West Virginia Northern Community College

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

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

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INDEPENDENT AUDITORS' REPORT

To the Governing Board of
West Virginia Northern Community College:

We have audited the accompanying financial statements of West Virginia Northern Community College (the "College") and West Virginia Northern Community College Foundation, Inc. (the "Foundation" a discretely presented component unit of the College) as of June 30, 2012 and 2011, and for the years then ended, which collectively comprise the College's basic financial statements listed in the foregoing Table of Contents. These financial statements are the responsibility of the College's and Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the respective financial position and changes in net assets of the College and Foundation at June 30, 2012 and 2011, and cash flows of the College for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 11, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2012, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Costey + Associates, PLLC

October 26, 2012

West Virginia Northern Community College
Management Discussion and Analysis
Fiscal Year Ending June 30, 2012

Overview

West Virginia Northern Community College (WVNCC or the "College") is providing its financial statements for the fiscal year 2012, along with a comparative of fiscal years 2011 and 2010. There are three Financial Statements presented: the Statements of Net Assets; the Statements of Revenues, Expenses, and Changes in Net Assets; and the Statements of Cash Flows as required by GASB No. 35 reporting standards. This section of the annual financial report focuses on an overview of the College's financial performance during the fiscal year ended June 30, 2012, with comparisons to the two previous fiscal years (June 30, 2011 and 2010).

In addition, WVNCC Foundation, Inc. consists of two basic financial statements; the Statements of Financial Position and the Statements of Activities. The WVNCC Foundation, Inc. assets are controlled by a separate Board of Trustees and its historical purpose has been in support of student scholarships, capital improvements, and institutional support. More information about the accounting and reporting aspects of the Foundation can be found in footnotes 12 and 17 of these financial statements.

Statements of Net Assets

The Statements of Net Assets present the Assets (current and non-current), Liabilities (current and non-current), and Net Assets (Assets minus Liabilities) of the College as of June 30, 2012. Assets denote the resources available to continue the operations of the College. Liabilities indicate how much the College owes vendors, employees, lending institutions and the West Virginia Higher Education Policy Commission. Net Assets provide a way to measure the financial position of the College.

Net Assets are displayed in three major categories:

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

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

> **Expendable restricted net assets** include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. For example, the expenditure must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.
>
> **Non-expendable restricted net assets** include endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College presently does not have any non-expendable net assets.

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

Schedules of Net Assets
Fiscal Years Ended June 30

	2012	2011	2010	Change FY 12-11
Assets:				
Current Assets	$ 15,218,303	$ 13,607,918	$ 11,176,394	11.83%
Other Noncurrent Assets	3,142,732	2,955,631	2,177,712	6.33%
Capital Assets - Net	27,577,630	23,652,538	23,618,602	16.59%
Total Assets	45,938,665	40,216,087	36,972,708	14.23%
Liabilities:				
Current Liabilities	1,609,984	1,664,846	1,839,914	-3.30%
Noncurrent Liabilities	2,738,223	1,890,410	1,023,913	44.85%
Total Liabilities	4,348,207	3,555,256	2,863,827	22.30%
Net Assets:				
Invested in Capital Assets	27,569,775	23,616,419	23,522,053	16.74%
Restricted Expendable	3,145,469	2,978,285	2,189,852	5.61%
Unrestricted	10,875,214	10,066,127	8,396,976	8.04%
Total Net Assets	$ 41,590,458	$ 36,660,831	$ 34,108,881	13.45%

Statement of Net Assets 2012 to 2011 Financial Highlights:

Assets

- Current and Non-current cash and cash equivalents increased $1.8 million or 11.2%.
- Capital Assets-net increased $3.9 million or 16.6%.
- Accounts Receivable-net decreased $49,000 or 14.8%
- Total Assets increased $5.7 million or 14.2%.

Liabilities

- Current Liabilities decreased $55,000 or 3.3%.
- Non-current Liabilities increased $848,000 or 44.8%.
- Post Employment Benefits Liability increased $853,000 or 46.6%.
- Total liabilities increased $793,000 or 22.3%.

Comments

An indicator that the College has sufficient resources available to meet its obligations is the current ratio (current assets to current liabilities). This ratio is calculated at 9.45 to 1 and 8.17 to 1 for 2012 and 2011 respectively, which demonstrates strong asset growth for Fiscal Year 2012.

West Virginia Northern Community College continues to maintain a strong cash position with current cash and cash equivalents representing 32.4% of total assets for FY 2012. The percentage increase in total assets (14.2%) and the percentage increase in net assets (13.4%) continue to show consistent growth in the College's financial position. The decrease in Accounts Receivable was due primarily to providing greater payment options to students. The College has added approximately $13.5 million in net fixed assets over the last 10 years. More detailed data with respect to capital assets for the years ended June 30, 2012 and 2011 can be found in footnote 5 to these financial statements.

The increase in Other Post Employment Benefits (OPEB) Liability is due to the accrual of annual OPEB cost as determined by the State's actuarial calculation. In FY 2012 and 2011, the State directed all of their Universities and Colleges to account for the full amount of these OPEB liabilities without the transfer of any State general revenue funds. However, in FY 2013 the remaining annual required contribution is decreasing from $794 per eligible health policy to $79. This represents a $715 decrease from FY 2012's rate of accrual.

Statements of Revenues, Expenses and Changes in Net Assets

The Statements of Revenues, Expenses and Changes in Net Assets present the operating results of the College for the fiscal year ended June 30, 2012 compared to fiscal years ended June 30, 2011 and 2010. The purpose of the Statement is to present the revenues of the College (operating and non-operating), the expenses of the College (operating and non-operating), and any other revenues, expenses, gains and losses of the College. State Appropriations, while budgeted for operations, are considered and reported as non-operating revenues. This is due to State Appropriations being provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues. The utilization of capital assets is reflected in the Financial Statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

	2012	2011	2010	Change FY 12 -11
Total Operating Revenues	$ 6,347,486	$ 5,854,407	$ 5,571,740	8.42%
Total Operating Expenses	20,129,648	20,193,442	19,248,531	-0.32%
Operating Loss	(13,782,162)	(14,339,035)	(13,676,791)	-3.88%
Net Nonoperating Revenues	14,953,608	16,460,072	15,829,485	-9.15%
State Capital Grants (Federal)	-	148,460	501,540	-100.00%
Payments Made and Expenses Incurred on Behalf of College	3,758,181	282,453	9,107	1230.55%
Increase in Net Assets	4,929,627	2,551,950	2,663,341	93.17%
Net Assets - Beginning of Year	36,660,831	34,108,881	31,445,540	7.48%
Net Assets - End of Year	$ 41,590,458	$ 36,660,831	$ 34,108,881	13.45%

Statement of Revenues, Expenses and Changes in Net Assets 2012 to 2011 Financial Highlights:

Operating Revenue

- Total Operating Revenues increased $493,000 or 8.4%.
- Net Student Tuition & Fees increased $279,000 or 9.6%.
- State Contracts and Grants increased $222,000 or 9.8%.
- Private Contracts and Grants decreased $47,100 or 19.3%.

