

Southern West Virginia
Community and Technical College
Financial Statements

Years Ended June 30, 2012 and 2011
and
Independent Auditors' Reports

SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE
TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)	5 - 12
FINANCIAL STATEMENTS	
Statements of Net Assets	13
Component Unit - Statements of Financial Position	14
Statements of Revenues, Expenses and Changes in Net Assets	15
Component Unit - Statements of Activities and Changes in Net Assets	16 - 17
Statements of Cash Flows	18
Notes to Financial Statements	19 - 51
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>	52 - 53

INDEPENDENT AUDITORS' REPORT

Board of Governors
Southern West Virginia Community and Technical College
Mt. Gay, West Virginia

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Southern West Virginia Community and Technical College (the College), as of June 30, 2012 and 2011, and for the years then ended, which collectively comprise the College's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the College. Our responsibility is to express an opinion on the respective financial statements based on our audits. We did not audit the discretely presented financial statements of The Southern West Virginia Community and Technical College Foundation, Inc. (a component unit of the College). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the discretely presented financial statements of The Southern West Virginia Community and Technical College Foundation, Inc., is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of The Southern West Virginia Community and Technical College were not audited in accordance with *Government Auditing Standards*. 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 in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College as of June 30, 2012 and 2011, and the respective changes in financial position, and where applicable, cash flows thereof for the years 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "Suttle & Stalaker, PLLC".

Charleston, West Virginia
October 23, 2012

SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012

Overview of the Financial Statements and Financial Analysis

Southern West Virginia Community and Technical College (“the College”) presents its financial statements for the fiscal years ended June 30, 2012 and June 30, 2011. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. This discussion and analysis of the College’s financial statements provides an overview of its financial activities for the year and is required supplemental information. Since this analysis is designed to focus on current activities, resulting change and currently known facts, please read it in conjunction with the College’s basic financial statements and the footnotes to these financial statements. Responsibility for the completeness and fairness of this information rests with the College.

The Governmental Accounting Standards Board (GASB) establishes standards for the presentation format of college and College financial statements. The current format places emphasis on the overall economic resources of the College.

Statements of Net Assets

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

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors and lending institutions. The Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for College expenditures.

SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the College's equity in property, plant and equipment owned by the College. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The College does not currently have nonexpendable restricted net assets since all funds of this nature would be directed to the Southern West Virginia Community College Foundation, Incorporated. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the College but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted assets are available to the College for any lawful purpose of the College.

Schedules of Net Assets
June 30
(in thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets			
Current assets	\$ 7,860	\$ 6,673	\$ 6,744
Other noncurrent assets	103	26	56
Capital assets, net	<u>25,351</u>	<u>25,432</u>	<u>25,311</u>
Total assets	<u>33,314</u>	<u>32,131</u>	<u>32,111</u>
Liabilities			
Current liabilities	3,995	3,485	3,960
Noncurrent liabilities	<u>4,097</u>	<u>2,955</u>	<u>1,872</u>
Total liabilities	<u>8,092</u>	<u>6,440</u>	<u>5,832</u>
Net assets			
Invested in capital assets, net	25,289	25,345	25,199
Restricted – expendable	-	1	1
Unrestricted (deficit) net assets	<u>(67)</u>	<u>345</u>	<u>1,079</u>
Total net assets	<u>\$ 25,222</u>	<u>\$ 25,691</u>	<u>\$ 26,279</u>

Total net assets of the College decreased by \$469 thousand from June 30, 2011 to June 30, 2012. Total net assets decreased by \$588 thousand from June 30, 2010 to June 30, 2011. These changes are related to a number of changes as described below:

SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012

- The fiscal year 2012 decrease of \$56 thousand of net assets invested in capital was primarily due to a decrease in the amount of capital assets capitalized over depreciation expense.
- The unrestricted net assets decreased by \$412 thousand as of June 30, 2012. This decrease was primarily related to the Other Post Employment Benefits (OPEB) liability. The OPEB liability increased by \$1.2 million from 2011 to 2012.
- The current ratio for fiscal years 2012 and 2011 is 2.0 and 1.9, respectively. The current ratio measures the ability to meet short-term obligations. The current ratio is the most widely-used measure of liquidity. Typically, current ratios range from 1 to 4.

Statements of Revenues, Expenses and Changes in Net Assets

The difference in total net assets as presented on the Statement of Net Assets is based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenues received by the College, both operating and nonoperating, and the expenses paid by the College, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the College.

Operating revenues are received for providing goods and services to the various constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the College. Revenues received for which goods and services are not provided are reported as nonoperating revenues. For example state appropriations are nonoperating because they are provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues.

Schedules of Revenues, Expenses and Changes in Net Assets
Years Ended June 30,
(in thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 7,988	\$ 7,442	\$ 8,581
Operating expenses	<u>23,510</u>	<u>23,163</u>	<u>23,074</u>
Operating loss	(15,522)	(15,721)	(14,493)
Nonoperating revenues	14,341	14,227	13,059
Capital payments on behalf	712	237	-
State capital grants (federal)	<u>-</u>	<u>669</u>	<u>-</u>
Decrease in net assets	<u>\$ (469)</u>	<u>\$ (588)</u>	<u>\$ (1,434)</u>

SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012

A review of the individual revenue and expense categories and those items that contributed to the overall decreases in Net Assets reveals the following explanations:

Operating Revenues

- For both fiscal years 2012 and 2011, tuition and fees contributed approximately 25% of the total operating revenues. This was a result of relatively consistent enrollment between the two fiscal years and a slight increase in student fees.
- For fiscal year 2012 grant and contract revenues increased by \$340 thousand for a 9% increase. The increase was due to additional funding from Federal and Private grant awards and contracts in fiscal year 2012. As a percentage of operating revenue, grant and contract revenue accounted for 53% in fiscal year 2012 and 52% in 2011.
- In fiscal year 2012 other revenues increased by \$105 thousand resulting from a \$169 thousand increase in miscellaneous revenue coupled with a \$64 thousand decrease in auxiliary revenue.

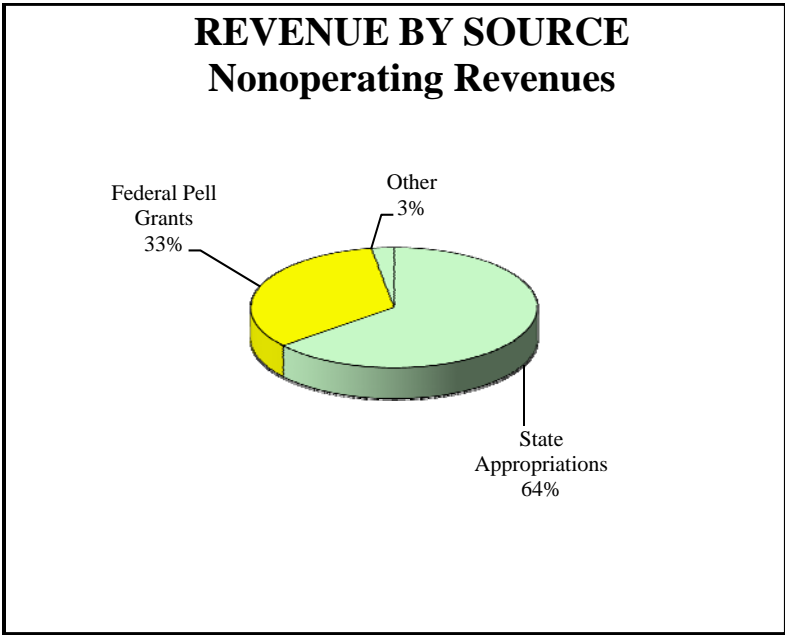
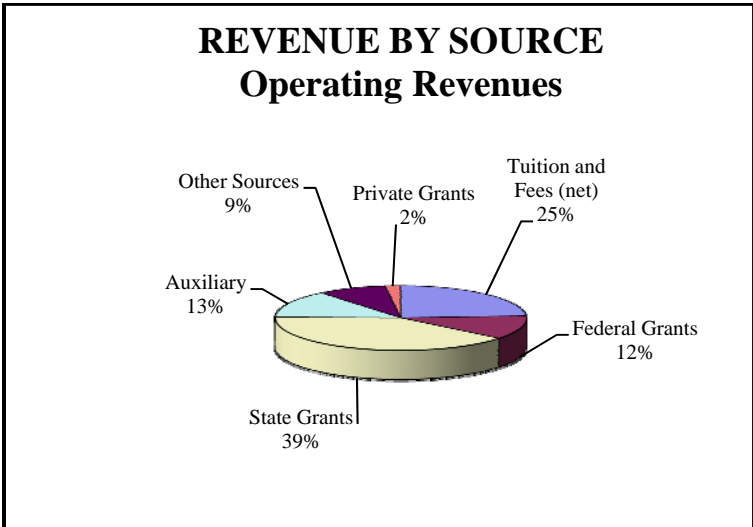
Operating Expenses

