

Comparison Paper
West Virginia Northern Community College
And
Heartland Community College

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Profile

West Virginia Northern Community College (WVNCC) is a public, comprehensive two-year community college with campus locations in Wheeling, Weirton, and New Martinsville, West Virginia. WVNCC was created on May 9, 1972 by the WV Board of Regents. It is one of ten institutions that is part of the Community and Technical College System (CTC) of WV. The mission of the CTC System of WV is to deliver affordable, accessible high quality education and training that dynamically advances the economic and social development of WV (Community and Technical College System of West Virginia, 2011). Accredited by the North Central Association of Colleges and Schools (NCA), as well as, by several other specialized accreditation agencies, WVNCC offers programs in liberal arts, career-technical and community, and continuing education.

“The mission of WVNCC is to provide higher education empowering individuals to achieve academic and career goals leading to a competent workforce which excel in a global economy. The College responds to the educational, cultural, and civic needs of the communities it serves by offering an accessible, safe, diverse, and high-quality learning environment” (West Virginia Northern Community College, 2011). The Board of Governors (BOG) is the governing body of WVNCC. The BOG has officially assumed powers and duties of a local governing board in accordance with the Higher Education Act adopted by the State Legislature and signed by Governor Cecil Underwood in June, 2000 (West Virginia Northern Community College, 2011). According to Stephen Lippiello, the CFO and Vice-President of Administrative Services of WVNCC, “the BOGs are appointed by the CTC System of WV, but they usually base their selection on the recommendation of the president” (Lippiello, 2011). Within applicable state and federal laws and the rules and guidelines of the CTC System of WV, the BOG establishes

various rules and policies pertaining to tuition and fee structures, personnel policies, and administrative practices (Lippiello, 2011).

Heartland Community College is a comprehensive community college operating in accordance with the provisions of the Illinois Public Community College Act and is recognized by the Illinois Community College Board (ICCB). Heartland was established in 1999; it is the youngest community college in Illinois. The college district includes most of McLean County and parts of DeWitt, Ford, Livingston, Logan and Tazewell counties. The main campus is located in Normal (McLean County) with centers in both Lincoln and Pontiac, Illinois (Widmer & Gilpin, 2011).

Heartland is a public, two-year open admission college. The College represents a vital and progressive resource by fulfilling its mission of “access to higher education and excellence in teaching and learning.” Heartland’s main campus is home to more than 40 programs for career training and transfer preparations. Among the ten buildings that make up the main campus is the first state-funded LEED-Certified (Leadership in Energy and Environmental Design) building in Illinois—the Workforce Development Center. A founding member of the Illinois Green Economy Network, Heartland provides training and education that responds to the workforce needs of the regional green economy, helping to address state and national sustainability initiatives (Heartland Community College, 2011).

According to Sue Gilpin, Controller, Heartland Community College, Heartland Board of Trustees (BOT) is the governing body of the College, whose members are elected by district residents. The elected BOT members have six-year terms and the terms are staggered every two years (Gilpin, 2011). Heartland Community College is accredited by the Higher Learning Commission (HLC) and is a member of the North Central Association of Colleges and Schools.

According to Gilpin, Heartland successfully applied for admission into the HLC Academic Quality Improvement Program (AQIP) in 2005, which has granted Heartland seven more years of accreditation without going through the self-study process. A check-up visit will occur during 2011 and the reaffirmation of accreditation is tentatively scheduled for 2012 (Gilpin, 2011).

Below is a comparative chart of credit headcount enrollment for WVNCC and Heartland from 2005-2009:

| Credit Fall Headcount Enrollment | | | | | |
|---|-------|-------|-------|-------|-------|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| WVNCC | 2,909 | 2,911 | 3,327 | 3,069 | 3,327 |
| Heartland | 4,736 | 4,764 | 4,827 | 5,062 | 5,266 |

Sources: (WV Higher Education Policy Commission & WV Council for Community and Technical College Education, 2010) & (Illinois Community College Board, 2010).

WVNCC enrollment growth was steady from 2005 to 2007, but fluctuation began in 2008 with a drop in enrollment. According to Lippiello 2010 fall headcount enrollment is 3,363 and it dropped to 2,994 for 2011. He believes that enrollment growth is not expected to continue based on two factors: 1) the high school graduation population in the region is declining and 2) the new Title IV Integrity Regulations pertaining to satisfactory academic progress for financial aid are stricter than in the past and therefore will make it impossible for many students to reenroll due to loss of financial aid eligibility. Approximately 90 percent of students at WVNCC receive financial aid. (Lippiello, 2011).

