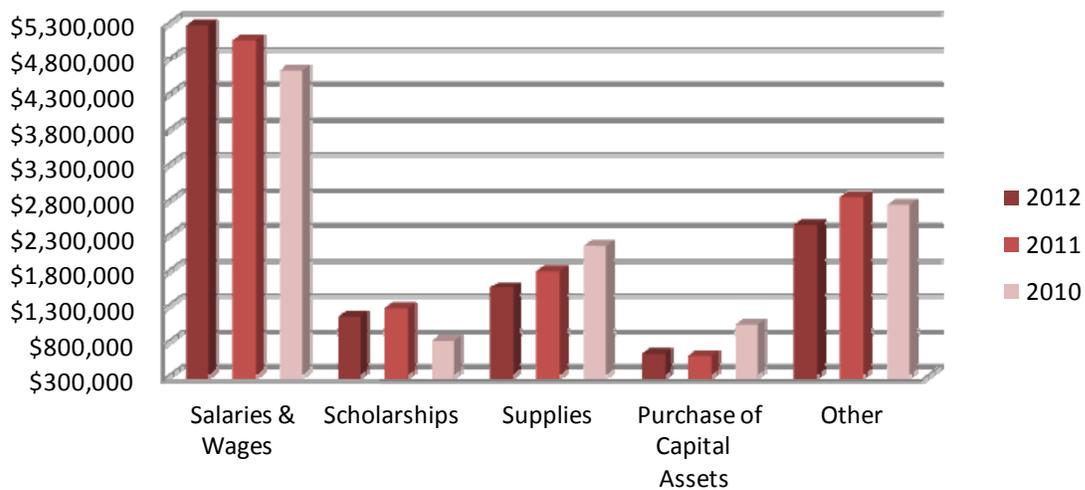
BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
Management's Discussion and Analysis
Year Ended June 30, 2012

The following graphs illustrate the sources and uses of cash:

SOURCES OF CASH
Fiscal Years 2012, 2011, and 2010



USES OF CASH
Fiscal Years 2012, 2011, and 2010



**Management's Discussion and Analysis
Year Ended June 30, 2012****Capital Asset and Long Term Debt Activity**

During FY 2011, more of the construction in progress projects were completed, transferred to capital assets, and the College began depreciating these assets. The HVAC project began in FY 2010 and completed in FY 2011 along with the Davis Hall Roof replacement. The Davis Hall Renovations project began during FY 2011 with \$230,427 spent during FY 2011 and remained in construction in progress. The scope of the project expanded allowing completion of additional critically needed deferred maintenance during these renovations. Funding came from the remaining portion of the \$3 million system debt along with an additional \$1.75 million from special lottery revenue originally set aside for debt service payment.

During FY 2012, the College purchased additional classroom and student furniture related to the Davis Hall Renovations project, equipment funded by a lease and additional grant funded equipment. Substantially more of the Davis Hall Renovations project was spent, \$4,157,389 reflected in construction in progress. The project is slightly behind schedule, the project is scheduled to be completed in the Fall term of 2012.

Bridgemont made the final debt service payments associated with debt issued by the WV Higher Education Policy Commission. System debt associated with the Council's \$3.0 million bond funds are being paid through lottery funds. Bridgemont also entered into additional system debt, \$410,000 to help fund additional renovations related to the Davis Hall Renovations Project. Payment of this debt is over the next five years for \$340,000, and \$70,000 over the next ten years.

Economic Outlook

The financial position of Bridgemont Community and Technical College (Bridgemont) is closely tied to that of the State of West Virginia. However, legislative changes have occurred over the last decade resulting in more autonomy and control over all operations of the College. Enrollment has been stable for the past few years with the exception of fiscal year 2010. In Fall of 2009, with the marketing launch of the new College name, Bridgemont experienced a 10 percent increase in headcount enrollment. Bridgemont continues to maintain this increase in headcount. The College is dependent upon tuition and fee revenue to maintain the large percentage of high-cost technical programs; however the rate of tuition increases has been contained as much as possible. Bridgemont's 2010-2015 strategic plan proposed a cumulative cap of 5 percent in tuition and fees over this time frame to increase competitiveness with other community colleges and ensure access to more individuals. For the past three year, including new fiscal year 2012-13, Bridgemont's tuition rates have been held constant.

Faculty and staff rely on external funding, primarily through State grants and contracts, to initiate new academic programs and workforce initiatives. Grants and contracts provide essential start-up money with sustainability of initiatives created through enrollment. Several projects are being proposed for the use of Federal grants available for community and technical college education. Another revenue enhancement began with the establishment of the Bridgemont Community and Technical College Foundation ("Foundation"). The Foundation Board is in place and received Tax-exempt status from the IRS on March 1, 2011. Foundation assets have all been transferred from the Tech Foundation which now allows Bridgemont staff to directly work with donors to enhance external funding in support of the College. As of June 30, 2012 the total endowed and non-endowed funds amounted to over \$466,000.

**Management's Discussion and Analysis
Year Ended June 30, 2012**

With the change in governance and administrative service structure, Bridgemont continues to achieve cost savings. The State Budget Office projections for fiscal year 2014 state appropriations are projected to be below that of 2013. Should this projection for fiscal year 2014 State revenue occur and Bridgemont experiences a reduction in state appropriations, the College has developed plans to address this reduction. Bridgemont will continue to pursue cost efficiencies through careful consideration of filling any current and new vacancies, determining the applicability of part-time versus full-time employees and contractual versus permanent employees. Joint appointments with other colleges are being used to contain personnel costs. Enhanced recruitment activities and projects are on-going to increase the tuition and fee revenue stream through enrollment. Also Bridgemont may be required to raise tuition in fiscal year 2014 should state appropriations be reduced to avoid impacting critical operations of the College.