Operating Expenses

- Total Operating Expenses decreased $64,000 or .3%.
- Salaries and Wages decreased $157,000 or 2.0%.
- Employee Benefits decreased $14,000 or .5%.
- Student Financial Aid decreased $451,000 or 8.3%.

Non-Operating Revenues (Expenses)

- Net Non-Operating Revenues decreased $1.5 million or 9.2%.
- State Appropriations increased $738,000 or 10.4%.
- State Stabilization funds to the College decreased $618,973 or 100%.
- Federal Pell Grants to student decreased $1.6 million or 18.6%.

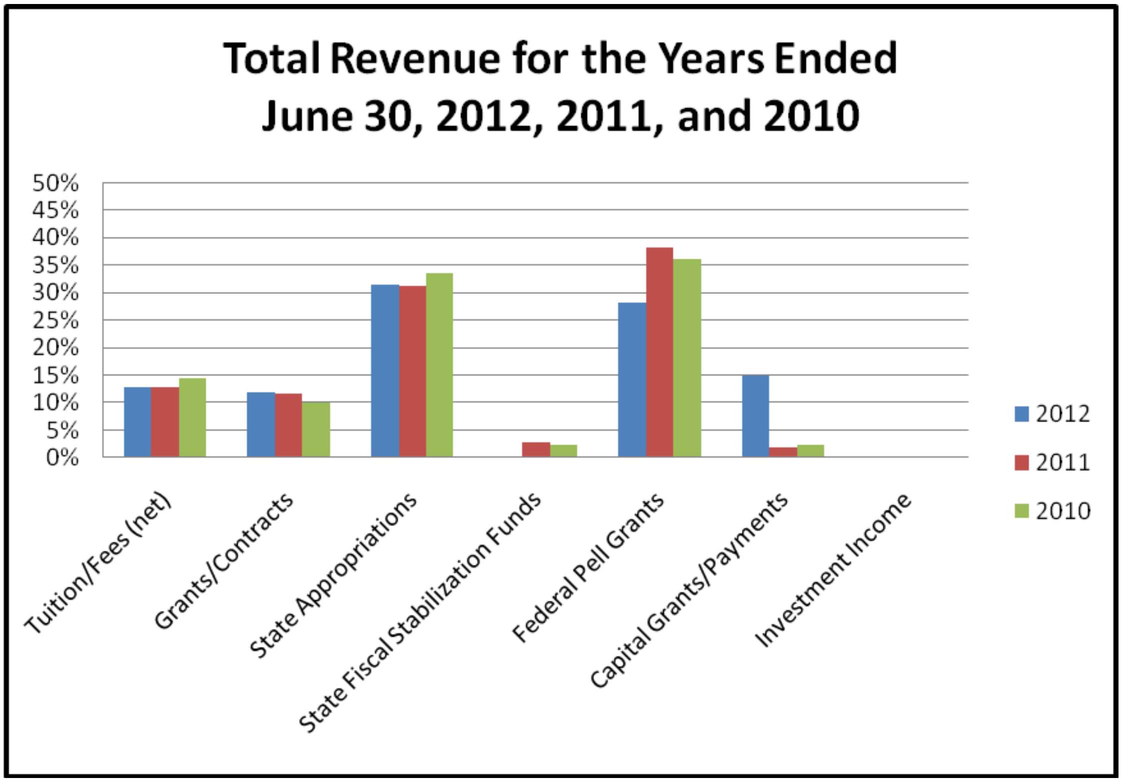
Comments

Total operating revenues increased. Contract and grant revenue increased by a larger margin than net tuition and fees. Gross tuition and fees decreased by $385,000. However, netting scholarship allowances against gross tuition and fees yields a $493,000 net increase.

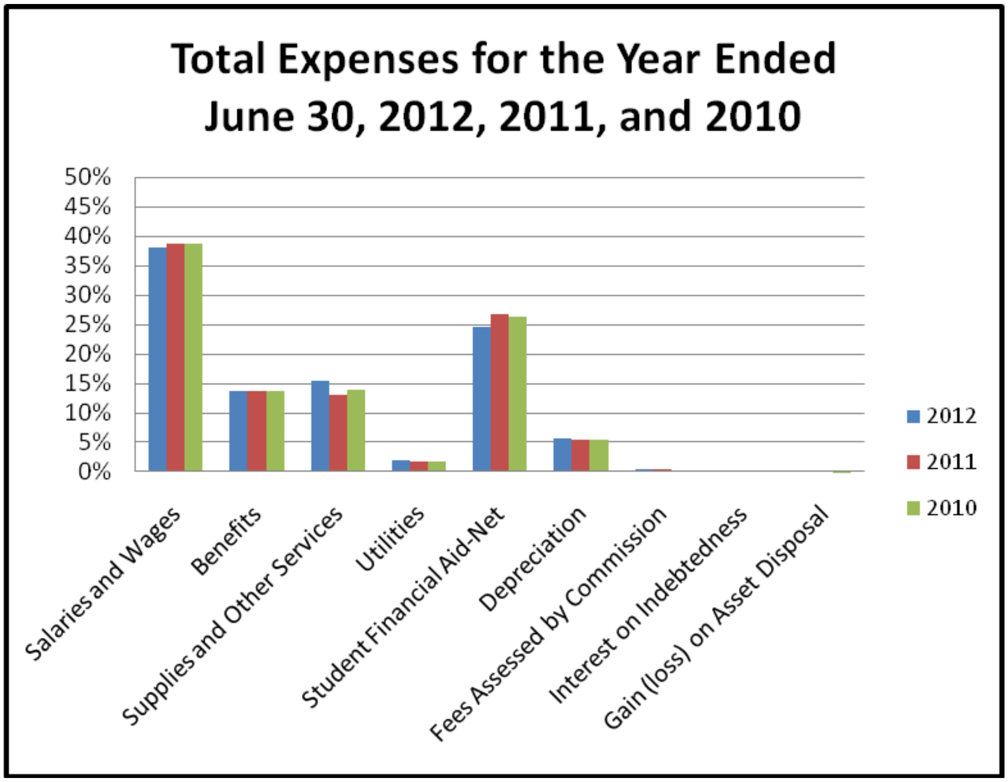
Total operating expenses decreased due to a decrease in financial aid disbursements and an overall 1.6% decrease in salary & benefits. Salaries and wages decreased 2.0% and benefits .5% over 2011.

The Non-Operating Revenues decreased as a result of a decrease in Federal Pell Grants disbursed to students as well as the elimination of State Stabilization funds used to reimburse the College for reductions in State Appropriations in the prior year.

Major sources of revenue for the College consist of program and general. The graph illustrates the revenues by source and percentage based on the total revenue of $25,060,613, $22,749,569, and $21,918,819, for the years ended 2012, 2011, 2010 respectively.



The graph illustrates the operating expenses by natural classification, non-operating expenses, and percentage based on the total expenditures of $20,130,986, $20,197,619, and $19,255,478 for the years ended 2012, 2011 and 2010, respectively.