The per hour tuition rate for WV residents at WVNCC for fiscal year 2010 and 2011 was \$82.00 and for 2012 is \$87.00 (Lippiello, 2011). WVNCC was prohibited by the State to increase its tuition from 2010 to 2011, and was limited to increase its tuition from 2011 to 2012 by no more than 5 percent as was the case for all other WV public colleges and universities.

The data in the enrollment comparison chart reveals that Heartland has experienced steady enrollment growth from 2005 to 2009. Gilpin feels optimistic about continued enrollment growth at Heartland. She indicated that the 2010 fall headcount enrollment is 5,419 and the 2011 fall headcount is 5,558 (Gilpin, 2011). Credit hour growth is projected for fiscal year 2012 and beyond due to local and national economic and population factors, as well as increased offerings in the new buildings recently opened and still under construction at the permanent campus (Widmer & Gilpin, Heartland Community College Comprehensive Annual Financial Report FY 2010, 2010).

Tuition increases of \$8 per hour and \$20 per hour were made in the summer of 2009 and 2010, respectively, to offset the declines in State funding levels. Heartland's 2011 fiscal year per credit hour in-district tuition and fees rate of \$115.00 is comparable to many other Illinois community colleges (WV Northern Community College Financial Statements FY 2010 and Independent Auditors' Report, 2010). The 2012 fiscal year tuition rate for in-district residents is \$123.00 (Gilpin, 2011).

Financial Information and Accounting Policies

The Business Services Division at WVNCC under the leadership of Stephen Lippiello is responsible for the College's fiscal affairs, facilities, information technology, custodial, and security services (Lippiello, 2011). WVNCC maintains its accounts and prepares its financial statements as required by General Accounting Standard Boards (GASB) reporting 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 (WV Northern Community College Financial Statements FY 2010 and Independent Auditors' Report, 2010).

The Business Services Division at Heartland under the leadership of Rob Widmer, Vice President, is responsible for directing the College's fiscal, human resources, administrative services, information technology, and facilities operations (Gilpin, 2011). Heartland College maintains its accounts and prepares its financial statements in accordance with the standards of GASB, as well as, the National Association of College and University Business Officers and the ICCB. The ICCB requires accounting by fund order so that limitations and restrictions on resources can easily be accounted for.

WVNCC 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 WV Higher Education Policy Commission (which includes WV Network for Educational Telecomputing), form the Higher Education Fund of the State. The Higher Education Fund is considered a component unit of the State, and its financial statements are discretely presented in the State's comprehensive annual financial report (WV Northern Community College Financial Statements FY 2010 and Independent Auditors' Report, 2010). Heartland College is not considered a component unit of another government unit and therefore does not submit its financial statements to any governmental reporting entity.

According to Lippiello, WVNCC uses modified accrual basis accounting (Lippiello, 2011). Modified accrual basis is a method commonly used by government agencies under which revenues are recognized in the period they become available and measurable, and expenditures are recognized in the period the associated liability is incurred. Heartland's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting (Widmer & Gilpin, Heartland Community College Comprehensive Annual Financial

Report FY 2010, 2010). Under the accrual basis of accounting, all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal obligation to pay.

Basic Financial Statements

**WV Northern Community College and Heartland Community College
Statement of Net Assets, June 30, 2010 and 2009
Comparison**