Through strategic planning for energy efficiencies in buildings, cost containment with sustainability measures, careful deliberation on personnel decisions, enhanced grant activity, encouraging external gifting through a newly established Foundation, and focus on student recruitment and retention, the leadership of the College is consistently engaged in a solution-focused dialogue designed to meet future economic challenges. These changes will result in cost savings and revenue enhancements to the College to provide for greater financial stability. The College is also focused on expanding enrollment through increased on-line offerings, expansion of class offerings at the new South Charleston location in the WW Regional Technology Park, and continued development of industry partnership such as the recent Toyota Advanced Manufacturing program and customized training through the Workforce Development Division.

Requests for Information

The financial report is designed to provide an overview of the finances of the College for those with an interest in this organization. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Bridgemont Community and Technical College at 619 2nd Avenue, Montgomery, WV 25136.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011

16

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,729,984	\$ 2,095,336
Accounts receivable — net of allowances for doubtful accounts of \$113,741 and \$183,940 in 2012 and 2011, respectively	384,877	169,371
Due from the Council/Commission	660,743	139,817
	<hr/>	<hr/>
Total current assets	2,775,604	2,404,524
	<hr/>	<hr/>
NONCURRENT ASSETS:		
Cash and cash equivalents	54,706	87,737
Other assets	310,200	304,811
Capital assets — net	8,679,090	4,096,065
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Total noncurrent assets	9,043,996	4,488,613
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TOTAL	\$ 11,819,600	\$ 6,893,137
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LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 220,227	\$ 182,155
Service agreement payable to WVU	53,809	12,000
Accrued liabilities	458,627	223,322
Deposits	700	2,100
Deferred revenue	1,636,846	1,241,455
Due to the Council/Commission	27,615	56,350
Compensated absences	125,441	95,142
College system debt owed to the Commission	-	29,506
Debt payable to the Commission — current portion	75,000	42,667
Leases payable — current portion	104,554	33,734
Notes payable to WVU — current portion	40,000	40,000
	<hr/>	<hr/>
Total current liabilities	2,742,819	1,958,431
	<hr/>	<hr/>
NONCURRENT LIABILITIES:		
Other post employment benefits liability	1,386,245	953,605
Debt payable to the Commission	294,000	-
Leases payable	464,656	220,460
Notes payable to WVU	120,000	160,000
	<hr/>	<hr/>
Total noncurrent liabilities	2,264,901	1,334,065
	<hr/>	<hr/>
TOTAL	\$ 5,007,720	\$ 3,292,496
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NET ASSETS		
INVESTED IN CAPITAL ASSETS — Net of related debt	\$ 7,580,880	\$ 3,569,698
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RESTRICTED FOR:		
Nonexpendable — other	50,000	50,000
	<hr/>	<hr/>
UNRESTRICTED DEFICIT	(819,000)	(19,057)
	<hr/>	<hr/>
TOTAL	\$ 6,811,880	\$ 3,600,641
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The Accompanying Notes Are An Integral
Part Of These Financial Statements

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 YEARS ENDED JUNE 30, 2012 AND 2011

17

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowances of \$688,387 and \$699,171 in 2012 and 2011, respectively	\$ 1,462,657	\$ 1,689,690
Federal grants and contracts	28,708	36,571
State grants and contracts	1,462,124	1,463,939
Nongovernmental grants and contracts	319,875	569,076
Sales and services of educational departments	24,332	-
Auxiliary enterprises — net of scholarship allowances of \$85,082 and \$95,342 in 2012 and 2011, respectively	159,592	189,189
Other operating revenues	<u>1,650</u>	<u>1,411</u>
Total operating revenues	<u>3,458,938</u>	<u>3,949,876</u>
OPERATING EXPENSES:		
Salaries and wages	4,480,706	4,137,315
Benefits	1,511,680	1,450,538
Scholarships and fellowships	1,156,148	1,258,255
Utilities	205,323	203,491
Supplies and other services	1,568,504	1,643,053
Depreciation	348,367	226,882
Assessments by the Commission for operations	37,484	31,928
Net service agreement expense to WVU	<u>361,880</u>	<u>496,335</u>
Total operating expenses	<u>9,670,092</u>	<u>9,447,797</u>
OPERATING LOSS	<u>(6,211,154)</u>	<u>(5,497,921)</u>
NONOPERATING REVENUES (EXPENSES):		
State appropriations	3,959,682	3,607,883
State fiscal stabilization funds (federal)	-	299,834
Federal Pell grants	1,270,763	1,352,748
Investment income	2,029	3,644
Interest on capital asset-related debt	(8,027)	(8,588)
Credit from the Commission for debt service	<u>36,457</u>	<u>84,397</u>
Net nonoperating revenues	<u>5,260,904</u>	<u>5,339,918</u>
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(950,250)	(158,003)
CAPITAL GRANTS AND GIFTS	309,220	106,918
CAPITAL BOND PROCEEDS FROM THE COMMISSION	315,964	-
CAPITAL PAYMENTS MADE ON BEHALF OF BRIDGEMONT	<u>3,536,305</u>	<u>232,498</u>
INCREASE IN NET ASSETS BEFORE TRANSFERS	3,211,239	181,413
TRANSFER OF NET ASSETS FROM WVU	<u>-</u>	<u>8,969</u>
INCREASE IN NET ASSETS	3,211,239	190,382
NET ASSETS — Beginning of year	<u>3,600,641</u>	<u>3,410,259</u>
NET ASSETS — End of year	<u>\$ 6,811,880</u>	<u>\$ 3,600,641</u>