Statements of Cash Flows

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

The Statement of Cash Flows is divided into four parts:

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

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

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

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

Schedules of Cash Flows
Fiscal Years Ended June 30

	2012	2011	2010	Change FY 12-11
Cash provided by (used in):				
Operating Activities	$ (11,776,643)	$ (12,078,739)	$ (11,914,470)	-2.50%
Noncapital Financing Activities	14,939,696	16,440,128	15,813,594	-9.13%
Capital Financing Activities	(1,553,938)	(1,665,555)	(1,703,459)	-6.70%
Investing Activities	16,391	26,914	24,420	-39.10%
Increase in Cash and Cash Equivalents	1,625,506	2,722,748	2,220,085	-40.30%
Cash and Cash Equivalents - beginning of year	13,264,673	10,541,925	8,321,840	25.83%
Cash and Cash Equivalents - end of year	$ 14,890,179	$ 13,264,673	$ 10,541,925	12.25%

Comments

The College generated positive cash flows which resulted in ending cash balance increases of 25.83% and 26.68% for the years ended 2012 and 2011, respectively. The 2012 increase is supported by increased State Appropriations. These increases were offset by lower than anticipated Federal Pell grant receipts.

Capital Asset and Debt Activity

The College continues to invest in building improvements, equipment and other capital activity in FY 2012, financed by grants, bond proceeds, gifts and other College funds.

- During December 2009 the Higher Education Policy Commission (HEPC), on behalf of the Council for Community and Technical College Education, issued approximately $78 million in bonds which will be repaid from excess Lottery Funds. The College's share of the bond issuance is $6 million, which was used to finance construction of an addition to the Weirton Redline building and is being used for renovations for the Applied Technology building in Wheeling. Through June 30, 2012, the College's cumulative construction costs of $4 million were paid on behalf of the College by HEPC from the bond proceeds for these projects.

- The College's debt service obligations payable to HEPC as of June 30, 2011 was $13,241, and was paid off in FY 2012.

Economic Outlook

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

The competition for students also increased with the region's nine higher education institutions tapping a similar customer base. WVNCC is planning to outpace the other institutions by focusing on the traditional student market, expanding Developmental Education programs, creating a Physical Therapy Assistant program, and enhancing technical programs, especially Industrial Maintenance training. With funds provided through State initiatives, the College purchased a flexible space site in Wheeling and completed a major addition to its Weirton Campus for technical and nursing training. Finally, the College is renovating a recently acquired building in part, to house a new Student Union.

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

The last initiative focuses on simplifying the registration process for students by streamlining processes and providing early registration opportunities. The process has been changed to a fully automated process so that students may register on-line at their leisure.

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

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

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

	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 14,890,179	$ 13,264,673
Accounts receivable—net	284,685	334,099
Interest receivable on State cash accounts	1,853	140
Due from Commission/Council		35
Loans to students—current portion	8,792	8,966
Prepaid expenses	32,794	5
Total current assets	15,218,303	13,607,918
NONCURRENT ASSETS:		
Cash and cash equivalents	3,124,364	2,938,952
Loans to students, net of allowance of $91,657 and $95,522 in 2012 and 2011, respectively	18,368	16,679
Capital assets—net	27,577,630	23,652,538
Total noncurrent assets	30,720,362	26,608,169
TOTAL	$ 45,938,665	$ 40,216,087

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

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

	2012	2011
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 383,816	$ 531,237
Due to State of West Virginia	12,766	13,604
Due to Commission/Council	27,291	34
Accrued liabilities	771,466	687,387
Deferred revenue	29,571	28,822
Capital leases—current portion	7,855	15,023
Compensated absences	377,219	375,498
Debt obligation to Commission		13,241
Total current liabilities	1,609,984	1,664,846
NONCURRENT LIABILITIES:		
Advances from federal sponsors	54,621	51,753
Other post employment benefits liability	2,683,602	1,830,802
Capital leases		7,855
Total noncurrent liabilities	2,738,223	1,890,410
Total liabilities	4,348,207	3,555,256
NET ASSETS:		
Invested in capital assets—net of related debt	27,569,775	23,616,419
Restricted for—expendable:		
Capital projects	3,096,903	2,912,844
Scholarships	48,566	65,441
Total restricted expendable	3,145,469	2,978,285
Unrestricted	10,875,214	10,066,127
Total net assets	41,590,458	36,660,831
TOTAL	$ 45,938,665	$ 40,216,087

See notes to financial statements

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
Cash	$ 24,412	$ 14,379
Unconditional promises to give		12,500
Accounts receivable	2,460	4,405
Notes receivable from West Virginia Northern Community College-Current	7,855	15,023
Investments at fair value	2,702,287	2,370,178
Prepaid expenses	1,992	3,753
Other current assets	1,591	2,272
Notes receivable from West Virginia Northern Community College-Long Term		7,855
TOTAL	$ 2,740,597	$ 2,430,365

LIABILITIES AND NET ASSETS

	2012	2011
LIABILITIES:		
Accounts payable	$ 5,574	$ 4,635
Total liabilities	5,574	4,635
NET ASSETS:		
Unrestricted	426,195	380,974
Temporarily restricted	1,711,858	1,498,276
Permanently restricted	596,970	546,480
Total net assets	2,735,023	2,425,730
TOTAL	$ 2,740,597	$ 2,430,365

See notes to financial statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

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

	2012	2011
OPERATING REVENUES:		
Student tuition and fees - net of scholarship allowance of $3,563,155 and $4,227,017 in 2012 and 2011, respectively	$ 3,189,007	$ 2,910,145
Contracts and grants:		
Federal	278,968	144,402
State	2,494,493	2,272,717
Private	197,187	244,272
Interest on student loans receivable	1,034	1,008
Sales and services of educational activities	190,274	285,113
Miscellaneous—net	(3,477)	(3,250)
Total operating revenues	6,347,486	5,854,407
OPERATING EXPENSES:		
Salaries and wages	7,686,515	7,843,114
Benefits	2,763,379	2,777,464
Supplies and other services	3,120,620	2,651,107
Utilities	380,474	346,259
Student financial aid—scholarships and fellowships	4,961,092	5,412,089
Depreciation	1,136,892	1,089,377
Fees assessed by the Commission for operations	80,676	74,032
Total operating expenses	20,129,648	20,193,442
OPERATING LOSS	(13,782,162)	(14,339,035)

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

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

	2012	2011
NONOPERATING REVENUES (EXPENSES):		
State appropriations	$ 7,858,495	$ 7,120,613
State fiscal stabilization funds (federal)		618,973
Federal Pell grants	7,081,201	8,700,543
Loss on disposal of assets	(2,856)	
Investment income	18,106	24,120
Interest on indebtedness	(1,338)	(4,177)
Net nonoperating revenues	14,953,608	16,460,072
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	1,171,446	2,121,037
STATE CAPITAL GRANTS (FEDERAL)		148,460
PAYMENTS MADE AND EXPENSES INCURRED ON BEHALF OF COLLEGE	3,758,181	282,453
INCREASE IN NET ASSETS	4,929,627	2,551,950
NET ASSETS—Beginning of year	36,660,831	34,108,881
NET ASSETS—End of year	$ 41,590,458	$ 36,660,831