| | WVNCC | | | Heartland | | |
|----------------------------|---------------------|---------------------|--------------------|---------------------|---------------------|--------------------|
| | 2010 | 2009 | Change FY 10-09 | 2010 | 2009 | Change FY 10-09 |
| Assets: | | | | | | |
| Current Assets | \$11,176,394 | \$8,894,916 | 25.65% | \$47,864,760 | \$68,157,019 | -29.77% |
| Noncurrent Assets | \$2,177,712 | \$1,616,257 | 34.74% | \$68,729,136 | \$100,979,118 | -31.94% |
| Capital Assets - Net | <u>\$23,618,602</u> | <u>\$22,894,748</u> | 3.16% | <u>\$93,258,768</u> | <u>\$54,654,410</u> | 70.63% |
| Total Assets | \$36,972,708 | \$33,405,921 | 10.68% | \$161,987,904 | \$155,633,528 | 4.08% |
| Liabilities: | | | | | | |
| Current Liabilities | \$1,839,914 | \$1,745,518 | 5.41% | \$31,744,687 | \$30,352,516 | 4.59% |
| Noncurrent Liabilities | <u>\$1,023,913</u> | <u>\$214,863</u> | 376.54% | <u>\$81,229,407</u> | <u>\$79,184,629</u> | 2.58% |
| Total Liabilities | \$2,863,827 | \$1,960,381 | 46.09% | \$112,974,094 | \$109,537,145 | 3.14% |
| Net Assets: | | | | | | |
| Invested in Capital Assets | \$23,522,053 | \$22,749,732 | 3.39% | \$37,932,987 | \$27,452,287 | 38.18% |
| Restricted Expendable | \$2,189,852 | \$1,607,763 | 36.20% | \$6,729,791 | \$14,169,761 | -52.51% |
| Unrestricted | <u>\$8,396,976</u> | <u>\$7,088,045</u> | 18.47% | <u>\$4,351,032</u> | <u>\$4,474,335</u> | -2.76% |
| Total Net Assets | <u>\$34,108,881</u> | <u>\$31,445,540</u> | 8.47% | <u>\$49,013,810</u> | <u>\$46,096,383</u> | 6.33% |

The Statements of Net Assets above present the Assets (current and non-current), Liabilities (current and non-current), and Net Assets (Assets minus Liabilities) of both WVNCC and Heartland as of June 30, 2010. Assets denote the resources available to continue the operations of the Colleges. Liabilities indicate how much the Colleges owe. The focus of the Statement of Net Assets is designed to be similar to bottom line results for the Colleges. This Statement combines and consolidates current financial resources (short-term spendable

resources) with capital assets. Net assets, the difference between the assets and liabilities, are one way to measure the colleges' financial health or position.

At WVNCC, total assets exceeded total liabilities (net assets) by \$34.1 million as of June 30, 2010. Of this amount \$23.5 million is invested in capital assets (net of related debt), \$2.2 million is restricted either due to externally imposed constraints or because restrictions imposed by law, and \$8.4 million is unrestricted. The Unrestricted category represents resources WVNCC 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 WVNCC BOG to meet current expenses for any purpose (WV Northern Community College Financial Statements FY 2010 and Independent Auditors' Report, 2010).

An indicator that WVNCC has sufficient resources available to meet its obligations is the current ratio (current assets to current liabilities). This rate demonstrates WVNCC's liquidity or its current working capital position. This ratio is 6.07 for 2010; it is seemingly good, but appears to be exceptionally high for a nonprofit public college. Lippiello explained that the auditors and the State questions him about this every year and he must remind them that the College is planning capital expansion (Lippiello, 2011).

Heartland's total assets exceed total liabilities (net assets) by \$49 million as of June 30, 2010. Of this amount, \$37.9 million is invested in capital assets (net of related debt), \$6.7 million is restricted for working cash, capital projects, or other purposes, and \$4.3 million is unrestricted and available to meet current and future obligations of the College (Widmer & Gilpin, Heartland Community College Comprehensive Annual Financial Report FY 2010, 2010).

Gilpin explained that Heartland’s ratio (current assets to current liabilities) dropped from 2.25 FY 2009 to 1.51 FY 2010 because the college is undergoing significant expansion due to its ongoing enrollment growth (Gilpin, 2011). Current assets have decreased by 29.8% and current liabilities have increased by 4.6% due to the combined effects of various factors. The primary factor for the decrease in current assets was the reduction of more than \$20 million in cash and short-term investments reflecting the use of these assets during FY 2010 to pay construction in progress capital asset expenditures. In addition, there were also decreases of more than \$900,000 in other receivables from the State of Illinois and \$400,000 in other current assets which were capitalized during the year (Widmer & Gilpin, Heartland Community College Comprehensive Annual Financial Report FY 2010, 2010).

There are two primary factors for the \$1.39 million increase in current liabilities. One reason is because there was an increase of property tax revenue due to a 2.9% increase in property tax values. Taxes levied in 2010 actually go into the 2012 budget. The second reason is due to \$1.17 million in deferred student tuition. Because students register for summer courses during April, May, and June, but payments aren’t due until after July 1, student tuition is deferred. Although tuition is deferred this way every year, this significant change in liability is due to increased enrollment and a higher tuition rate (Gilpin, 2011).