The Accompanying Notes Are An Integral
 Part Of These Financial Statements

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

18

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 1,485,510	\$ 1,673,027
Grants and contracts	1,393,940	2,125,009
Payments to and on behalf of employees	(5,266,215)	(5,056,752)
Payments to suppliers	(1,551,355)	(1,791,594)
Payments to utilities	(206,763)	(201,258)
Payments for scholarships and fellowships	(1,138,973)	(1,258,255)
Auxiliary enterprise charges	158,798	189,629
Sales and service of educational departments	26,220	17,478
Payments of operating expenses to WVU	(320,071)	(569,077)
Other payments	(32,484)	(31,928)
	<u>(5,451,393)</u>	<u>(4,903,721)</u>
Net cash used in operating activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	3,959,682	3,607,883
State fiscal stabilization funds (federal)	-	299,834
Federal Pell grants	1,270,763	1,352,748
Federal student loan program — direct lending receipts	1,666,914	1,832,065
Federal student loan program — direct lending payments	(1,666,914)	(1,832,065)
Credit from the Commission for debt service	36,457	84,397
Transfer of cash from WVU	-	8,969
	<u>5,266,902</u>	<u>5,353,831</u>
Net cash provided by noncapital financing activities		
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
State capital grants (federal) received	-	45,001
Payments on Commission debt	(113,173)	(157,202)
Capital gifts and grants received	309,220	106,918
Purchases of capital assets	(625,337)	(362,229)
Payments on notes payable to WVU	(40,000)	(40,000)
Payments on leases payable	(44,734)	-
Bond proceeds from the Commission	306,284	-
Interest paid on capital debt and leases	(8,027)	(8,588)
	<u>(215,767)</u>	<u>(416,100)</u>
Net cash used in capital financing activities		
CASH FLOWS FROM INVESTING ACTIVITY		
Investment income	1,875	4,119
	<u>(398,383)</u>	<u>38,129</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS — Beginning of year	2,183,073	2,144,944
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 1,784,690</u>	<u>\$ 2,183,073</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (6,211,154)	\$ (5,497,921)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	348,367	226,882
Changes in assets and liabilities:		
Accounts receivable — net	(215,504)	280,434
Due from the Council/Commission	(520,773)	(6,100)
Other assets	(5,389)	(54,771)
Accounts payable	38,071	(123,551)
Accrued liabilities	235,305	148,511
Deposits	(1,400)	500
Deferred revenue	395,391	(139,114)
Service agreement payable to WVU	41,809	(72,743)
Due to the Council/Commission	(19,055)	(74,500)
OPEB liability	432,640	414,626
Compensated absences	30,299	(5,974)
	<u>\$ (5,451,393)</u>	<u>\$ (4,903,721)</u>
Net cash used in operating activities		
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:		
Cash and cash equivalents classified as current	\$ 1,729,984	\$ 2,095,336
Cash and cash equivalents classified as noncurrent	54,706	87,737
	<u>\$ 1,784,690</u>	<u>\$ 2,183,073</u>
NONCASH TRANSACTIONS — Capital payments made on behalf of Bridgemont	\$ 3,536,305	\$ 232,498

The Accompanying Notes Are An Integral
Part Of These Financial Statements

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

1. ORGANIZATION

Bridgemont Community and Technical College (“Bridgemont”) is governed by the Bridgemont Community and Technical College Board of Governors (the “Board”). The Board was established by House Bill 3215 (“H.B. 3215”), effective July 1, 2008, which clarified and redefined relationships between and among certain higher education boards and institutions.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Bridgemont have been prepared in accordance with generally accepted accounting principles as prescribed by Governmental Accounting Standards Board standards (GASB). The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of Bridgemont’s assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

Reporting Entity — Bridgemont is an operating unit of the West Virginia Higher Education Fund and represents separate funds of the State that are not included in the State’s general fund. Bridgemont is a separate entity, which, along with all State institutions of higher education, the Council and 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 Bridgemont. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from Bridgemont’s ability to significantly influence operations and accountability for fiscal matters of related entities. Related foundations of Bridgemont are not part of Bridgemont’s reporting entity and are not included in the accompanying financial statements as Bridgemont has no ability to designate management, cannot significantly influence operations of these entities, and is not accountable for the fiscal matters of the foundations and other affiliates under GASB blended component unit requirements.

The related foundations of Bridgemont do not meet the criteria for inclusion as a component unit of Bridgemont under discretely presented component unit requirements and, as a result, are not included in these financial statements (see Note 13).

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

20

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and Cash Equivalents — For purposes of the statement of net assets, Bridgemont 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 "Treasurer") are pooled by the Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (the "BTI"). These funds are transferred to the BTI, and the BTI is directed by the Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, provisions of bond indentures, and the trust agreements when applicable. Balances in the investment pools are recorded at fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources. The BTI was established by the West Virginia Legislature (the "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 and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

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

Cash and cash equivalents also include all outside bank accounts and cash on hand.

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

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

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets — Capital assets include property, plant, and equipment. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. The capital assets transferred in were recorded at net book value. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and land improvements, and 3 to 15 years for furniture and equipment. Bridgemont's capitalization threshold is \$5,000.