- The total cost of benefits increased by 2% for fiscal year 2012 as compared to fiscal year 2011 reflecting an increase in Other Post Employment Benefits for the fiscal year.
- In fiscal year 2012 salaries and wages decreased by \$111 thousand or approximately 1%. This decrease was a result of employee vacancies that were not filled during the year.

Nonoperating Revenues

- For fiscal year 2012 Federal Pell grant revenues decreased by \$207 thousand or approximately 4%. This decrease was result in lower FTE numbers than fiscal year 2011.
- In fiscal year 2012 State appropriations increased by \$796 thousand or 9%.
- In fiscal year 2012 investment income decreased by \$2 thousand or 21%. The College participates in the investment pool managed by the State.

SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012

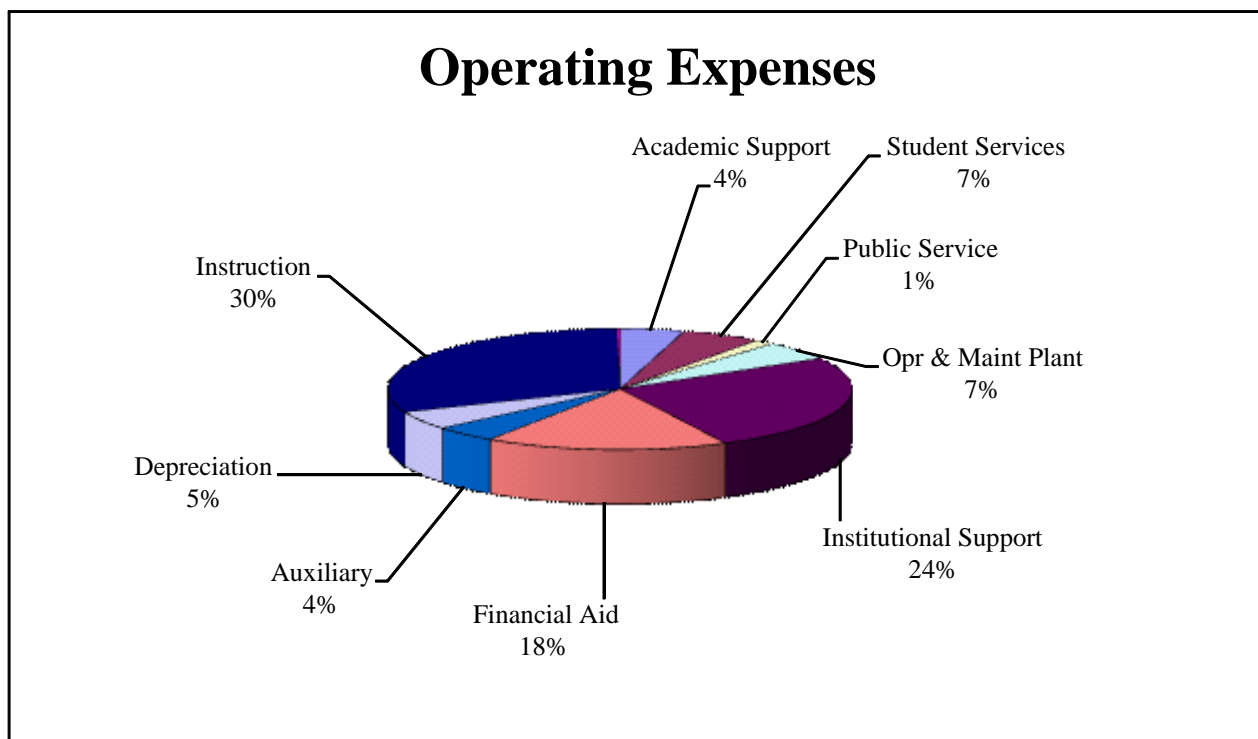


SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012

Operating Expenses
Years Ended June 30,
(in thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	(2011 to 2012) Increase (Decrease)	(2011 to 2012) Percent Change
Operating expense					
Instruction	\$ 7,016	\$ 7,176	\$ 6,881	\$ (160)	(2.23)%
Academic support	973	1,037	1,532	(64)	(6.17)%
Student services	1,538	1,291	1,466	247	19.13%
Public service	165	323	552	(158)	(48.92)%
Operations & maintenance plant	1,645	1,183	1,095	462	39.05%
Institutional support	5,754	6,013	5,866	(259)	(4.31)%
Financial aid	4,270	3,917	3,479	353	9.01%
Auxiliary	942	1,020	1,102	(78)	(7.75)%
Depreciation	1,152	1,148	1,052	4	0.35%
Other	<u>56</u>	<u>55</u>	<u>49</u>	<u>1</u>	1.82%
 Total	 <u>\$ 23,511</u>	 <u>\$ 23,163</u>	 <u>\$ 23,074</u>	 <u>\$ 348</u>	 1.50%

The following is a graphic illustration of fiscal year 2012 operating expenses:



SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012

Statements of Cash Flows

The final statement presented by the College is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the College during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the College. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

Schedules of Cash Flows
Years Ended June 30,
(in thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Cash provided (used) by:			
Operating activities	\$ (12,974)	\$ (13,836)	\$ (10,666)
Noncapital financing activities	13,968	14,197	13,048
Capital and related financing activities	(96)	(338)	(673)
Investing activities	<u>7</u>	<u>9</u>	<u>11</u>
Net change in cash	905	32	1,720
Cash, beginning of year	<u>6,218</u>	<u>6,186</u>	<u>4,466</u>
Cash, end of year	<u>\$ 7,123</u>	<u>\$ 6,218</u>	<u>\$ 6,186</u>

Capital Asset and Debt Administration

Capital Assets, Net
June 30,
(in thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	(2011 to 2012) Increase (Decrease)	(2011 to 2012) Percent Change
Capital Assets					
Land and Improvements	\$ 1,288	\$ 1,288	\$ 1,288	\$ -	0.00%
Construction in Progress	949	237	63	712	300.42%
Buildings	31,271	31,271	30,346	-	0.00%
Equipment	5,614	6,854	6,749	(1,240)	(18.09)%
Library Holdings	<u>3,879</u>	<u>3,864</u>	<u>3,817</u>	<u>15</u>	0.39%
Total	43,001	43,514	42,263	(513)	(1.18)%
Less: Accum Depreciation	<u>(17,650)</u>	<u>(18,081)</u>	<u>(16,952)</u>	<u>(431)</u>	(2.38)%
Net Capital Assets	<u>\$ 25,351</u>	<u>\$ 25,433</u>	<u>\$ 25,311</u>	<u>\$ (82)</u>	(0.32)%

SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012

Capital assets net decrease of \$82 thousand was a result of current year additions offset by depreciation on capital assets.