**WV Northern Community College & Heartland Community College
Statement of Revenues, Expenses and Changes in Net Assets, June 30, 2010 and 2009
Comparison**

| WVNCC | WVNCC | | | Heartland | | |
|--------------------------|---------------|---------------|--------------------|--------------|--------------|--------------------|
| | 2010 | 2009 | Change FY 10-09 | 2010 | 2009 | Change FY 10-09 |
| Total Operating Revenues | \$5,571,740 | \$5,782,691 | -3.65% | \$9,782,476 | \$8,545,417 | 14.48% |
| Total Operating Expenses | \$19,248,531 | \$16,023,437 | 20.13% | \$38,807,613 | \$33,042,349 | 17.45% |
| Operating Loss | -\$13,676,791 | -\$10,240,746 | 33.55% | \$29,025,137 | \$24,496,932 | 18.48% |

| | | | | | | |
|--------------------------------|---------------------|---------------------|---------|---------------------|---------------------|---------|
| Non-Operating Revenues | \$16,340,022 | \$11,272,054 | 44.96% | \$31,942,564 | \$28,023,956 | 13.98% |
| Change in Net Assets | \$2,663,231 | \$1,031,308 | 158.24% | \$2,917,427 | \$3,527,024 | -17.28% |
| Net Assets - Beginning of Year | <u>\$31,445,540</u> | <u>\$30,414,232</u> | 3.39% | <u>\$46,096,383</u> | <u>\$42,569,359</u> | 8.29% |
| Net Assets - End of Year | <u>\$34,108,771</u> | <u>\$31,445,540</u> | 8.47% | <u>\$49,013,810</u> | <u>\$46,096,383</u> | 6.33% |

The Statement of Revenues, Expenses and Changes in Net Assets present the operating results for the fiscal year ended June 30, 2010 compared to fiscal year ended June 30, 2009. The purpose of the Statement is to present the revenues of the Colleges (operating and non-operating), the expenses of the Colleges (operating and non-operating), and any other revenues, expenses, gains and losses of the Colleges.

WVNCC's total operating revenues decreased. Contract and grant revenue decreased by a larger margin than net tuition and fees increased. Gross tuitions and fees increased by over \$1.6 million, however netting scholarship allowances against gross tuition and fees yielded only a \$202,162 increase. Total operating expenses increased due to an increase in financial aid disbursements and an overall 11% increase in salary and benefits (WV Northern Community College Financial Statements FY 2010 and Independent Auditors' Report, 2010).

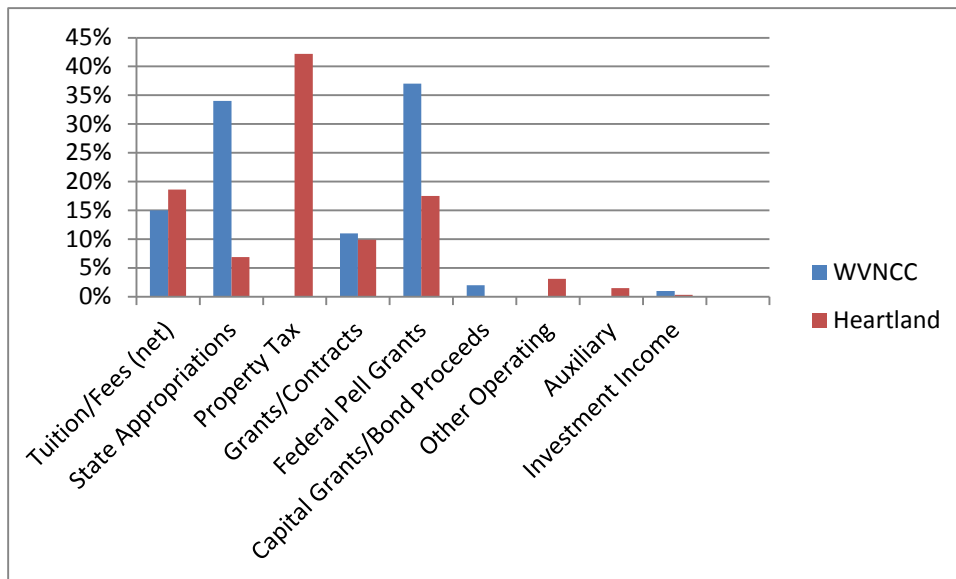
WVNCC was not permitted by the State to increase tuition and fees for 2010. The major reason Non-Operating Revenues increased, was the result of an increase in Federal Pell Grants. Although student enrollment did not increase significantly from 2009 to 2010, more students were eligible for financial aid due to the poor economy. Also, State Stabilization funds (from the American Recovery and Reinvestment Act of 2009) increased Non-Operating Revenues. The funds were used to reimburse the College for reductions in State appropriations (Lippiello, 2011).