Deferred Revenue — Revenue for programs or activities to be conducted primarily in the next fiscal year are classified as deferred revenue, including items such as tuition, orientation fees, financial aid deposits, and advance payments on sponsored awards. Financial aid deposits are separately classified.

Compensated Absences and Other Post employment Benefits (OPEB) — GASB provides for the measurement, recognition, and display of OPEB expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. The University 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 the West Virginia Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, WV 25305-0710 or <http://www.wvpeia.com>.

GASB requires entities to accrue for employees' rights to receive compensation for vacation leave or payments in lieu of accrued vacation or sick leave as such benefits are earned and payment becomes probable. The University's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1 1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage, and three days extend health insurance for one month of family coverage. For employees hired after 1988, or who were hired before 1988 but did not choose such coverage until after 1988 but before July 1, 2001, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired July 1, 2001, or later will no longer receive sick leave credit toward insurance premiums when they retire. Additionally, all retirees have the option to purchase continued coverage regardless of their eligibility for premium credits. This liability is now provided for under the multiple-employer, cost-sharing plan sponsored by the State.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Employees hired after July 1, 2010, receive no health insurance premium subsidy from the University. Two groups of employees hired after July 1, 2010, will not be required to pay the unsubsidized rate: 1) active employees who were originally hired before July 1, 2010, who have a break in service of fewer than two years after July 1, 2010; and 2) retired employees who retired before July 1, 2010, return to active service after July 1, 2010, and then go back into retirement. In those cases, the original hire date will apply.

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

Net Assets — GASB standards for external financial reporting for public colleges and universities require that financial statements be presented on a basis to focus on Bridgemont as a whole. Net assets are classified according to external donor restrictions or availability of assets for satisfaction of Bridgemont's obligations. Bridgemont's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt — This represents Bridgemont'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 Bridgemont is legally or contractually obligated to spend resources 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 fees restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of Bridgemont. These restrictions are subject to change by future actions of the West Virginia Legislature. At June 30, 2012 and 2011, Bridgemont had no restricted balances remaining in these funds.

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.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted Net Assets — Unrestricted net assets include resources that are not subject to externally imposed stipulations. Such resources represent resources derived from student tuition and fees (not restricted as to use), state appropriations, and sales and services of educational activities. Unrestricted net assets are used for transactions relating to the educational and general operations of Bridgemont, and may be designated for specific purposes by action of the Board.

Classification of Revenues — Bridgemont 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) most federal, state, local, and nongovernmental grants and contracts, and (3) sales and services of educational activities.

Nonoperating Revenues — Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as state appropriations, federal Pell grants, and investment income, and sale of capital assets (including natural resources).

Per the *Audit and Accounting Guide for State and Local Governments* issued by the American Institute of Certified Public Accountants (AICPA), Pell grant revenue is classified as nonoperating revenue.

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

Use of Restricted Net Assets — Bridgemont 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, Bridgemont attempts to utilize restricted net assets first when practicable.

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

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

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Financial Assistance Programs — In fiscal year 2010, Bridgemont switched to the William D. Ford Loan Direct Loan program for making loans to students from the Federal Stafford Loan Program provided to students. Under the William D. Ford Direct Loan program, the U.S. Department of Education makes interest subsidized and unsubsidized loans directly to students, through colleges. Direct Loan student receivables are not included in Bridgemont's statement of net assets, as the loans are repayable directly to the U.S. Department of Education. Bridgemont received and disbursed approximately \$1.7 million and \$1.8 million, respectively, during fiscal years 2012 and 2011 under the Direct Loan Program on behalf of the U.S. Department of Education. These amounts are not included as revenues and expenses on the statement of revenues, expenses, and changes in net assets.

Bridgemont also distributes student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant, Academic Competitive Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2012 and 2011, Bridgemont received and disbursed approximately \$1.3 million and \$1.4 million, respectively, under these federal student aid programs.

Government Grants and Contracts — Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. Bridgemont 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 three years.

Income Taxes — Bridgemont 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 (IRS).

Cash Flows — Any cash and cash equivalents escrowed, restricted for noncurrent assets, or in funded reserves have been included as cash and cash equivalents for the purpose of the statement of cash flows.

Risk Management — The State's Board of Risk and Insurance Management (BRIM) provides general liability, property, and auto insurance coverage, to Bridgemont and its employees. Such coverage is provided to Bridgemont by BRIM through a self-insurance program maintained by BRIM for general liability and auto insurance coverage. BRIM maintains a self-insurance program to pay the first \$1,000,000 of each property insurance claim and purchases excess property insurance from the commercial insurance market to cover individual claims that exceed \$1,000,000. The BRIM self-insurance programs may involve experience and exposure related premiums.

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

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, through its participation in the West Virginia Public Employees Insurance Agency (PEIA) and a third-party insurer, the College has obtained health, life, prescription drug coverage, and coverage for job related injuries for its employees. In exchange for payment of premiums to PEIA and the third-party insurer, the College has transferred its risks related to health, life, prescription drug coverage, and job related injuries.

West Virginia had a single private insurance company, BrickStreet Insurance, which provided workers' compensation coverage to all employers in the state. Other private insurance companies began to offer coverage to private-sector employers beginning July 1, 2009 and to government employers beginning July 1, 2010. Nearly every employer in the State, who has payroll must have coverage. The cost of all coverage is paid by the employers. BrickStreet retains the risk related to the compensation of injured employees under the program.

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

Newly Adopted Statements Issued by the Governmental Accounting Standards Board — During 2011, Bridgemont adopted Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses how to account for and report service concession arrangements (SCAs) by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators. The adoption of this statement did not have a material impact on the financial statements.