Current year additions to capital assets totaled approximately \$1.1 million and were comprised of \$712 thousand in additions to construction in progress related to construction of a new facility on the Williamson campus, \$293 thousand in equipment additions and \$65 thousand in library additions.

The OPEB liability increased by \$1.2 million in fiscal year 2012.

Readers interested in more detailed information regarding capital assets and debt administration should review the accompanying notes 5 and 6 to the financial statements.

Economic Outlook

During the 2000 Legislative Session the governance of higher education in the State was changed. Effective July 1, 2001, Higher Education Policy Commission (Commission) was established at the State level and the institutional Board of Advisors was replaced by the institutional Board of Governors. The 2006 Legislature created the Council for Community and Technical College Education, removing governance of the College from the Commission. The economic outlook for West Virginia continues to be negative for several more years, leaving the College vulnerable to spending freezes if there is a significant downturn in the state's economy.

Although the economic forecasts for the State of West Virginia and the number of high school graduates in the State continues to decline, the College attracts and maintains non-traditional students to replace losses of traditional college age students. Also, emphasis is placed on dual credit course offerings in high schools. The College continues to offer incentives to faculty to develop modular and web based courses as alternate methods of course delivery. Improved physical plant and favorable comparison of fee structures with peer institutions indicate that the College should be able to remain competitive for new and returning students.

During December 2009 the Commission, on behalf of the Council, issued approximately \$78 million in bonds which will be repaid from excess Lottery Funds. The College's share of the bond issuance was \$6 million which will be used to finance the construction of a new building on the Williamson campus. During fiscal year 2012, the College had payments made from these available funds of \$884 thousand by the Commission. As of June 30, 2012, the remaining available funds are approximately \$5.1 million.

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 provide in this report or requests for additional financial information should be addressed to the Southern West Virginia Community and Technical College at Post Office 2900, Mount Gay, West Virginia 25637.

SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011

13

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,122,894	\$ 6,218,320
Accounts receivable - net	423,209	135,136
Due from the Commission	11,748	76
Due from Federal Government	67,242	7,774
Due from other State Agencies	5,325	-
Prepaid expenses	8,795	4,712
Inventories	221,215	306,686
Total current assets	<u>7,860,428</u>	<u>6,672,704</u>
Noncurrent assets		
Cash and cash equivalents	103,650	25,769
Investment in capital assets-net	<u>25,350,894</u>	<u>25,432,628</u>
Total noncurrent assets	<u>25,454,544</u>	<u>25,458,397</u>
 Total assets	 <u>33,314,972</u>	 <u>32,131,101</u>
LIABILITIES		
Current liabilities		
Accounts payable	132,247	178,670
Due to the Commission/Council	846,691	125,628
Due to other governments	18,669	30,249
Accrued liabilities	972,483	984,824
Compensated absences-current portion	294,502	293,034
Current portion of long-term capital lease	26,857	25,835
Deferred revenue	<u>1,703,712</u>	<u>1,846,486</u>
Total current liabilities	<u>3,995,161</u>	<u>3,484,726</u>
Noncurrent liabilities		
Long-term portion of capital lease	35,073	61,930
Other post employment benefit liability	3,905,054	2,732,501
Compensated absences	<u>157,278</u>	<u>160,529</u>
Total noncurrent liabilities	<u>4,097,405</u>	<u>2,954,960</u>
 Total liabilities	 <u>8,092,566</u>	 <u>6,439,686</u>
NET ASSETS		
Invested in capital assets-net of related debt	<u>25,288,964</u>	<u>25,344,863</u>
Restricted for expendable:		
Loans	<u>-</u>	<u>1,013</u>
Total restricted expendable	<u>-</u>	<u>1,013</u>
Unrestricted (deficit) net assets	<u>(66,558)</u>	<u>345,539</u>
 Total net assets	 <u>\$ 25,222,406</u>	 <u>\$ 25,691,415</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 477,288	\$ 671,262
Certificates of deposit	57,746	47,746
Investments at estimated market value	2,343,271	1,867,123
Note receivable	-	2,500
Miscellaneous receivable	1,972	3,041
Interest receivable	6,752	8,403
Prepaid expenses	9,047	13,392
Unconditional promises to give, less allowance for uncollectible promises	600,200	435,037
Fixed assets, net	-	301
TOTAL ASSETS	<u><u>\$ 3,496,276</u></u>	<u><u>\$ 3,048,805</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 42,355	\$ 29,861
Payable to related party	119,326	105,493
Total liabilities	<u>161,681</u>	<u>135,354</u>
NET ASSETS		
Unrestricted	(4,597)	77,681
Temporarily restricted	3,324,192	2,820,770
Permanently restricted	15,000	15,000
Total net assets	<u>3,334,595</u>	<u>2,913,451</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,496,276</u></u>	<u><u>\$ 3,048,805</u></u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

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

15

	<u>2012</u>	<u>2011</u>
Operating revenues		
Student tuition and fees (net of scholarship allowance of \$3,659,207 and \$3,354,406)	\$ 1,994,464	\$ 1,893,456
Contracts and grants:		
Federal	1,378,754	1,164,276
State	2,676,322	2,702,846
Private	154,973	3,056
Auxiliary enterprise revenue (net of scholarship allowance of \$188,205 and \$202,692)	1,079,080	1,143,033
Miscellaneous-net	<u>704,906</u>	<u>535,826</u>
Total operating revenues	<u>7,988,499</u>	<u>7,442,493</u>
Operating expenses		
Salaries and wages	8,863,640	8,975,107
Benefits	3,568,447	3,500,153
Supplies and other services	4,893,263	4,939,280
Utilities	706,675	628,311
Student financial aid-scholarships and fellowships	4,270,312	3,916,949
Depreciation	1,152,282	1,148,025
Fees assessed by the Commission for operations	<u>56,255</u>	<u>55,014</u>
Total operating expenses	<u>23,510,874</u>	<u>23,162,839</u>
Operating loss	<u>(15,522,375)</u>	<u>(15,720,346)</u>
Nonoperating revenues (expenses)		
State appropriations	9,181,588	8,385,386
State fiscal stabilization funds (federal)	-	673,621
Gifts	-	145,000
Investment income	7,118	8,974
Federal Pell grants	4,786,650	4,993,381
Other nonoperating	<u>365,967</u>	<u>20,940</u>
Net nonoperating revenues	<u>14,341,323</u>	<u>14,227,302</u>
Loss before other revenues, expenses, gains and losses	<u>(1,181,052)</u>	<u>(1,493,044)</u>
Capital payments made and expenses incurred on behalf of Southern West Virginia Community and Technical College	712,043	236,983
State capital grants (federal)	<u>-</u>	<u>668,638</u>
Decrease in net assets	(469,009)	(587,423)
Net assets, beginning of year	<u>25,691,415</u>	<u>26,278,838</u>
Net assets, end of year	<u>\$ 25,222,406</u>	<u>\$ 25,691,415</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, INVESTMENT INCOME, AND OTHER SUPPORT				
Contributions	\$ 517	\$ 775,520	\$ -	\$ 776,037
Federal grant revenue	-	1,000		1,000
Interest and dividend income	1,357	85,900		87,257
Gain on investment	(3,861)	136,698		132,837
Net assets released from restriction	495,696	(495,696)		-
Total revenues, investment income, and other support	<u>493,709</u>	<u>503,422</u>	<u>-</u>	<u>997,131</u>
EXPENSES				
Program services:				
Scholarships	224,830	-	-	224,830
Educational development	148,029	-	-	148,029
Total program services	<u>372,859</u>	<u>-</u>	<u>-</u>	<u>372,859</u>
Administrative and general	173,128	-	-	173,128
Fundraising	30,000	-	-	30,000
Total expenses	<u>575,987</u>	<u>-</u>	<u>-</u>	<u>575,987</u>
CHANGE IN NET ASSETS	(82,278)	503,422	-	421,144
NET ASSETS, BEGINNING OF YEAR	<u>77,681</u>	<u>2,820,770</u>	<u>15,000</u>	<u>2,913,451</u>
NET ASSETS, END OF YEAR	<u>\$ (4,597)</u>	<u>\$ 3,324,192</u>	<u>\$ 15,000</u>	<u>\$ 3,334,595</u>

SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, INVESTMENT INCOME, AND OTHER SUPPORT				
Contributions	\$ 4,400	\$ 509,871	\$ -	\$ 514,271
Federal grant revenue	-	7,108	-	7,108
Interest and dividend income	3,681	69,976	-	73,657
Gain on investment	316	131,948	-	132,264
Net assets released from restriction	411,343	(411,343)	-	-
Total revenues, investment income, and other support	419,740	307,560	-	727,300
EXPENSES				
Program services:				
Scholarships	247,931	-	-	247,931
Educational development	110,477	-	-	110,477
Total program services	358,408	-	-	358,408
Administrative and general	101,723	-	-	101,723
Fundraising	26,500	-	-	26,500
Total expenses	486,631	-	-	486,631
CHANGE IN NET ASSETS	(66,891)	307,560	-	240,669
NET ASSETS, BEGINNING OF YEAR	144,572	2,513,210	15,000	2,672,782
NET ASSETS, END OF YEAR	\$ 77,681	\$ 2,820,770	\$ 15,000	\$ 2,913,451

SOUTHERN WEST VIRGINIA
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		
Cash received from student tuition and fees	\$ 1,702,122	\$ 2,024,702
Cash received from contracts and grants	4,704,562	3,367,070
Payments to and on behalf of employees	(11,255,487)	(11,417,931)
Payments to suppliers	(4,880,742)	(4,891,868)
Payments to utilities	(702,402)	(625,432)
Payments for scholarships and fellowships	(4,270,312)	(3,916,949)
Auxiliary enterprise charges-net	1,079,080	1,143,033
Fees assessed by Commission	(56,255)	(55,014)
Other receipts (payments)-net	704,906	535,827
Net cash used in operating activities	<u>(12,974,528)</u>	<u>(13,836,562)</u>
Cash flows from noncapital financing activities		
State appropriations	9,181,588	8,385,386
State fiscal stabilization funds (federal)	-	673,621
Gifts	-	145,000
Pell grants	4,786,650	4,993,381
Net cash provided by noncapital financing activities	<u>13,968,238</u>	<u>14,197,388</u>
Cash flows from capital financing activities		
State capital grants (federal)	-	668,638
Purchases of capital assets	(358,505)	(1,032,266)
Payments on long-term borrowings from financial institutions	(25,835)	(24,850)
Withdrawals from (deposits to) noncurrent cash and cash equivalents	(77,881)	29,859
Other nonoperating revenue	365,967	20,940
Net cash used in capital financing activities	<u>(96,254)</u>	<u>(337,679)</u>
Cash flows from investing activities		
Interest on investments	7,118	8,974
Cash provided by investing activities	<u>7,118</u>	<u>8,974</u>
INCREASE IN CASH AND CASH EQUIVALENTS	904,574	32,121
Cash and cash equivalents - beginning of year	<u>6,218,320</u>	<u>6,186,199</u>
Cash and cash equivalents - end of year	<u>\$ 7,122,894</u>	<u>\$ 6,218,320</u>
Reconciliation of net operating loss to net cash used in operating activities		
Operating loss	\$ (15,522,375)	\$ (15,720,346)
Adjustments to reconcile net operating loss to net cash used in operating activities		
Depreciation expense	1,152,282	1,148,025
Changes in assets and liabilities		
Accounts receivable-net	(288,073)	115,471
Due from the Commission	(11,672)	3,825
Due from Federal Government	(59,468)	1,468
Due from other State Agencies	(5,325)	29,904
Prepaid expenses	(4,083)	2,554
Inventories	85,471	(50,184)
Accounts payable	(46,423)	71,833
Due to the Commission/Council	721,063	26,345
Due to other State Agencies	-	(23,556)
Due to other governments	(11,580)	732
Accrued liabilities	(12,341)	20,056
Compensated absences	(1,783)	(61,465)
Other post employment benefits	1,172,553	1,124,827
Deferred revenue	(142,774)	(526,051)
Net cash used in operating activities	<u>\$ (12,974,528)</u>	<u>\$ (13,836,562)</u>
Significant noncash transactions:		
Payments received on behalf of Southern	<u>\$ 712,043</u>	<u>\$ 236,983</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

NOTE 1 - ORGANIZATION

Southern West Virginia Community and Technical College (the "College") is governed by the Southern West Virginia Community and Technical College Board of Governors (the "Board"). The Board was established by Senate Bill 653 ("S.B. 653").

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

S.B. 653 also created the West Virginia Higher Education Policy Commission (the "Commission"), which is responsible for developing, gaining consensus around and overseeing the implementation and development of a higher education public policy agenda. Senate Bill 448 gives the West Virginia Council for Community and Technical College Education the responsibility of developing, overseeing and advancing the State's public policy agenda as it relates to community and technical college education.

As a requirement of Governmental Accounting Standards Board standards (GASB), the College has included information from the Southern West Virginia Community College Foundation, Inc. (the "Foundation").

Although the College benefits from the activities of the Foundation, the Foundation is independent of the College in all respects. The Foundation is not a subsidiary of the College and is not directly or indirectly controlled by the College. The Foundation has its own separate, independent Board of Directors. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the College. The College is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. The College does not have the power or authority to mortgage, pledge, or encumber the assets of the Foundation. The Board of Directors of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the College. Under State law, neither the principal nor income generated by the assets of the Foundation can be taken into consideration in determining the amount of State-appropriated funds allocated to the College. Third parties dealing with the College, the Board, and the State of West Virginia (the "State") (or any agency thereof) should not rely upon the financial statements of the Foundation for any purpose without consideration of all the foregoing conditions and limitations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. The financial statement presentation required by GASB provide a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

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

The accompanying financial statements present all funds under the College. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities. A related Southern Alumni Association (Alumni Association) of the College is not part of the College's reporting entity and is not included in the accompanying financial statements as the College has no ability to designate management, cannot significantly influence operations of these entities and is not accountable for the fiscal matters of the Alumni Association under GASB.