For fiscal year 2010, Heartland's total operating revenues increased by 14.5%. Student tuition and fees, net of scholarship allowances, increased due to the rise in tuition and fees rate,

combined with modest enrollment increase in credits hours and to headcounts during fiscal year 2010. Unlike WVNCC, Heartland had no restrictions on increasing tuition and fee rates during 2010. Other operating and auxiliary revenues increased as well due to increased enrolment in the Child Development Lab and growth in continuing education programs (Gilpin, 2011).

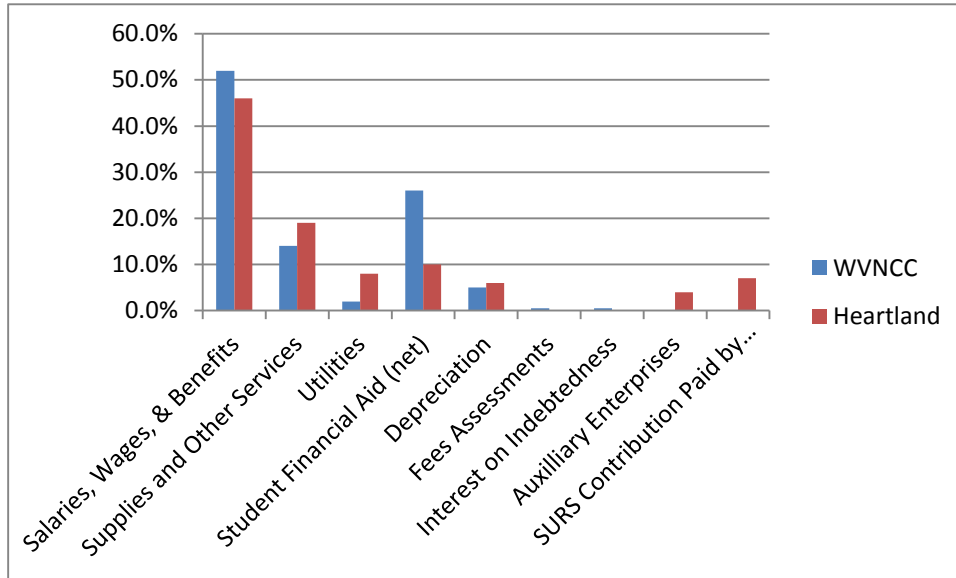
Total net non-operating revenues increased by 14.0% over 2009. The two major reasons for this increase were: 1) property tax revenue increased due to increased property assessment valuation and 2) federal grants and contracts increased due to growth in the College’s second year of participation in the Federal Direct Student Loan program. Economic conditions have driven much of the increase in federal loan program revenues (Gilpin, 2011).

To more easily understand the differences between the sources of revenue for the colleges being compared, the following is a graphic illustration of **Revenues by Source** for fiscal year 2010:



The chart above shows all revenue from both operating and non-operating. The largest source of revenue for WVNCC is Pell Grants followed by State Appropriations; whereas, the largest source of revenue for Heartland is Property Tax followed by Tuition and Fees.

For purposes of comparison, the following is a graphic illustration of **Operating expenses** by program for WVNCC and Heartland:



At both institutions Salaries, Wages, and Benefits account for the greatest percentage of operating expenses. Student Financial Aid represents the amount of financial aid funding that is disbursed to the student directly to pay for living and other educational expenses after tuition and fees are paid. The vast difference in the percentages of Student Financial Aid as an operating expense is because approximately 90 percent of WVNCC’s students receive financial aid; whereas, only approximately 30 percent of Heartland’s students receive financial aid.

Economic Condition and Outlook

WVNCC regional service area has a mixed economic future. Currently, Ohio and Marshall Counties have high unemployment and shortage of skilled workers for the existing jobs. The counties of Hancock, Brooke, Wetzel and Tyler face economic slowdowns caused by heavy industry reductions and out migration. In all areas, high school population continues to decline while the elderly population is increasing (WV Northern Community College Financial Statements FY 2010 and Independent Auditors' Report, 2010).