See notes to financial statements

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:					
Grants and donations		$ 17,422	$ 400,097	$ 50,490	$ 468,009
Dividend and interest income		9,022	39,314		48,336
Special events fundraisers	$ 71,633				
Less costs of direct benefits to donors	(21,438)	50,195			50,195
Investment gain		6,721	35,989		42,710
Net assets released from restrictions—					
Satisfaction of program restrictions		261,818	(261,818)		
Total support and revenues		345,178	213,582	50,490	609,250
EXPENSES:					
WV Northern Community College support:					
Scholarships/Student Assistance		3,146			3,146
Institutional Support		229,245			229,245
Fundraising		34,307			34,307
Management and general		33,259			33,259
Total expenses		299,957			299,957
CHANGE IN NET ASSETS		45,221	213,582	50,490	309,293
NET ASSETS—Beginning of year		380,974	1,498,276	546,480	2,425,730
NET ASSETS—End of year		$ 426,195	$ 1,711,858	$ 596,970	$ 2,735,023

See notes to financial statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:					
Grants and donations		$ 15,146	$ 377,469	$ 49,660	$ 442,275
Dividend and interest income		8,291	32,505		40,796
Special events fundraisers	$ 27,626				
Less costs of direct benefits to donors	(12,143)	15,483			15,483
Investment gain		52,758	128,438		181,196
Net assets released from restrictions—					
Satisfaction of program restrictions		190,669	(190,669)		
Total support and revenues		282,347	347,743	49,660	679,750
EXPENSES:					
WV Northern Community College support:					
Scholarships/Student Assistance		41,635			41,635
Capital Improvements		17,250			17,250
Institutional Support		133,810			133,810
Fundraising		61,018			61,018
Management and general		26,716			26,716
Total expenses		280,429			280,429
CHANGE IN NET ASSETS		1,918	347,743	49,660	399,321
NET ASSETS—Beginning of year		379,056	1,150,533	496,820	2,026,409
NET ASSETS—End of year		$ 380,974	$ 1,498,276	$ 546,480	$ 2,425,730

See notes to financial statements.

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

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

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 3,219,164	$ 2,854,353
Contracts and grants	3,030,536	2,777,997
Payments to and on behalf of employees	(9,648,531)	(9,551,704)
Payments to suppliers	(3,160,171)	(2,615,238)
Payments to utilities	(367,470)	(351,061)
Payments for scholarships and fellowships	(4,961,092)	(5,412,089)
Loans issued to students	(5,000)	(703)
Collection of loans to students	2,131	6,433
Sales and service of educational activities	190,274	285,113
Fees assessed by the Commission for operations	(80,676)	(74,032)
Other receipts/(payments)—net	4,192	2,192
Net cash used in operating activities	(11,776,643)	(12,078,739)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	7,858,495	7,120,613
State fiscal stabilization funds (federal)		618,973
Federal Pell grants	7,081,201	8,700,542
Federal direct lending receipts	5,230,996	5,718,428
Federal direct lending payments	(5,230,996)	(5,718,428)
Net cash provided by noncapital financing activities	14,939,696	16,440,128
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of capital assets	(1,336,512)	(963,269)
Principal paid on leases	(15,023)	(31,590)
Interest paid on leases	(963)	(2,566)
Principal payment on debt obligation due Commission	(13,241)	(28,840)
Interest paid on obligation to Commission	(529)	(1,612)
Fees assessed by Commission	(2,258)	(2,220)
State capital grants (federal)		148,460
Withdrawls from (deposits to) noncurrent cash and cash equivalents	(185,412)	(783,918)
Net cash used in capital financing activities	(1,553,938)	(1,665,555)
CASH FLOWS FROM INVESTING ACTIVITY - Interest on investments	16,391	26,914
INCREASE IN CASH AND CASH EQUIVALENTS	1,625,506	2,722,748
CASH AND CASH EQUIVALENTS—Beginning of year	13,264,673	10,541,925
CASH AND CASH EQUIVALENTS—End of year	$ 14,890,179	$ 13,264,673

WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

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

	2012	2011
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (13,782,162)	$ (14,339,035)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,136,892	1,089,377
Changes in assets and liabilities:		
Accounts receivables—net	49,414	(32,071)
Interest receivable from State cash accounts	(1,713)	2,793
Due from Commission/Council	35	311,627
Loans to students—net	(1,515)	14,877
Prepaid expenses	(32,789)	(3)
Accounts payable	(42,083)	(37,299)
Due to State of West Virginia	(838)	(1,649)
Due to Commission/Council	27,257	(7,521)
Accrued liabilities	8,594	29,192
Deferred revenue	749	(30,369)
Compensated absences	1,721	17,483
Other post employment benefits	852,800	911,364
Advances from federal sponsors	2,868	(6,932)
Other	4,127	(573)
NET CASH USED IN OPERATING ACTIVITIES	$ (11,776,643)	$ (12,078,739)
NONCASH TRANSACTIONS:		
Capital assets purchased through accounts payable and accrued liabilities	$ 118,166	$ 148,019

See notes to financial statements.

1. ORGANIZATION

West Virginia Northern Community College (the "College") is governed by the West Virginia Northern Community College Board of Governors (the "Board"). The Board was established by Senate Bill 448 ("S.B. 448").

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

In accordance with GASB, the audited financial statements of West Virginia Northern Community College Foundation, Incorporated (the "Foundation") are discretely presented here with the College's financial statements for the fiscal years ended June 30, 2012 and 2011. The Foundation is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein (see also Notes 12 and 17).

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

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

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

  The West Virginia Legislature (the "State Legislature"), as a regulatory body outside the reporting entity, has restricted the use of certain funds, by Article 10, *Fees and Other Money Collected at State Institutions of Higher Education* of the West Virginia State Code. House Bill 101 passed in March 2004 simplified the tuition and fee restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the West Virginia 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 and 2011.

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

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

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

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the "State Treasurer") are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (BTI). These funds are transferred to the BTI, and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, 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 multi-participant variable net asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual report. A copy of that annual report can be obtained from the following address: 1900 Kanawha Blvd. East, Room E-122, Charleston, WV 25305 or http://www.wvbti.com.

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

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

Capital Assets—Capital assets include property, plant and equipment; books and materials that are part of a catalogued library; and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair value at the date of donation in the case of gifts. If material, interest on related borrowing, net of interest earnings on invested proceeds, is capitalized during the period of construction. No interest was capitalized as part of the cost of assets for the years ended June 30, 2012 and 2011. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and infrastructure, 15 years for land improvements, 7 years for library books, and 3 to 12 years for furniture and equipment. The College capitalizes all purchases of library books and uses a capitalization threshold of $1,000 for other capital assets. The accompanying financial statements reflect all adjustments required by GASB.

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

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

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 is provided to the College by BRIM through self-insurance programs maintained by BRIM or policies underwritten by BRIM that may involve experience-related premiums or adjustments to BRIM.

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

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

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

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

- *Nonoperating Revenues*—Nonoperating revenues include activities that have the characteristics of 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, investment income, and sale of capital assets (including natural resources).

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

Use of Restricted Net Assets—The College has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Generally, the College attempts to utilize restricted net assets first when practicable. The College has designated net assets of $2 million as of June 30, 2012 and 2011 for capital projects.