As of July 1, 2003, the College adopted GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, an amendment to GASB Statement No. 14. As a result, the Southern West Virginia Community College Foundation, Inc. (Foundation) was originally not included because the economic resources held by the Foundation was not significant to that inclusion. Beginning with the year ended June 30, 2008, the resources held by the Foundation became significant and are now included. As a result, the audited financial statements of the Foundation are presented here as a discrete component unit with the College combined financial statements in accordance with GASB. The Foundation's audited financial statements were as of and for the year ended December 31, 2011 and 2010. The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organization. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein as required by GASB No. 39.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation - GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a basis to focus on the College as a whole. Net assets are classified into four categories according to external donor restrictions or availability of assets for satisfaction of College obligations. The College's net assets are classified as follows:

- *Invested in capital assets, net of related debt* - This represents the College's total investment in capital assets, net of outstanding depreciation and 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 investment in capital assets, net of related debt.
- *Restricted net assets, expendable* - This includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

The West Virginia State Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees and Other Money Collected as State Institutions of Higher Education* of the West Virginia State Code. House Bill 101 passed in March 2005 simplified the tuition and fee structure and removed the restrictions but included designations associated with auxiliary and capital items. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the West Virginia State Legislature.

- *Restricted net assets, nonexpendable* - This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College does not have any restricted nonexpendable net assets at June 30, 2012 or 2011.
- *Unrestricted net assets* - Unrestricted net assets represent resources derived from student tuition and fees, state appropriations and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the Board of Governors to meet current expenses for any purpose. These resources also include resources of auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government obligations); corporate debt obligations, including commercial paper, which meet certain ratings; certain money market funds; repurchase agreements; reverse repurchase agreements; asset-backed securities; certificates of deposit; state and local government securities (SLGS); and other investments. Other investments consist primarily of investments in accordance with the Linked Deposit Program, a program using financial institutions in West Virginia to obtain certificates of deposit, loans approved by the legislature and any other program investments authorized by the legislature.

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

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

Inventories - Inventories are stated at the lower-of-cost or market, cost being determined on the first-in, first-out method.

Noncurrent Cash and Cash Equivalents - Cash that is (1) externally restricted to make debt service payments and long-term loans to students, or to maintain sinking or reserve funds, (2) to purchase capital or other noncurrent assets, or (3) permanently restricted net assets, is classified as a noncurrent asset in the accompanying statements of net assets.

Capital Assets - Capital assets include property, plant and equipment and books and materials that are part of a catalogued library. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings and infrastructure, 20 years for land improvements, 7 years for library holdings, and 5 to 10 years for furniture and equipment. The College's capitalization threshold is \$5,000. There was no interest capitalized during 2012 and 2011. The accompanying combined financial statements reflect all adjustments required by GASB.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue - Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as deferred revenue. Deferred revenue at the College primarily consists of summer tuition collected in advance. Financial aid and other deposits are separately classified as deposits.

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 College is required to participate in this multiple-employer, cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State of West Virginia. Details regarding this plan and its stand-alone financial statements can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, WV 25305-0710 or <http://www.wvpeia.com>.

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

NOTE 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 College. Two groups of employees hired after July 1, 2010, will not be required to pay the unsubsidized rate: 1) active employees who were originally hired before July 1, 2010, who have a break in service of fewer than two years after July 1, 2010; and 2) retired employees who retired before July 1, 2010, return to active service after July 1, 2010, and then go back into retirement. In those cases, the original hire date will apply.

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

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

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

In addition, through its participation in 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

- *Operating revenues* - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, local, and nongovernmental grants and contracts, and (4) sales and services of educational activities.
- *Nonoperating revenues* - Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as state appropriations, Federal Pell Grants and investment income, and sale of capital assets (including natural resources).
- *Other revenues* - Other revenues consist primarily of capital grants and gifts.

Use of Restricted Net Assets - The College has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Generally, the College utilizes restricted net assets first, when practicable.

Federal Financial Assistance Programs - The College distributes student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2012 and 2011, the College received and disbursed \$4,886,485 and \$5,087,632 respectively, under these federal student aid programs.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Income Taxes - The College is exempt from income taxes, except for unrelated business income, as a governmental instrumentality under Federal income tax laws and regulations of the Internal Revenue Service as described in Section 115 of the Internal Revenue Code.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The College also adopted Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. 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.

The College 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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

NOTE 3 - CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents was as follows at June 30:

	2012		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer	\$ 7,075,571	\$ -	\$ 7,075,551
Cash in bank	42,523	103,650	146,193
Cash on hand	4,800	-	4,800
	<u>\$ 7,122,894</u>	<u>\$ 103,650</u>	<u>\$ 7,226,544</u>
	2011		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer	\$ 6,190,887	\$ -	\$ 6,190,887
Cash in bank	22,633	25,769	48,402
Cash on hand	4,800	-	4,800
	<u>\$ 6,218,320</u>	<u>\$ 25,769</u>	<u>\$ 6,244,089</u>

Cash held by the State Treasurer includes \$2,524,671 and \$2,208,996 of restricted cash primarily for operating grants as of June 30, 2012 and 2011, respectively.

The combined carrying amount of cash in the bank at June 30, 2012 and 2011 was \$123,908 and \$48,402, as compared with the combined bank balance of \$146,193 and \$58,095, respectively. The difference is primarily caused by items in transit and outstanding checks. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, interest bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. 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:

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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

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

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

At June 30, 2012 and 2011, the WV Money Market Pool investments had a total carrying value of \$2,786,968,000 and \$3,018,560,000, respectively, of which the College’s ownership represents 0.22% and 0.18% 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.

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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

At June 30, 2012 and 2011, the WV Government Money Market Pool investments had a total carrying value of \$299,629,000 and \$262,692,000, respectively, of which the College's ownership represents 0.02% and 0.01%, 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):

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 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 *	<u>3,786</u>	<u>0.75</u>	<u>4,000</u>	<u>0.84</u>
			<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-	<u>6,709</u>	<u>1.33</u>		
		<u>151,248</u>	<u>30.03</u>	<u>104,295</u>	<u>22.00</u>	
Commercial paper	P-1	A-1			15,995	3.38
U.S. agency bonds	Aaa	AAA			20,017	4.22
U.S. agency bonds	Aaa	AA+	45,024	8.94		
U.S. Treasury notes***	Aaa	AAA			25,034	5.28
U.S. Treasury notes***	Aaa	AA+	44,251	8.79		
U.S. agency mortgage backed securities****	Aaa	AAA			97,296	20.53
U.S. agency mortgage backed securities****	Aaa	AA+	77,065	15.30		
Money market funds	Aaa	AAA	<u>41,610</u>	<u>8.26</u>	<u>96,287</u>	<u>20.32</u>
			<u>\$503,617</u>	<u>100 %</u>	<u>\$473,905</u>	<u>100 %</u>

* NR = Not Rated

** The securities were not in compliance with BTI Investment Policy at June 30, 2012 and/or 2011. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

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

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

At June 30, 2012 and 2011, the College's ownership represents 0.16% and 0.15%, 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.

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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

Security Type	2012		2011	
	Carrying Value (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	<u>200,054</u>	1	<u>200,279</u>	1
	<u>\$2,786,968</u>	46	<u>\$3,018,560</u>	46

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

Security Type	2012		2011	
	Carrying Value (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	<u>5</u>	1	<u>131</u>	1
	<u>\$299,629</u>	54	<u>\$262,692</u>	45

NOTE 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.