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

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

Bridgemont also adopted Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. The objective of this statement is to improve financial reporting by clarifying whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The adoption of this statement did not have a material impact on the financial statements.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Statements Issued by the Governmental Accounting Standards Board — The Governmental Accounting Standards Board has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for fiscal years beginning after December 15, 2011. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related disclosures. Bridgemont has not yet determined the effect that the adoption of GASB Statement No. 63 may have on its financial statements.

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

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

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

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2012 and 2011, is as follows:

	2012		
	Current	Noncurrent	Total
Cash on deposit with the Treasurer			
Nonauxiliaries	\$ 1,664,688	\$ 54,706	\$ 1,719,394
Auxiliaries	30,451	-	30,451
Cash on hand	100	-	100
Cash in bank	34,745	-	34,745
	\$ 1,729,984	\$ 54,706	\$ 1,784,690

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

3. CASH AND CASH EQUIVALENTS (CONTINUED)

	2011		
	Current	Noncurrent	Total
Cash on deposit with the Treasurer			
Nonauxiliaries	\$ 1,986,291	\$ 87,737	\$ 2,074,028
Auxiliaries	36,043	-	36,043
Cash on hand	100	-	100
Cash in bank	72,902	-	72,902
	\$ 2,095,336	\$ 87,737	\$ 2,183,073

Cash on Deposit with the Treasurer — These bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held as collateral by the bank in the name of the State. Cash held by the Treasurer includes \$54,706 and \$87,737 of restricted cash at June 30, 2012 and 2011, respectively.

Cash in Bank — The combined carrying amount of cash in the bank at June 30, 2012 and 2011, was \$34,745 and \$72,902, respectively, as compared with the combined bank balance of \$37,955 and \$75,684 for the years ended June 30, 2012 and 2011 for both years. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State’s agent. Regarding federal depository insurance, interest bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Non-interest-bearing accounts are 100% insured through December 31, 2012.

Amounts with the State Treasurer as of June 30, 2012 and 2011, are comprised of the following investment pools:

The BTI has adopted an investment policy in accordance with the “Uniform Prudent Investor Act.” The “prudent investor rule” guides those with responsibility for investing the money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The BTI’s investment policy is to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. Due to the short-term nature of the 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 Consolidated Fund. Of the BTI’s consolidated funds pool and accounts in which the College invests, all are subject to credit risk.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

3. CASH AND CASH EQUIVALENTS (CONTINUED)

WV Money Market Pool — Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the years ended June 30, 2012 and 2011, the WV Money Market Pool has been rated AAAM by Standard & Poor's. A Fund rated "AAAM" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAM" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

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

At June 30, 2012 and 2011, the WV Money Market Pool investments had a total carrying value of \$2,786,968,000 and \$3,018,560,000, respectively, of which the College's ownership represents 0.05% and 0.06%, respectively.

WV Government Money Market Pool — Credit Risk — For the years ended June 30, 2012 and 2011, the WV Government Money Market Pool has been rated AAAM by Standard & Poor's. A Fund rated "AAAM" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAM" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

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

At June 30, 2012 and 2011, the WV Government Money Market Pool investments had a total carrying value of \$299,629,000 and \$262,692,000, respectively, of which the College's ownership represents 0.00% and 0.01%, respectively.

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

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

3. CASH AND CASH EQUIVALENTS (CONTINUED)

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

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

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

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

3. CASH AND CASH EQUIVALENTS (CONTINUED)

At June 30, 2012 and 2011, the College's ownership represents 0.04% and 0.05%, respectively, of these amounts held by the BTI.

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

The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool: the WV Money Market Pool:

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

The overall weighted average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

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

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

3. CASH AND CASH EQUIVALENTS (CONTINUED)

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

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

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

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

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

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

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

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Student tuition and fees – net of allowances for doubtful accounts of \$113,741 and \$183,940 in 2012 and 2011, respectively	\$ 32,757	\$ 54,677
Grants and contracts receivable	182,068	113,488
Due from third party for payment of tuition & fees	1,063	949
Other	-	238
Due from other State agencies	<u>168,989</u>	<u>19</u>
	<u>\$ 384,877</u>	<u>\$ 169,371</u>

5. CAPITAL ASSETS

The following, as of June 30, 2012 and 2011, is a summary of capital assets transactions for Bridgemont:

	2012			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 381,191	\$ 32,766	\$ -	\$ 413,957
Construction in progress	<u>237,926</u>	<u>3,946,305</u>	<u>-</u>	<u>4,184,231</u>
Total capital assets not being depreciated	<u>\$ 619,117</u>	<u>\$ 3,979,071</u>	<u>\$ -</u>	<u>\$ 4,598,188</u>
Other capital assets:				
Buildings	\$ 5,315,370	\$ 22,378	\$ -	\$ 5,337,748
Equipment	<u>1,252,360</u>	<u>929,943</u>	<u>-</u>	<u>2,182,303</u>
Total other capital assets	<u>6,567,730</u>	<u>952,321</u>	<u>-</u>	<u>7,520,051</u>
Less accumulated depreciation for:				
Buildings	(2,420,972)	(157,295)	-	(2,578,267)
Equipment	<u>(669,810)</u>	<u>(191,072)</u>	<u>-</u>	<u>(860,882)</u>
Total accumulated depreciation	<u>(3,090,782)</u>	<u>(348,367)</u>	<u>-</u>	<u>(3,439,149)</u>
Other capital assets – net	<u>\$ 3,476,948</u>	<u>\$ 603,954</u>	<u>\$ -</u>	<u>\$ 4,080,902</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 619,117	\$ 3,979,071	\$ -	\$ 4,598,188
Other capital assets	<u>6,567,730</u>	<u>952,321</u>	<u>-</u>	<u>7,520,051</u>
Total cost of capital assets	7,186,847	4,931,392	-	12,118,239
Less accumulated depreciation	<u>(3,090,782)</u>	<u>(348,367)</u>	<u>-</u>	<u>(3,439,149)</u>
Capital assets - net	<u>\$ 4,096,065</u>	<u>\$ 4,583,025</u>	<u>\$ -</u>	<u>\$ 8,679,090</u>