Federal Financial Assistance Program—The College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students through institutions like the College. Direct student loan receivables are not included in the College's accompanying statements of net assets since the loans are repayable directly to the U.S. Department of Education. In 2012 and 2011, the College received and disbursed approximately $5.2 and $5.7 million, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net assets.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2012 and 2011, the College received and disbursed approximately $7.2 and $8.8 million, respectively, under these federal student aid programs.

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

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

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

Service Concession Arrangements—The College has service concession arrangements for the operation of bookstores and vending food services. Renovations made to College facilities by service concession vendors are capitalized and revenues are deferred and accreted over the life of the contract.

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

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

***Use of Estimates*—**The preparation of financial statements in conformity with generally accepted accounting principles 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.

Newly Adopted Statements Issued by the Government 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. See related disclosures in Note 15.

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.

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

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

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

3. CASH AND CASH EQUIVALENTS

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

2012	**Current**	**Noncurrent**	**Total**
State Treasurer	$ 14,440,607	$ 3,096,903	$ 17,537,510
Bank	449,572	27,461	477,033
	$ 14,890,179	$ 3,124,364	$ 18,014,543

2011	**Current**	**Noncurrent**	**Total**
State Treasurer	$ 12,587,004	$ 2,912,844	$ 15,499,848
Bank	677,669	26,108	703,777
	$ 13,264,673	$ 2,938,952	$ 16,203,625

Amounts held by the State Treasurer include $3,096,903 and $2,912,844 at June 30, 2012 and 2011, respectively, restricted for capital assets. These amounts were collateralized by financial instruments held by the State's agent.

The combined carrying amount of cash in the bank was $477,033 and $703,777, as compared with the combined bank balance of $477,127 and $698,653 at June 30, 2012 and 2011, 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 collateralized by securities held by the State's agent. Regarding federal depository insurance, interest bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Non-interest bearing accounts are 100% insured through December 31, 2012.

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

The BTI has adopted an investment policy in accordance with the “Uniform Prudent Investor Act.” The “prudent investor rule” guides those with responsibility for investing the money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income; preserve capital; and, in general, avoid speculative investments. The BTI’s investment policy is to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. Due to the short-term nature of 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 0.55% and 0.45%, respectively.

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

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

At June 30, 2012 and 2011, the WV Government Money Market Pool investments had a total carrying value of $299,629,000 and $262,692,000, respectively, of which the College’s ownership represents 0.04% and 0.04%, 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):

	Credit Rating*		2012		2011	
Security Type	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Corporate asset backed securities	Aaa	AAA	$ 95,628	18.99 %	$ 87,197	18.40 %
	Aaa	NR *	38,524	7.64	19,891	4.20
	Aa3	AA+ **			454	0.10
	B1	CCC **	896	0.18	885	0.19
	B3	B **			366	0.08
	B3	BB **	311	0.06		
	B3	BBB **			631	0.13
	B3	BBB- **	53	0.01		
	B3	CCC **	280	0.06		
	Ca	CCC **	586	0.12	664	0.14
	Caa2	CCC **	186	0.04	473	0.10
	Caa3	CCC **	243	0.05	393	0.08
	Caa3	D **	26	0.01	27	0.01
	NR	AA+	3,900	0.77		
	NR *	NR *	3,786	0.75	4,000	0.84
			144,419	28.68	114,981	24.27
Corporate bonds and notes	Aaa	AA			2,043	0.43
	Aa1	A			4,143	0.87
	Aa2	AA+	9,025	1.79		
	Aa2	AA			11,866	2.50
	Aa3	AA			7,064	1.49
	Aa3	AA-	15,666	3.11		
	Aa3	A	23,032	4.57	13,040	2.75
	A1	AA	12,145	2.41	8,107	1.71
	A1	A+	30,684	6.09		
	A1	A			22,731	4.80
	A2	AA			2,555	0.54
	A2	A	39,064	7.76	23,976	5.06
	A3	A			8,770	1.85
	A3	A-	7,755	1.54		
	A3	BBB+	3,006	0.60		
	Baa1	A-	4,162	0.83		
	Baa2	A-	6,709	1.33		
			151,248	30.03	104,295	22.00
Commercial paper	P-1	A-1			15,995	3.38
U.S. agency bonds	Aaa	AAA			20,017	4.22
U.S. agency bonds	Aaa	AA+	45,024	8.94		
U.S. Treasury notes***	Aaa	AAA			25,034	5.28
U.S. Treasury notes***	Aaa	AA+	44,251	8.79		
U.S. agency mortgage backed securities****	Aaa	AAA			97,296	20.53
U.S. agency mortgage backed securities****	Aaa	AA+	77,065	15.30		
Money market funds	Aaa	AAAm	41,610	8.26	96,287	20.32
			$ 503,617	100 %	$ 473,905	100 %

* 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 0.41% and 0.38%, respectively, of these amounts held by the BTI.

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

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

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

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

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

	2012		2011	
Security Type	**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
	$ 503,617	180	$ 473,905	138

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

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

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

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

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

4. ACCOUNTS RECEIVABLE

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

	2012	2011
Student tuition and fees, net of allowance for doubtful accounts of $583,863 and $470,979, respectively	$ 266,720	$ 316,578
Third party contracts receivable	17,965	17,521
	$ 284,685	$ 334,099

5. CAPITAL ASSETS

Capital asset transactions for the years ended June 30, 2012 and 2011 are as follows:

	2012			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 1,412,926	$ -	$ -	$ 1,412,926
Construction in Progress	367,900	4,548,559	(72,983)	4,843,476
Total capital assets not being depreciated	$ 1,780,826	$ 4,548,559	$ (72,983)	$ 6,256,402
Other capital assets:				
Land improvements	$ 738,067	$ -	$ -	$ 738,067
Infrastructure	974,759	12,913	-	987,672
Buildings	26,205,293	74,367	-	26,279,660
Equipment	4,415,779	469,384	(198,170)	4,686,993
Library books	901,548	32,600	(302,087)	632,061
Total other capital assets	33,235,446	589,264	(500,257)	33,324,453
Less accumulated depreciation for:				
Land improvements	(322,942)	(43,582)	-	(366,524)
Infrastructure	(808,040)	(29,460)	-	(837,500)
Buildings	(6,903,083)	(540,879)	-	(7,443,962)
Equipment	(2,515,697)	(498,283)	195,314	(2,818,666)
Library books	(813,972)	(24,688)	302,087	(536,573)
Total accumulated depreciation	(11,363,734)	(1,136,892)	497,401	(12,003,225)
Other capital assets—net	$ 21,871,712	$ (547,628)	$ (2,856)	$ 21,321,228
Capital asset summary:				
Capital assets not being depreciated	$ 1,780,826	$ 4,548,559	$ (72,983)	$ 6,256,402
Other capital assets	33,235,446	589,264	(500,257)	33,324,453
Total cost of capital assets	35,016,272	5,137,823	(573,240)	39,580,855
Less accumulated depreciation	(11,363,734)	(1,136,892)	497,401	(12,003,225)
Capital assets—net	$ 23,652,538	$ 4,000,931	$ (75,839)	$ 27,577,630