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30:

	<u>2012</u>	<u>2011</u>
Student tuition and fees - net of allowance for doubtful accounts of \$284,627 and \$261,350	\$ 228,735	\$ 73,532
Due from Foundation	126,776	-
Other accounts receivable	<u>67,698</u>	<u>61,604</u>
Accounts receivable net	<u>\$ 423,209</u>	<u>\$ 135,136</u>

NOTE 5 - CAPITAL ASSETS

The following is a summation of capital asset transactions for the College for the years ended June 30:

	2012			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated				
Construction in Process	\$ 236,983	\$ 712,043	\$ -	\$ 949,026
Land	<u>1,288,470</u>	<u>-</u>	<u>-</u>	<u>1,288,470</u>
Total capital assets not being depreciated	<u>\$ 1,525,453</u>	<u>\$ 712,043</u>	<u>\$ -</u>	<u>\$ 2,237,496</u>
Other capital assets				
Buildings	\$ 31,270,822	\$ -	\$ -	\$ 31,270,822
Equipment	6,853,704	292,921	(1,532,361)	5,614,264
Library holdings	<u>3,864,099</u>	<u>65,584</u>	<u>(51,327)</u>	<u>3,878,356</u>
Total other capital assets	<u>41,988,625</u>	<u>358,505</u>	<u>(1,583,688)</u>	<u>40,763,442</u>
Less accumulated depreciation for				
Buildings	(9,128,577)	(715,800)	-	(9,844,377)
Equipment	(5,227,434)	(384,830)	1,532,361	(4,079,903)
Library holdings	<u>(3,725,439)</u>	<u>(51,652)</u>	<u>51,327</u>	<u>(3,725,764)</u>
Total accumulated depreciation	<u>(18,081,450)</u>	<u>(1,152,282)</u>	<u>1,583,688</u>	<u>(17,650,044)</u>
Other capital assets-net	<u>\$ 23,907,175</u>	<u>\$ (793,777)</u>	<u>\$ -</u>	<u>\$ 23,113,398</u>
Capital asset summary				
Capital assets not being depreciated	\$ 1,525,453	\$ 712,043	\$ -	\$ 2,237,496
Other capital assets	<u>41,988,625</u>	<u>358,505</u>	<u>(1,583,688)</u>	<u>40,763,442</u>
Total cost of capital assets	43,514,078	1,070,548	(1,583,688)	43,000,938
Less accumulated depreciation	<u>(18,081,450)</u>	<u>(1,152,282)</u>	<u>1,583,688</u>	<u>(17,650,044)</u>
Capital assets-net	<u>\$ 25,432,628</u>	<u>\$ (81,734)</u>	<u>\$ -</u>	<u>\$ 25,350,894</u>

NOTE 5 - CAPITAL ASSETS (Continued)

	2011			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated				
Construction in Process	\$ 62,685	\$ 236,983	\$ (62,685)	\$ 236,983
Land	1,288,470	-	-	1,288,470
Total capital assets not being depreciated	<u>\$ 1,351,155</u>	<u>\$ 236,983</u>	<u>\$ (62,685)</u>	<u>\$ 1,525,453</u>
Other capital assets				
Buildings	\$ 30,346,207	\$ 924,615	-	\$ 31,270,822
Equipment	6,748,952	104,752	-	6,853,704
Library holdings	3,816,584	65,584	(18,069)	3,864,099
Total other capital assets	<u>40,911,743</u>	<u>1,094,951</u>	<u>(18,069)</u>	<u>41,988,625</u>
Less accumulated depreciation for				
Buildings	(8,412,777)	(715,800)	-	(9,128,577)
Equipment	(4,854,966)	(372,468)	-	(5,227,434)
Library holdings	(3,683,751)	(59,757)	18,069	(3,725,439)
Total accumulated depreciation	<u>(16,951,494)</u>	<u>(1,148,025)</u>	<u>18,069</u>	<u>(18,081,450)</u>
Other capital assets-net	<u>\$ 23,960,249</u>	<u>\$ (53,074)</u>	<u>\$ -</u>	<u>\$ 23,907,175</u>
Capital asset summary				
Capital assets not being depreciated	\$ 1,351,155	\$ 236,983	\$ (62,685)	\$ 1,525,453
Other capital assets	<u>40,911,743</u>	<u>1,094,951</u>	<u>(18,069)</u>	<u>41,988,625</u>
Total cost of capital assets	42,262,898	1,331,934	(80,754)	43,514,078
Less accumulated depreciation	<u>(16,951,494)</u>	<u>(1,148,025)</u>	<u>18,069</u>	<u>(18,081,450)</u>
Capital assets-net	<u>\$ 25,311,404</u>	<u>\$ 183,909</u>	<u>\$ (62,685)</u>	<u>\$ 25,432,628</u>

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

At June 30, 2012, the College had no significant outstanding contractual commitments for property, plant and equipment expenditures.

NOTE 6 - LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the College for the years ended June 30:

	2012						
	Beginning				Ending	Current	Noncurrent
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Portion</u>	<u>Portion</u>	
Capital Leases	\$ 87,764	\$ -	\$ 25,834	\$ 61,930	\$ 26,857	\$ 35,073	
Other post employment benefits liability	2,732,501	1,172,553	-	3,905,054	-	3,905,054	
Compensated absences	<u>453,563</u>	<u>-</u>	<u>1,783</u>	<u>451,780</u>	<u>294,502</u>	<u>157,278</u>	
Total noncurrent liabilities	<u>\$ 3,273,828</u>	<u>\$ 1,172,553</u>	<u>\$ 27,618</u>	<u>\$ 4,418,765</u>	<u>\$ 312,359</u>	<u>\$ 4,097,405</u>	
	2011						
	Beginning				Ending	Current	Noncurrent
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Portion</u>	<u>Portion</u>	
Capital Leases	\$ 112,615	\$ -	\$ 24,850	\$ 87,765	\$ 25,835	\$ 61,930	
Other post employment benefits liability	1,607,674	1,124,827	-	2,732,501	-	2,732,501	
Compensated absences	<u>515,028</u>	<u>-</u>	<u>61,465</u>	<u>453,563</u>	<u>293,034</u>	<u>160,529</u>	
Total noncurrent liabilities	<u>\$ 2,235,317</u>	<u>\$ 1,124,827</u>	<u>\$ 86,315</u>	<u>\$ 3,273,829</u>	<u>\$ 318,869</u>	<u>\$ 2,954,960</u>	

On August 22, 2007 the College entered into a capital lease for equipment with SunTrust Leasing Corporation. The lease is payable in monthly installments of \$2,399 over 84 months at an interest rate of 3.89%. The total amount outstanding on the lease at June 30, 2012 was \$61,930.

The cost of equipment under capital leases, net of accumulated depreciation is included in the Statement of Net Assets as investment in capital assets and was \$96,661 at June 30, 2012. Depreciation of assets under capital leases is included in depreciation expense.

The future minimum lease payments required under the capital lease and the present value of the net minimum lease payments as of June 30, 2012, are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2013	\$ 28,791
2014	28,791
2015	<u>7,196</u>
Total minimum lease payments	64,778
Less: Amount representing interest	<u>2,848</u>
Present value of net minimum lease payments	<u>\$ 61,930</u>

NOTE 7 - OPERATING LEASE OBLIGATIONS

The College leases various equipment, automobiles, and buildings, under operating lease agreements. Aggregate payment for operating leases amounted to \$111,295 and \$91,168 for the years ended June 30, 2012 and 2011, respectively. The College was not obligated under any noncancellable leases at June 30, 2012. Future minimum rental commitments are as follows as of June 30, 2012:

<u>Year Ending June 30</u>	<u>Operating Leases</u>
2013	\$ 45,565
2014	40,518
2015	24,653
2016	40
2017	<u>40</u>
Total	<u>\$ 110,816</u>

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2012 and 2011, the noncurrent liability related to OPEB costs was \$3,905,054 and \$2,732,501, respectively. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$1,707,208 and \$122,663 respectively, during 2012, \$1,537,812 and \$416,962, respectively, during 2011 and \$1,737,275 and \$378,380, respectively, during 2010. As of the years ended June 30, 2012, 2011 and 2010, there were 31, 33 and 31 retirees receiving these benefits, respectively.