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

5. CAPITAL ASSETS (CONTINUED)

	2011			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 381,191	\$ -	\$ -	\$ 381,191
Construction in progress	<u>902,906</u>	<u>232,498</u>	<u>(897,478)</u>	<u>237,926</u>
Total capital assets not being depreciated	<u>\$ 1,284,097</u>	<u>\$ 232,498</u>	<u>\$ (897,478)</u>	<u>\$ 619,117</u>
Other capital assets:				
Buildings	\$ 4,325,574	\$ 989,796	\$ -	\$ 5,315,370
Equipment	<u>984,948</u>	<u>267,412</u>	<u>-</u>	<u>1,252,360</u>
Total other capital assets	<u>5,310,522</u>	<u>1,257,208</u>	<u>-</u>	<u>6,567,730</u>
Less accumulated depreciation for:				
Buildings	(2,277,007)	(143,965)	-	(2,420,972)
Equipment	<u>(586,893)</u>	<u>(82,917)</u>	<u>-</u>	<u>(669,810)</u>
Total accumulated depreciation	<u>(2,863,900)</u>	<u>(226,882)</u>	<u>-</u>	<u>(3,090,782)</u>
Other capital assets – net	<u>\$ 2,446,622</u>	<u>\$ 1,030,326</u>	<u>\$ -</u>	<u>\$ 3,476,948</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 1,284,097	\$ 232,498	\$ (897,478)	\$ 619,117
Other capital assets	<u>5,310,522</u>	<u>1,257,208</u>	<u>-</u>	<u>6,567,730</u>
Total cost of capital assets	6,594,619	1,489,706	(897,478)	7,186,847
Less accumulated depreciation	<u>(2,863,900)</u>	<u>(226,882)</u>	<u>-</u>	<u>(3,090,782)</u>
Capital assets - net	<u>\$ 3,730,719</u>	<u>\$ 1,262,824</u>	<u>\$ (897,478)</u>	<u>\$ 4,096,065</u>

Bridgemont maintains certain collections of inexhaustible assets to which no value can be practically determined. Accordingly, such collections are not capitalized or recognized for financial statement purposes. Such collections include contributed works of art, 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.

There was no capitalized interest for fiscal year 2012 or 2011.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

6. LONG-TERM LIABILITIES

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

	2012				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Other post employment benefits liability	\$ 953,605	\$ 564,134	\$ (131,494)	\$ 1,386,245	\$ -
College system debt owed to the Commission	29,506	-	(29,506)	-	-
Debt payable to the Commission	42,667	410,000	(83,667)	369,000	75,000
Leases payable	254,194	359,750	(44,734)	569,210	104,554
Notes payable	<u>200,000</u>	<u>-</u>	<u>(40,000)</u>	<u>160,000</u>	<u>40,000</u>
Total long-term liabilities	<u>\$ 1,479,972</u>	<u>\$ 1,333,884</u>	<u>\$ (329,401)</u>	<u>\$ 2,484,455</u>	<u>\$ 219,554</u>

	2011				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Other post employment benefits liability	\$ 538,979	\$ 528,116	\$ (113,490)	\$ 953,605	\$ -
College system debt owed to the Commission	93,775	-	(64,269)	29,506	29,506
Debt service assessment payable to the Commission	135,600	-	(92,933)	42,667	42,667
Leases payable	211,691	74,999	(32,496)	254,194	33,734
Notes payable	<u>240,000</u>	<u>-</u>	<u>(40,000)</u>	<u>200,000</u>	<u>40,000</u>
Total long-term liabilities	<u>\$ 1,220,045</u>	<u>\$ 603,115</u>	<u>\$ (343,188)</u>	<u>\$ 1,479,972</u>	<u>\$ 145,907</u>

7. OTHER POST EMPLOYMENT BENEFITS LIABILITY

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2012, 2011 and 2010, the noncurrent liability related to OPEB was \$1,386,245, \$953,605 and \$538,979, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees were \$564,134 and \$131,494, respectively, during 2012, \$528,116 and \$113,490, respectively, during 2011, and \$528,562 and \$89,588 during 2010. For the years ended June 30, 2012, 2011 and 2010, there were five retirees receiving these benefits.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

8. LEASES PAYABLE

Operating — Bridgemont had entered into various operating lease agreements. Future annual minimum lease payments for years subsequent to June 30, 2012, are \$19.

Total rent expense for these operating leases for the years ended June 30, 2012 and 2011, was approximately \$23,500 and \$70,500, respectively. Bridgemont does not have any noncancelable leases. Payments for 2013 through 2031 are one dollar per year. Due to the long-term implications of this lease (25 years) and the fact that the last 19 years are at \$1 annually, Bridgemont reports an amortized amount of lease payments for 2013 and subsequent years of \$16,920 annually and reflects the difference between cash payouts and accrued expenses against prepaid expenses over the life of the lease.