	2011			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 1,412,926	$ -	$ -	$ 1,412,926
Construction in Progress	946,983	384,884	(963,967)	367,900
Total capital assets not being depreciated	$ 2,359,909	$ 384,884	$ (963,967)	$ 1,780,826
Other capital assets:				
Land improvements	$ 738,067	$ -	$ -	$ 738,067
Infrastructure	974,759	-	-	974,759
Buildings	25,064,059	1,141,234	-	26,205,293
Equipment	4,162,745	535,013	(281,979)	4,415,779
Library books	941,008	26,149	(65,609)	901,548
Total other capital assets	31,880,638	1,702,396	(347,588)	33,235,446
Less accumulated depreciation for:				
Land improvements	(279,277)	(43,665)	-	(322,942)
Infrastructure	(778,620)	(29,420)	-	(808,040)
Buildings	(6,369,487)	(533,596)	-	(6,903,083)
Equipment	(2,337,650)	(460,026)	281,979	(2,515,697)
Library books	(856,911)	(22,670)	65,609	(813,972)
Total accumulated depreciation	(10,621,945)	(1,089,377)	347,588	(11,363,734)
Other capital assets—net	$ 21,258,693	$ 613,019	$ -	$ 21,871,712
Capital asset summary:				
Capital assets not being depreciated	$ 2,359,909	$ 384,884	$ (963,967)	$ 1,780,826
Other capital assets	31,880,638	1,702,396	(347,588)	33,235,446
Total cost of capital assets	34,240,547	2,087,280	(1,311,555)	35,016,272
Less accumulated depreciation	(10,621,945)	(1,089,377)	347,588	(11,363,734)
Capital assets—net	$ 23,618,602	$ 997,903	$ (963,967)	$ 23,652,538

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

The College has construction commitments of approximately $6.2 million as of June 30, 2012.

6. LONG-TERM LIABILITIES

Long-term obligation transactions for the College for the year ended June 30, 2012 and 2011 are as follows:

	2012				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from federal sponsors	$ 51,753	$ 2,868	$	$ 54,621	
OPEB Liability	1,830,802	852,800		2,683,602	
Capital leases payable	22,878		15,023	7,855	$ 7,855
Debt obligation to Commission	13,241		13,241		
Total long-term liabilities	$ 1,918,674	$ 855,668	$ 28,264	$ 2,746,078	

	2011				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from federal sponsors	$ 58,685	$	$ 6,932	$ 51,753	
OPEB Liability	919,438	911,364		1,830,802	
Capital leases payable	54,468		31,590	22,878	$ 15,023
Debt obligation to Commission	42,081		28,840	13,241	13,241
Total long-term liabilities	$ 1,074,672	$ 911,364	$ 67,362	$ 1,918,674	

7. LEASE OBLIGATIONS

The College leases equipment and classroom space under multiple operating lease agreements. Aggregate payments under these agreements approximated $163,925 for each of the years ended June 30, 2012 and 2011. Future minimum rental commitments as of June 30, 2012, are as follows:

Year Ending June 30	
2013	97,925
2014	91,925
2015	45,963
	$ 235,813

Included in the financial statements is $10,265 of lease expense for usage and maintenance fees for a library automation system provided by an affiliate for each of the years ended June 30, 2012 and 2011.

The College leases land under a capital lease agreement. Future annual minimum lease payments for years subsequent to June 30, 2012, are as follows:

Year Ending June 30	
2013	7,993
Less interest	(138)
	$ 7,855

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, 2011, and 2010, the noncurrent liability related to OPEB costs was $2,683,602, $1,830,802, and $919,438, respectively. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was $1,119,963 and $266,995, respectively, during 2012. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was $1,176,238 and $264,874, respectively, during 2011. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was $1,154,941 and $232,449, respectively, during 2010. As of and for the years ended June 30, 2012, 2011, and 2010, there were 14, 19, and 22, respectively, retirees receiving these benefits.

9. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

The State has chartered the Commission with the responsibility to construct or renovate, finance and maintain various academic and other facilities of the State's universities and colleges, including certain facilities of the College. Financing for these facilities was provided through revenue bonds issued by the former Board of Regents or the former Boards of the College and College Systems (the "Boards"). These obligations administered by the Commission are the direct and total responsibility of the Commission, as successor to the former Boards.

The Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The education and general capital fees (previously tuition and registration fees) of the members of the former State College System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission, effective as of June 30, 2002. During 2012 and 2011, the College paid $13,241 and 28,840, respectively, against the debt obligation. The amounts due to Commission at June 30, 2012 were paid in full.

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 propose bond funding of $6,000,000 for the College. As of June 30, 2012, $4,049,740 of such bond proceeds has been expended on behalf of the College. State lottery funds will be used to repay the debt.

10. UNRESTRICTED NET ASSETS

The College's unrestricted net assets at June 30, 2012 and 2011, include certain designated net assets, as follows:

	2012	2011
Designated for capital repairs and improvements	$ 2,000,000	$ 2,000,000
Undesignated	11,558,816	9,896,929
Total unrestricted net assets before OPEB liability	13,558,816	11,896,929
Less: OPEB liability	2,683,602	1,830,802
Total unrestricted net assets	$ 10,875,214	$ 10,066,127

11. RETIREMENT PLANS

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

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

The STRS is a cost-sharing, defined-benefit public employee retirement system. Employer and employee contribution rates are established annually by the State Legislature. The contractual maximum contribution rate is 15%. The College's contributions to the STRS were at the rate of 15% of each enrolled employee's total annual salaries for the years ended June 30, 2012 and 2011. Required employee contributions were at the rate of 6% of total annual salaries for the years ended June 30, 2012 and 2011. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest 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 $102,766, $98,857, and $103,248, respectively, which consisted of $73,404, $70,612, and $73,749, from the College in 2012, 2011, and 2010, respectively, and $29,362, $28,245, and $29,499, 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 and Educators Money are defined contribution benefit plans in which benefits are based solely upon amounts contributed plus investment earnings. Each employee who elects to participate in this plan is required to make a contribution equal to 6% of total annual compensation. The College matches the employees' 6% contribution. Contributions are immediately and fully vested. In addition, employees may elect to make additional contributions to TIAA-CREF and Educators Money, which are not matched by the College.

Total contributions to the TIAA-CREF for the years ended June 30, 2012, 2011, and 2010 were $656,760, $652,364, and $617,832, respectively, which consisted of equal contributions from the College and covered employees of $328,390 in 2012, $326,182 in 2011, and $308,916 in 2010.

Total contributions to Educators Money for the years ended June 30, 2012, 2011, and 2010 were $22,192, $17,992, and $19,332, respectively, which consisted of contributions of $11,096, $8,996, and $9,666 from the College in 2012, 2011 and 2010, respectively, and $11,096, $8,996, and $9,666, from the covered employees in 2012, 2011 and 2010, respectively.

The College's total payroll for the years ended June 30, 2012 and 2011 was $7,686,515 and $7,843,000, respectively; total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were $489,361, $5,570,407, $184,945, and $470,749, $5,436,364, $149,929, in 2012 and 2011, respectively.