NOTE 9 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

NOTE 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 the College. Financing for these facilities was provided through revenue bonds issued by the former Board of Regents or the former Boards of the College, College Systems, and the Commission (the "Boards"). These obligations administered by the Commission are the direct and total responsibility of the Commission, as successor to the former Boards.

During December 2009, the Commission, on behalf of the Council, issued \$78,295,000 of Community and Technical Colleges Improvement Revenue Bonds, 2009 Series A (the "2009 Bonds"). The proceeds of the 2009 Bonds will be used to finance the acquisition, construction, equipping, or improvement of community and technical college facilities in West Virginia. The bond projects listed in the bond offering for the 2009 Bonds proposes bond funding of \$6,000,000 for the College. State lottery funds will be used to repay the debt. As of June 30, 2012, the College had drawn down \$949,026 of these bond funds to pay for capital projects.

NOTE 10 - UNRESTRICTED NET ASSETS

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

	<u>2012</u>	<u>2011</u>
Total unrestricted net assets before OPEB liability	\$ 3,838,496	\$ 3,078,040
Less: OPEB liability	<u>3,905,054</u>	<u>2,732,501</u>
Total unrestricted (deficit) net assets	<u>\$ (66,558)</u>	<u>\$ 345,539</u>

NOTE 11 - RETIREMENT PLANS

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

NOTE 11 - RETIREMENT PLANS (Continued)

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

The STRS is a cost sharing, public employee retirement system. Employer and employee contribution rates are established annually by the State Legislature. The contractual maximum contribution rate is 15%. The College accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for years ended June 30, 2012, 2011, and 2010. Required employee contributions were at the rate of 6% of total annual salary for years ended June 30, 2012, 2011, and 2010. Participants in the STRS may retire with full benefits upon reaching age 60 with 5 years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest 5 years' salary out of the last 15 years) multiplied by the number of years of service.

Total contributions to the STRS for the years ended June 30, 2012, 2011 and 2010 were \$192,367, \$215,215 and \$307,926, respectively, which consisted of \$137,405, \$153,725 and \$219,947 from the College in 2012, 2011 and 2010, respectively, and \$54,962, \$61,490 and \$87,979 from the covered employees in 2012, 2011 and 2010, respectively.

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

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

Total contributions to the TIAA-CREF for the years ended June 30, 2012, 2011 and 2010 were \$839,118, \$822,510 and \$858,360 respectively, which consisted of equal contributions from the College and covered employees in 2012, 2011 and 2010 of \$419,559, \$411,255 and \$429,180, respectively.

NOTE 11 - RETIREMENT PLANS (Continued)

The College's total payroll for the years ended June 30, 2012, 2011, and 2010 were \$8,870,231, \$8,998,151 and \$9,478,014, respectively; total covered employees' salaries in the STRS and TIAA-CREF were \$916,034 and \$6,992,645 in 2012, respectively; \$1,024,835 and \$6,793,206 in 2011, respectively; and \$1,466,309 and \$7,078,607 in 2010, respectively.

NOTE 12 - FOUNDATION

The Foundation is a separate nonprofit organization incorporated in the State and has as its purpose "to support, encourage and assist in the development and growth of the College, to render service and assistance to the College, and through it to the citizens of the State of West Virginia..." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy and maintains fiscal accountability over funds administered by the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is therefore discretely presented with the College's financial statements in accordance with GASB.

The Foundation's net assets totaled \$3,334,595 and \$2,913,451 at December 31, 2011 and 2010, respectively. The net assets include amounts which are restricted by donors to use for specific projects or departments of the College. During the years ended June 30, 2011 and 2010, the Foundation made \$230,622 and \$363,820, respectively, in contributions to the College. As of June 30, 2012 and 2011, the College had accounts receivable of \$126,776 and \$0 due from the Foundation. Complete financial statements for the Foundation can be obtained from the Southern West Virginia Community College Foundation.

NOTE 13 - AFFILIATED ORGANIZATION

The College has a separately incorporated affiliated organization, the Southern Alumni Association. Oversight responsibility for this entity rests with an independent board and management not otherwise affiliated with the College. Accordingly, the financial statements of such organizations are not included in the accompanying financial statements under the blended component unit requirements. They are not included in the College's accompanying financial statements under directly presented component unit requirements as, they (1) are not material or (2) have dual purposes (i.e., not entirely or almost entirely for the benefit of the College).

NOTE 14 - CONTINGENCIES

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

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

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

NOTE 15 COMPONENT UNIT DISCLOSURES

The following are the notes taken directly from the Foundation's financial statements starting on the following page:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Southern West Virginia Community College Foundation, Inc. (the “Foundation”) was incorporated in September 1971 as a tax-exempt, not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code for the purpose of collecting donations from individuals, corporations, and foundations to be distributed as scholarships to persons attending what is now known as Southern West Virginia Community and Technical College (the “College”), and to be used for other purposes benefiting the College. The Foundation is classified as other than a private foundation by the Internal Revenue Service and is exempt from income taxes.

Basis of Accounting and Financial Statement Presentation – The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles (“U.S. GAAP”). The accompanying financial statements of the Foundation present information regarding its net assets and activities in the following three categories:

Unrestricted – Net assets are under the discretionary control of the Board of Directors (the “Board”) and include amounts designated by the Board for specified purposes.

Temporarily Restricted – Net assets are restricted by the donor for a specific purpose (generally scholarships or educational development programs) or use in a future time period. The income on these net assets is either temporarily restricted or unrestricted based on the intentions of the donor.

Permanently Restricted – Net assets are subject to the donor’s restriction that the principal remain invested in perpetuity. The income on these net assets generally is used for scholarships or educational development programs.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include cash in checking accounts and short-term investments with an original maturity of 3 months or less.

Investments – Investments are reported at fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unconditional Promises to Give – Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of the net realizable value, using the federal prime rate plus two percent as applicable to the years in which the promises are received to discount the amounts. The majority of the promises to give are received from local individual and business contributors as a result of the VISION 2020 campaign.

An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end. At December 31, 2011, management determined that all outstanding promises to give are fully collectible.

Contributions – Contributions and grants, including bequests, special gifts, and other donations, are recorded as revenue when received or, if by pledge, when an unconditional pledge is made. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Noncash bequests, gifts, and donations, if any, would be recorded at the fair market value of the asset at the date of donation.

Program Services Expenses – All scholarships and other program services distributions are approved by the Board. Unconditional grants to the College are recognized when approved. Grants approved by the Board that are payable upon performance of specified conditions by the grantee (if any) are recognized in the statement of activities and change in net assets when the specified conditions are satisfied.

Fixed Assets – The Foundation's fixed assets are carried at cost. Depreciation is computed using the straight-line method with estimated useful lives of three and five years for software and equipment, respectively. Depreciation expense of \$301 and \$344 was recognized during the periods ended December 31, 2011 and 2010, respectively.