Capital — Bridgemont leases certain property, plant, and equipment through capital leases. Leased assets totaled \$646,440 and \$286,690 for June 30, 2012 and 2011, respectively. Future annual minimum lease payments on capital assets are as follows:

Fiscal Year Ending June 30	Capital lease
2013	\$ 112,216
2014	88,309
2015	90,159
2016	90,999
2017	91,873
Thereafter	147,830
Future minimum lease payments	621,386
Less interest	(52,176)
Total	569,210
Current Portion	(104,554)
Long-term Portion	\$ 464,656

9. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

Bridgemont is a State institution of higher education. It receives a State appropriation in partial support of its operations. In addition, Bridgemont is subject to the legislative and administrative mandates of State government. Those mandates affect all aspects of Bridgemont's operations, its tuition and fee structure, its personnel policies, and its administrative practices.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

9. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (CONTINUED)

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 Bridgemont. Financing for these facilities was provided through revenue bonds issued by either the former Board of Regents, the former University System of West Virginia, the former State College System of West Virginia, or the former Interim Governing Board (collectively 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 assesses each public institution of higher education for funds to meet the payment of debt service on these various bonds. Certain tuition and registration fees (referred to as system fees) of the members of the former State University System are generally pledged as collateral for the Commission’s bond indebtedness. Student fees collected by an institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. The bonds remain a capital obligation of the Commission; however, effective June 30, 2002, an amount of principal related to each institution was reported as debt service assessment payable to the Commission by each institution and as a receivable by the Commission.

With the transfer of West Virginia University Institute of Technology from the State College System to the University System of West Virginia effective July 1, 1997, in accordance with the provisions of Senate Bill 591, Bridgemont is required to make annual payments through 2012 to the Commission for purposes of the State College System’s debt service

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. Bond projects listed in the bond offering for the 2009 Bonds propose bond funding of \$3,000,000 for Bridgemont. Bridgemont has also been approved to receive an additional \$1,750,000 to help address additional deferred maintenance needs identified during this renovation project. As of June 30, 2012, \$3.0 million has been recognized by Bridgemont to fund the Davis Hall Renovations project. Payment of this debt is through State lottery funds. Bridgemont also recognized an additional \$1.75 million in lottery revenue. Additionally, Bridgemont entered into two loans with the Commission to enable funding to assist in alternates for the renovation and replacement of the windows. One loan was in the amount of \$70,000 with annual payments of \$7,000. Over ten years with the final payment in 2021. The second loan in the amount of \$340,000 has semi annual payments of \$34,000 over five years with the final payment in 2016.

10. UNRESTRICTED NET ASSETS (DEFICIT)

	<u>2012</u>	<u>2011</u>
Total unrestricted net assets before OPEB liability	\$ 567,245	\$ 934,548
Less: OPEB liability	1,386,245	953,605
	\$ (819,000)	\$ (19,057)

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

11. RETIREMENT PLANS

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

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

The STRS is a cost sharing, defined benefit public retirement system. Employer and employee contribution rates are established annually by the State Legislature. The contractual maximum contribution rate is 15%. Bridgemont accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for both years ended June 30, 2012 and 2011. Required employee contributions are at the rate of 6% of total annual salary for both years ended June 30, 2012 and 2011. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest five years' salary out of the last 15 years) multiplied by the number of years of service.

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

Total contributions to the STRS for the years ended June 30, 2012 and 2011 were approximately \$84,000, \$95,000, and \$115,500, respectively, which consisted of approximately \$60,000, \$67,900, and \$82,500, respectively, from Bridgemont and approximately \$24,000, \$27,200, \$33,000, respectively, from covered employees.

The TIAA-CREF and Educators Money are defined contribution plans in which benefits are based upon amounts contributed, plus investment earnings. Each employee who elects to participate in these plans is required to make a contribution equal to 6% of total annual compensation. Bridgemont simultaneously matches the employees' 6% contribution. Contributions are immediately and fully vested.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

11. RETIREMENT PLANS (Continued)

Total contributions to the TIAA-CREF for the years ended June 30, 2012, 2011, and 2010, were approximately \$406,000, \$367,400, and \$305,200, respectively, which consisted of approximately \$203,000, \$183,700, and \$152,600, respectively, from Bridgemont and approximately \$203,000, \$183,700, and \$152,600, respectively, from covered employees.

Total contributions to Educators Money for the years ended June 30, 2012, 2011, and 2010, were approximately \$12,000, \$11,000, and \$14,600, respectively, which consisted of approximately \$6,000, \$5,500, and \$7,300, respectively, from Bridgemont and approximately \$6,000, \$5,500, and \$7,300, respectively, from covered employees.

Bridgemont's total payroll for the years ended June 30, 2012 and 2011, was approximately \$4.5 million and \$4.1 million, respectively, and total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were approximately \$398,000, \$3,384,000, and \$103,000, respectively, for the year ended June 30, 2012, and approximately \$453,000, \$3,062,000, and \$91,000, respectively, for the year ended June 30, 2011.

12. AFFILIATED ORGANIZATIONS

Bridgemont and the West Virginia University Institute of Technology (WVU Tech), a division of the West Virginia University (WVU), share the Montgomery, West Virginia campus and were administratively linked from July 1, 2004 until June 30, 2008. WVU provided Bridgemont with administrative and support services. Bridgemont also agreed to transfer capital fees, auxiliary fees, certain educational and general fees, and other fees collected from students to WVU and to provide instructional services to WVU.