12. FOUNDATION

The West Virginia Northern Community College Foundation, Incorporated is a separate nonprofit organization incorporated in the State and has as its mission "…seeks, receives and manages private funds to increase the College's capabilities in the areas of institutional development, professional development, capital facilities and equipment, and financial assistance to students." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Trustees not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Trustees of the Foundation oversees management, forms policy, and maintains fiscal accountability over funds administered by the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is therefore discretely presented with the College's financial statements in accordance with GASB. Based on the Foundation's audited financial statements as of June 30, 2012 and 2011, the Foundation's net assets (including unrealized gains) totaled $2,735,023 and $2,425,730, respectively. Complete financial statements for the Foundation can be obtained from the Foundation office located in the College B&O Building, Room 122 at 1704 Market St., Wheeling, WV 26003.

During the years ended June 30, 2012 and 2011, the Foundation contributed $232,391 and $192,695, respectively, to the college for scholarships, capital improvements, and institutional support.

13. ALUMNI ASSOCIATION (UNAUDITED)

The College has a separately incorporated affiliated organization, the Alumni Association. Oversight responsibility for this entity rests with an independent board and management not otherwise affiliated with the College. Accordingly, the financial statements of this organization are not included in the

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

14. CONTINGENCIES

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

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

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

15. SERVICE CONCESSION ARRANGEMENTS

The College has adopted GASB Statement No. 60*, Accounting and Financial Reporting for Service Concession Arrangements.* The College has identified two contracts for services that meet the four criteria of a service concession arrangement (SCA). SCAs are defined as a contract between a government and an operator, another government or a private entity, in which the operator provides services, the operator collects and is compensated by fees from third parties, the government still has control over the services provided and the government retains ownership of the assets at the end of the contract. The contracts are with AVI Food Systems and Barnes & Noble College Booksellers, Inc. The management of the College entered into these agreements to improve the quality of the services to students while increasing the revenues from these operations.

In the Agreement with AVI Food Systems ("AVI") that was effective on April 1, 2008, the College granted to AVI the exclusive right to operate and provide vending services on the College's three campus locations. AVI provides manual hot and cold food and beverages, vended food and snacks, and catering for occasional special events. The contract is for a period of two years and four months with two additional one-year extension options. On August 1, 2012 the contract expired. AVI continues to provide vending services on a month to month basis under the same contract terms. AVI provides vendor contract revenues to the College based on the contractual agreement. The vendor contract revenue from AVI in fiscal years 2012 and 2011 were $16,023 and $15,646, respectively. AVI also provides $2,000 annually to the College during the term of the agreement for student scholarships or in-kind goods and services.

The Bookstore Operating Agreement was effective on August 1, 2010, between the College and Barnes & Noble College Booksellers, Inc. ("B&N"). The Agreement is for B&N to operate bookstores on the College's three campus locations. The contract is for a period of five years and may be renewed if both parties agree for an additional five year period. B&N will cover the cost of store remodeling up to $65,000 over the term of the Agreement. B&N has not incurred any significant remodeling costs during the term of the current contract. B&N pays commission to the College based on the contractual agreement. The College shares payroll expenses of $10,000 in the New Martinsville campus Bookstore by B&N reducing the last commission check payable to the College for the fiscal year. B&N provided vendor contract revenues to the College in fiscal years 2012 and 2011 in the amount of $136,702 and $153,482, respectively. B&N also provides $2,000 annually for textbook scholarships and $1,000 annually for the Presidential Scholarship to the College during the term of the agreement for student scholarships. B&N also provides $1,000 annually for the West Virginia Northern Community College Foundation, Inc.

16. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the year ended June 30, 2012 and 2011, the following table represents operating expenses within both natural and functional classifications:

2012

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by	Total
Instruction	$ 4,047,124	$ 1,176,568	$ 1,149,044	$ 44,096	$	$	$	$ 6,416,832
Public service	301,599	43,930	25,961					371,490
Academic support	490,779	148,773	210,779	46,409				896,740
Student services	773,785	342,745	87,878					1,204,408
General institutional support	1,684,364	796,844	1,143,928	117,932				3,743,068
Operations and maintenance of plant	388,864	254,519	503,030	172,037				1,318,450
Student financial aid					4,961,092			4,961,092
Depreciation						1,136,892		1,136,892
Other							80,676	80,676
Total	$ 7,686,515	$ 2,763,379	$ 3,120,620	$ 380,474	$ 4,961,092	$ 1,136,892	$ 80,676	$ 20,129,648

2011

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by	Total
Instruction	$ 4,386,377	$ 1,284,059	$ 1,048,908	$ 42,126	$	$	$	$ 6,761,470
Public service	43,803	17,817	40,829					102,449
Academic support	574,452	149,549	156,717	42,127				922,845
Student services	810,751	388,651	162,710					1,362,112
General institutional support	1,635,727	692,819	732,150	108,776				3,169,472
Operations and maintenance of plant	392,004	244,569	509,793	153,230				1,299,596
Student financial aid					5,412,089			5,412,089
Depreciation						1,089,377		1,089,377
Other							74,032	74,032
Total	$ 7,843,114	$ 2,777,464	$ 2,651,107	$ 346,259	$ 5,412,089	$ 1,089,377	$ 74,032	$ 20,193,442

17. COMPONENT UNIT DISCLOSURES (FOUNDATION)

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

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities - West Virginia Northern Community College Foundation, Inc. (the "Foundation") is a not-for-profit corporation organized under the laws of the State of West Virginia. The Foundation is classified as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation was organized to support and assist in the development and growth of West Virginia Northern Community College ("the College") for all aspects of its programs and services. The Foundation's mission "…seeks, receives and manages private funds to increase the College's capabilities in the areas of institutional development, professional development, capital facilities and equipment, and financial assistance to students." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Trustees not otherwise affiliated with the College. The President of the College is a non-voting member of the Board of Trustees. In carrying out its responsibilities, the Board of Trustees of the Foundation oversees management, forms policy and maintains fiscal accountability over funds administered by the Foundation. Although West Virginia Northern Community College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. During the years ended June 30, 2012 and 2011, the Foundation contributed $3,146 and $41,635, respectively, to the college for scholarships and grants.

Basis of Accounting - The Foundation financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

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

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

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

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

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

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

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

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

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

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management monitors accounts receivable closely and considers all accounts receivable amounts fully collectible, thus no provision for uncollectible accounts has been made.

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

Investments - Investments in marketable securities and all debt securities are reported at their fair value based upon quoted market prices in the statement of financial position.

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

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

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

RESTRICTED CASH

Restricted cash of $4,179 and $3,604 at June 30, 2012 and 2011, respectively, are included in cash in the Statements of Financial Position. The restrictions have been imposed by the donors.

	2012		2011	
Cash restricted for scholarships and student assistance	$	4,057	$	3,570
Cash restricted for institutional support		122		34
Total restricted cash	$	4,179	$	3,604

UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist primarily of receivables for the marketing, workforce development, and scholarship programs at June 30, 2012 and 2011. There are no allowances for uncollectible accounts at June 30, 2012 and 2011 as all unconditional promises to give are expected to be collected in full.