NOTE 2 - INVESTMENTS

The cost and estimated fair values of investments at December 31 are as follows:

	2011		2010	
	Estimated Fair Value	Cost	Estimated Fair Value	Cost
Equity securities	\$2,343,271	\$ 1,658,234	\$ 1,661,465	\$ 1,658,234
U.S. government obligations	-	-	205,658	199,848
Total	<u>\$ 2,343,271</u>	<u>\$ 1,658,234</u>	<u>\$ 1,867,123</u>	<u>\$ 1,858,082</u>

SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 2 – INVESTMENTS (CONTINUED)

The following table shows the gross unrealized losses and fair value, aggregated by investment category and lengths of time, that the individual securities have been in a continuous unrealized loss position at December 31:

	2011					
	Less than 12 months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Equity securities	\$ 127,442	\$ 34,120	\$ 412,620	\$ 76,625	\$ 540,062	\$ 110,745

	2010					
	Less than 12 months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Equity securities	\$ -	\$ -	\$ 701,275	\$ 116,748	\$ 701,275	\$ 116,748

Gain on investments for the periods ended December 31 is summarized as follows:

	2011	2010
Net realized gains	\$ 153	\$ 4
Net unrealized gains	<u>132,684</u>	<u>132,260</u>
Total	<u>\$ 132,837</u>	<u>\$ 132,264</u>

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give at December 31 are as follows:

	2011	2010
Receivable in less than one year	\$ 175,646	\$ 272,164
Receivable in one to five years	428,161	138,567
Receivable in more than five years	<u>38,000</u>	<u>43,000</u>
Total unconditional promises to give	641,807	453,731
Less discounts to net present value	<u>(41,607)</u>	<u>(18,694)</u>
Net unconditional promises to give	<u>\$ 600,200</u>	<u>\$ 435,037</u>

The discount rates used on long-term promises to give were 3.25 percent in 2011 and 2010.

SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 4 – RELATED PARTY TRANSACTIONS

The Foundation scholarships are awarded by the College. The College awarded \$224,830 and \$247,931 in scholarships to students on behalf of the Foundation in 2011 and 2010, respectively. The College also presented the faculty of the College with educational awards totaling \$3,000 per period ended December 31, 2011 and 2010. Each of these transactions was recorded as a payable on the Foundation's financial statements.

At December 31, 2011 and 2010, the Foundation's related party payables to the College for scholarships and faculty educational awards were \$119,326 and \$105,493, respectively.

Contributed services received from the College and from unrelated volunteers have not been recorded, as the value of the services cannot be determined.

NOTE 5 – NET ASSETS

Temporary and permanent restrictions on net assets at December 31, 2011 and 2010 are for scholarships and educational development.

Net assets were released from restriction for the following purposes during the years ended December 31:

	<u>2011</u>	<u>2010</u>
Scholarships	\$ 224,830	\$ 247,931
Educational development	148,029	110,477
Fundraising	30,000	26,500
Other	<u>92,837</u>	<u>26,435</u>
Total	<u>\$ 495,696</u>	<u>\$ 411,343</u>

NOTE 6 – FIXED ASSETS

At December 31, fixed assets consist of the following:

	<u>2010</u>	<u>2009</u>
Software	\$ 48,627	\$ 48,627
Equipment	1,723	1,723
Accumulated depreciation	<u>(50,350)</u>	<u>(50,049)</u>
Fixed assets, net	<u>\$ -</u>	<u>\$ 301</u>

NOTE 7 – FAIR VALUE MEASUREMENTS

Accounting standards require that the Foundation adopt fair value measurement for financial assets and financial liabilities. This enhanced guidance for using fair value to measure assets and liabilities applies whenever other standards require or permit assets or liabilities to be measured at fair value. This guidance does not expand the use of fair value in any new circumstances.

Accounting standards establish a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring assets and liabilities at fair value. The three broad levels defined by these standards are as follows:

Level I: Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level II: Pricing inputs other than quoted prices available in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities include items for which quoted prices are available but traded less frequently, and items that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level III: Assets or liabilities that have little or no pricing observability as of the reported date. These items do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

The following table presents assets reported on the financial statements at their fair value, by level within the fair value hierarchy. Equity securities are classified as Level I securities and are valued using observable market prices. Debt securities are classified as Level II securities and are valued using matrix pricing or other market approaches. As required by accounting standards, financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
<u>Valued on a recurring basis:</u>				
December 31, 2011				
Assets:				
Equity securities	\$ 2,343,271	\$ -	\$ -	\$ 2,343,271
Debt securities	-	-	-	-
December 31, 2010				
Assets:				
Equity securities	\$ 1,661,465	\$ -	\$ -	\$ 1,661,465
Debt securities	-	205,658	-	205,658

NOTE 8 - SUBSEQUENT EVENTS

The Foundation assessed events occurring subsequent to December 31, 2011, through September 5, 2012, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to, or disclosure in, the financial statements which were issued September 5, 2012.

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 16 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

These tables represent operating expenses within both natural and functional classifications for the years ended June 30:
 2012

	2012				Fees Assessed by the Commission		Total
	Salaries and Wages	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Commission	
Instruction	\$ 4,891,635	\$ 1,232,488	\$ 19,667	\$ -	\$ -	\$ -	\$ 7,016,459
Public service	80,104	17,761	-	-	-	-	164,599
Academic support	593,361	168,795	-	-	-	-	972,997
Student services	894,790	291,750	-	-	-	-	1,537,759
General institutional support	2,172,335	1,805,570	9,502	-	-	-	5,753,846
Operations and maintenance of plant	60,803	19,752	677,506	-	-	-	1,644,765
Student financial aid	-	-	-	4,270,312	-	-	4,270,312
Auxiliary enterprises	170,612	32,331	-	-	-	-	941,600
Depreciation	-	-	-	-	1,152,282	-	1,152,282
Other	-	-	-	-	-	56,255	56,255
Total	\$ 8,863,640	\$ 3,568,447	\$ 706,675	\$ 4,270,312	\$ 1,152,282	\$ 56,255	\$ 23,510,874

	2011				Fees Assessed by the Commission		Total
	Salaries and Wages	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Commission	
Instruction	\$ 4,766,843	\$ 1,249,565	\$ 18,976	\$ -	\$ -	\$ -	\$ 7,176,384
Public service	97,325	25,103	-	-	-	-	323,245
Academic support	551,337	169,616	-	-	-	-	1,036,756
Student services	793,167	230,187	-	-	-	-	1,290,539
General institutional support	2,469,052	1,767,681	2,735	-	-	-	6,012,929
Operations and maintenance of plant	123,959	19,705	606,600	-	-	-	1,182,641
Student financial aid	-	-	-	3,916,949	-	-	3,916,949
Auxiliary enterprises	173,424	38,296	-	-	-	-	1,020,357
Depreciation	-	-	-	-	1,148,025	-	1,148,025
Other	-	-	-	-	-	55,014	55,014
Total	\$ 8,975,107	\$ 3,500,153	\$ 628,311	\$ 3,916,949	\$ 1,148,025	\$ 55,014	\$ 23,162,839



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
Southern West Virginia Community and Technical College
Mt. Gay, West Virginia

We have audited the financial statements of Southern West Virginia Community and Technical College (the College) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 23, 2012, which states reliance on other auditors for the discretely presented component unit. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of The Southern West Virginia Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of The Southern West Virginia Community and Technical College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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 have 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 the College's management, the Members of the College's Governing Board, 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 those specified parties.



Charleston, West Virginia
October 23, 2012