Effective July 1, 2008, Bridgemont established its own Board. Effective July 1, 2009, Bridgemont separated from WVU and no longer purchased administrative and support services from WVU. Instead, Bridgemont continues to have service agreements for use of certain facilities and support services for Bridgemont's students.

13. BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INCORPORATED

The Bridgemont Community and Technical College Foundation, Incorporated (the "BCTC Foundation") is a separate profit organization incorporated in the State of West Virginia. During fiscal year 2011 the BCTC Foundation applied for and received from the IRS its tax exempt, 501(c)(3) status in March 2011. During 2012 and 2011, approximately \$420,000 was transferred from The Tech Foundation to the BCTC Foundation. All transfers are now complete.

During 2012, the BCTC Foundation made payments to the College for scholarships or items purchased by the College totaling \$50,410. No payments/transfers were made to the BCTC Foundation.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

**13. BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE FOUNDATION,
INCORPORATED (CONTINUED)**

Neither the BCTC Foundation or The Tech Foundation meet the criteria for determination as a component unit for financial statement inclusion as a discretely presented component unit, as BCTC Foundation is not material and The Tech Foundation resources were not entirely or almost entirely for the benefit of Bridgemont.

14. CONTINGENCIES

The nature of the educational industry is such that, from time to time, claims will be presented against colleges and universities 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 Bridgemont would not impact seriously on the financial status of Bridgemont.

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. Management believes disallowances, if any, would not have a significant financial impact on Bridgemont's financial position.

Bridgemont owns various buildings that are known to contain asbestos. Bridgemont is not required by Federal, State, or Local Law to remove the asbestos from the buildings. Bridgemont is required by Federal Environmental, Health, and Safety Regulations to manage the presence of asbestos in the buildings in a safe condition. Significant problems of dangerous asbestos conditions are abated as the condition becomes known. Bridgemont also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing, or operating with the asbestos in a safe condition.

BRIDGEMONT COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

16 FUNCTIONAL CLASSIFICATION OF EXPENSES

Bridgemont's operating expenses by functional and natural classification are as follows:

Functional Classification	2012								Total
	Natural Classification								
	Salaries and <u>Wages</u>	Benefits	Scholarships and <u>Fellowships</u>	Utilities	Supplies and Other <u>Services</u>	Depreciation	Assessments by the <u>Commission</u>	Net Service Agreement <u>Expense</u>	
Instruction	\$ 2,351,102	\$ 559,806	\$ -	\$ 673	\$ 519,841	\$ -	\$ -	\$ -	\$ 3,431,422
Public service	670,204	108,262	-	-	281,910	-	-	-	1,060,376
Academic support	151,606	30,301	-	-	187,609	-	-	-	369,516
Student services	297,733	76,646	-	-	48,535	-	-	-	422,914
Operation and maintenance of plant	63,634	17,338	-	204,650	144,261	-	-	-	429,883
General institutional support	946,427	719,327	-	-	386,348	-	-	-	2,052,102
Student financial aid	-	-	1,156,148	-	-	-	-	-	1,156,148
Depreciation	-	-	-	-	-	348,367	-	-	348,367
Assessments by commission for operations	-	-	-	-	-	-	37,484	-	37,484
Net service agreement expense	-	-	-	-	-	-	-	361,880	361,880
Total expenses	<u>\$ 4,480,706</u>	<u>\$ 1,511,680</u>	<u>\$ 1,156,148</u>	<u>\$ 205,323</u>	<u>\$ 1,568,504</u>	<u>\$ 348,367</u>	<u>\$ 37,484</u>	<u>\$ 361,880</u>	<u>\$ 9,670,092</u>

Functional Classification	2011								Total
	Natural Classification								
	Salaries and <u>Wages</u>	Benefits	Scholarships and <u>Fellowships</u>	Utilities	Supplies and Other <u>Services</u>	Depreciation	Assessments by the <u>Commission</u>	Net Service Agreement <u>Expense</u>	
Instruction	\$ 2,299,417	\$ 540,622	\$ -	\$ 598	\$ 601,186	\$ -	\$ -	\$ -	\$ 3,441,823
Public service	398,906	65,679	-	311	248,451	-	-	-	713,347
Academic support	165,734	37,973	-	-	145,576	-	-	-	349,283
Student services	297,625	79,980	-	125	52,235	-	-	-	429,965
Operation and maintenance of plant	56,695	15,227	-	201,740	218,222	-	-	-	491,884
General institutional support	918,938	711,057	-	717	377,383	-	-	-	2,008,095
Student financial aid	-	-	1,258,255	-	-	-	-	-	1,258,255
Depreciation	-	-	-	-	-	226,882	-	-	226,882
Assessments by commission for operations	-	-	-	-	-	-	31,928	-	31,928
Net service agreement expense	-	-	-	-	-	-	-	496,335	496,335
Total expenses	<u>\$ 4,137,315</u>	<u>\$ 1,450,538</u>	<u>\$ 1,258,255</u>	<u>\$ 203,491</u>	<u>\$ 1,643,053</u>	<u>\$ 226,882</u>	<u>\$ 31,928</u>	<u>\$ 496,335</u>	<u>\$ 9,447,797</u>



**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**

Board of Governors
Bridgemont Community and
Technical College
Montgomery, West Virginia

We have audited the accompanying financial statements of Bridgemont Community and Technical College (the College) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the college in a separate letter dated October 23, 2012.

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

A handwritten signature in cursive script that reads "Seattle & Stalnak, PLLC".

Charleston, West Virginia
October 23, 2012