At June 30, 2012 and 2011 the receivable balances are as follows:

	2012		2011	
Receivable in less than one year	$	-	$	12,500
Receivable in one to five years		-		-
Total unconditional promises to give		-		12,500
Less discount to net present value		-		-
		-		-
Net unconditional promises to give	$	-	$	12,500

The discount rate used on long-term promises to give is based on risk-free rates of return at year end. There was no discount rate used in fiscal year 2012 and 2011 because collect ability was twelve months or less.

NOTES RECEIVABLE

The Foundation leases land under a capital lease agreement to West Virginia Northern Community College. The following is a schedule by year of future annual minimum payments required under the lease obligations existing at June 30, 2012:

Year Ending June 30	
2013	7,993
Less interest	(138)
	$ 7,855

INVESTMENTS

The cost and estimated fair values of investments at June 30, 2012 and 2011 are:

	2012		2011	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
U.S. Government Agency Obligations		$ 402,923		$ 477,064
Corporate Bonds and Notes		153,924		54,095
Equity Securities		1,333,187		1,118,813
Equity Mutual Funds		194,004		-
Fixed Income Mutual Funds		229,282		124,151
Common Trust Fund Balance	2,404,420	2,313,320	1,839,433	1,774,123
Cash Equivalents	388,967	388,967	596,055	596,055
	$ 2,793,387	$ 2,702,287	$ 2,435,488	$ 2,370,178

Unrealized losses on investments amount to $91,100 and $65,310 at June 30, 2012 and 2011, respectively. Investment income and gains and losses on investments are reported as an increase or decrease in unrestricted net assets unless a donor or law temporarily or permanently restricts their use.

Twenty of the Twenty-Six Foundation investment funds are invested in a financial institution's common trust fund. The common trust fund balance reflects the aggregate cost basis that each of these investment funds has in the financial institutions common trust fund. The common trust fund fair market value reflects the market value of individual investments held by the fund at June 30, 2012 and 2011.

The Foundation, through a trust department, invests in cash equivalents and a common trust fund, which allows the Foundation to purchase domestic and foreign equities, fixed income and equity mutual funds, U.S. Government obligations, corporate bonds and commercial paper. "The Foundation's primary investment objective is to outperform the established spending rate of 3.00% plus inflation over the long-term in order for the Foundation to operate in perpetuity."

It is the Foundation's investment policy that with the exception of fixed income investments explicitly guaranteed by the U.S. government, no single investment security shall represent more than 5% of total Portfolio assets. With the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market index, no single investment pool or investment company (mutual fund) shall comprise more than 20% of total Portfolio assets. With respect to fixed income investments, for individual bonds, the minimum average credit quality of these investments shall be investment grade (Standard & Poor's BBB or Moody's Baa or higher). A maximum of 5% of fixed income investments may be exempted form this guideline.

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

The Foundation reports all investments at their fair value as of June 30, 2012 and 2011 under Level I of the hierarchy totaling $2,702,287 and $2,370,178, respectively. The Foundation holds no investments as of June 30, 2012 and 2011 under Levels II or III.

TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Net assets were temporarily and permanently restricted for the following purposes at June 30, 2012 and 2011:

	2012		2011	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Scholarships/Student Assistance	$ 1,265,176	$ 596,970	$ 1,160,664	$ 546,480
Capital Projects	24,186		31,723	-
Institutional Support	422,496		305,889	-
Totals	$ 1,711,858	$ 596,970	$ 1,498,276	$ 546,480

ENDOWMENTS

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

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

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

Endowment Net Asset composition as of June 30, 2012 and 2011 is as follows:

Net Asset Endowment Composition	**2012**	**2011**
Unrestricted	$ -	$ -
Temporarily restricted	62,456	40,665
Permanently Restricted	596,970	546,480
Total Funds	$ 659,426	$ 587,145

Description of Amounts Classified as Temporarily and Permanently Restricted Net Assets	**2012**	**2011**
Permanently Restricted net Assets		
Portion of perpetual endowment funds required to be retained by donor stipulation or UPMIFA	$ 596,970	$ 546,480
Temporarily Restricted Net Assets		
Term Endowment Funds	$ 26,482	$ 20,846
Portion of perpetual endowment funds subject to purpose restrictions	35,974	19,819
Total	$ 62,456	$ 40,665

Changes in Endowment Net Assets for the years ended June 30, 2012 and 2011 are as follows:

June 30, 2012	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment Net Assets, beginning of year	$ -	$ 40,665	$ 546,480	$ 587,145
Investment return:				
Investment income	-	13,567	-	13,567
Net appreciation (realized and unrealized)	-	13,293	-	13,293
Total investment return	-	26,860	-	26,860
Contributions	-	5,000	50,490	55,490
Appreciation of endowment assets for expenditure	-	(10,069)	-	(10,069)
Endowment net assets, end of year	$ -	$ 62,456	$ 596,970	$ 659,426

June 30, 2011	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment Net Assets, beginning of year	$ (26,493)	$ 14,062	$ 496,820	$ 484,389
Investment return:				
Investment income	-	10,923	-	10,923
Net appreciation (realized and unrealized)	26,493	24,687	-	51,180
Total investment return	26,493	35,610	-	62,103
Contributions	-	5,000	49,660	54,660
Appreciation of endowment assets for expenditure	-	(14,007)	-	(14,007)
Endowment net assets, end of year	$ -	$ 40,665	$ 546,480	$ 587,145

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted perpetual endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. No deficiencies of this nature were reported in unrestricted net assets as of June 30, 2012 and 2011, respectively.

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

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

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

SPECIAL EVENTS FUNDRAISERS

Various special events fundraisers were held during the year. Gross revenues and direct expenses related to those events are as follows at June 30, 2012 and 2011:

June 30, 2012	**Golf Scramble**	**Friends Dinner**	**Other**	**Total**
Special event revenue	$ 32,128	$ 36,773	$ 2,732	$ 71,633
Less: Cost of direct benefit for donors	(12,060)	(9,378)		(21,438)
	$ 20,068	$ 27,395	$ 2,732	$ 50,195

June 30, 2011	**Golf Scramble**	**Other**	**Total**
Special event revenue	$ 27,526	$ 100	$ 27,626
Less: Cost of direct benefit for donors	(12,143)		(12,143)
	$ 15,383	$ 100	$ 15,483

RELATED PARTY TRANSACTIONS

A member of the Board of Trustees also provided legal services for the Foundation. $360 was paid to the member's law firm for the fiscal year ended June 30, 2012.

SUBSEQUENT EVENTS

The Foundation assessed events occurring subsequent to June 30, 2012, through the date of this report for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements which were available to be issued October 1, 2012.

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

To the Governing Board of
West Virginia Northern Community College:

We have audited the financial statements of West Virginia Northern Community College (the "College") as of and for the year ended June 30, 2012, and have issued our report thereon dated October 26, 2012. We conducted our audit, exclusive of the discretely presented component unit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The audit of the discretely presented component unit was conducted in accordance with auditing standards generally accepted in the United States of America, but not in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

October 26, 2012