WVNCC's competition for students also increased with the region's nine higher education institutions tapping a similar customer base. WVNCC is planning to outpace the other institutions by focusing on select markets, expanding the Allied Health programs, and enhancing the technical programs. With funds provided through state initiatives, the College will purchase a flexible space site in Wheeling and add on to the Weirton Campus for technical training (Lippiello, 2011).

Another enrollment effort points to WVNCC's e-learning expansion. In addition, WVNCC is focusing on the adult market in terms of expanded evening and weekend courses, accelerated programs and certificates, and certification offerings. Also, WVNCC has established partnerships with West Virginia University and Bethany College that will provide a pathway for students to continue their studies after the Associate Degree while remaining on the WVNCC campus. (Lippiello, 2011).

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 (WV Northern Community College Financial Statements FY 2010 and Independent Auditors' Report, 2010). WVNCC is expected to be financial stable going into the next fiscal year (WV Northern Community College Financial Statements FY 2010 and Independent Auditors' Report, 2010). WVNCC has been rated AAAm by Standard & Poors (S&P). The AAAm rating is defined by S&P as having extremely strong capacity to maintain principal stability and to limit exposure to principal loss due to credit market and liquidity risk (Lippiello, 2011).

WVNCC implements an annual budget planning process. WVNCC is greatly dependent on State appropriations to finance a large portion of its operations and unfortunately, State

funding level is one of the greatest uncertainties of the College. Furthermore, the State has authority over many other aspects of the College's operations including tuition and fee structure, its personnel policies, and administrative practices (Lippiello, 2011).

Lippiello believes that WVNCC's strong and stable enrollment is one of its greatest financial strengths; the College administration is frugal with funding and scrutinizes all expenditures. The greatest challenge the College faces is anticipating reductions in State funding and also the uncertainty of funding levels from one year to the next (Lippiello, 2011).

The Heartland Community College District is an important business and agricultural region in central Illinois, supported by a major automobile manufacturer and related automotive suppliers, two major insurance companies, farm implement and agricultural products dealers, and financial and health care institutions (Widmer & Gilpin, Heartland Community College Comprehensive Annual Financial Report FY 2010, 2010). Gilpin believes that the Heartland Community College District economy has been insulated from what the rest of the nation is experiencing due to the diverse businesses and services it has to offer. Also, the market values of homes and business properties have increased, unlike what is occurring most everywhere else in the nation (Gilpin, 2011).

The District has several higher education institutions. Bloomington-Normal is the location of two major universities, Illinois State University and Illinois Wesleyan University. Lincoln College and Lincoln Christian College are two other colleges located in the southern part of the District. Similar to WVNCC, Heartland has several cooperative arrangements and educational alliances established with some of these institutions.

According to Gilpin, the unemployment rate in the District ranged between 3.9% and 6.7% annually from 2005-2009. Mitsubishi is the only manufacturing company in the region that

has had employee layoffs, but it hasn't adversely impacted the District's economy. During 2010, as in most other communities, the County's unemployment continued to increase, but it is still one of the lowest in the State. Unemployment however, has been a supporting factor in the College's steady enrollment increase (Gilpin, 2011).

Family income for the Bloomington-Normal communities is \$75,550, which is one of the highest in the State of Illinois (Widmer & Gilpin, Heartland Community College Comprehensive Annual financial Report Fiscal Year 2010, 2011). This explains the reason there is a relatively low percentage of students receiving financial aid to attend Heartland. The population of McLean County has increased by almost 35,000 since 1999 when the College opened. Population in the County is projected to continue to grow (Widmer & Gilpin, Heartland Community College Comprehensive Annual financial Report Fiscal Year 2010, 2011).

A five-year operating budget outlook is updated and reviewed regularly by Heartland College management. Contingencies are budgeted annually to provide for uncertainties. The main two contingencies have been the uncertainty of State funding appropriations and utility costs (Gilpin, 2011).

Concluding Thoughts

By just analyzing the basic Financial Statements of the two colleges, WVNCC appears to be the stronger; however, S&P ratings and ratios (current assets to current liabilities) do not necessarily reveal the long-term financial health of the institutions. Based on the economic outlook factors, e.g., population growth, local property tax base, diverse businesses and services in the district, Heartland appears to be in a stronger financial position in terms of future growth and sustainability.

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