

Northwest State Community College

Single Audit

July 1, 2003 through June 30, 2004

Fiscal Year Audited Under GAGAS: 2004

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639

www.bhscpas.com



**Auditor of State
Betty Montgomery**

Board of Trustees
Northwest State Community College
22600 State Route 34
Archbold, Ohio 43502-9542

We have reviewed the Independent Auditor's Report of the Northwest State Community College, Henry County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Northwest State Community College is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 4, 2004

This Page is Intentionally Left Blank.

NORTHWEST STATE COMMUNITY COLLEGE

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
Management ' s Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets	10
Statement of Revenues, Expenses and Changes in Net Assets	11
Statement of Cash Flows	12
Notes to Financial Statements	13
Schedule of Federal Awards Expenditures	28
Notes to Schedule of Federal Awards Expenditures	29
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	30
Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.....	31
Schedule of Findings & Questioned Costs OMB Circular A-133 Section .505	33

This Page is Intentionally Left Blank.

BALESTRA, HARR & SCHERER, CPAs, INC.
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhspcpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees
Northwest State Community College
22600 State Route 34
Archbold, Ohio 43502-9542

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Northwest State Community College (the College), a component unit of the State of Ohio, as of and for the year ended June 30, 2004, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2004 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.

The Management's Discussion and Analysis on pages 3-9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards expenditures has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Board of Trustees
Northwest State Community College
REPORT OF INDEPENDENT ACCOUNTANTS
Page 2

As described in Note 3 to the basic financial statements, the College implemented Governmental Accounting Board Statement Number 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14 (May 2002)*.

Balestra, Harr & Scherer, CPAs, Inc.

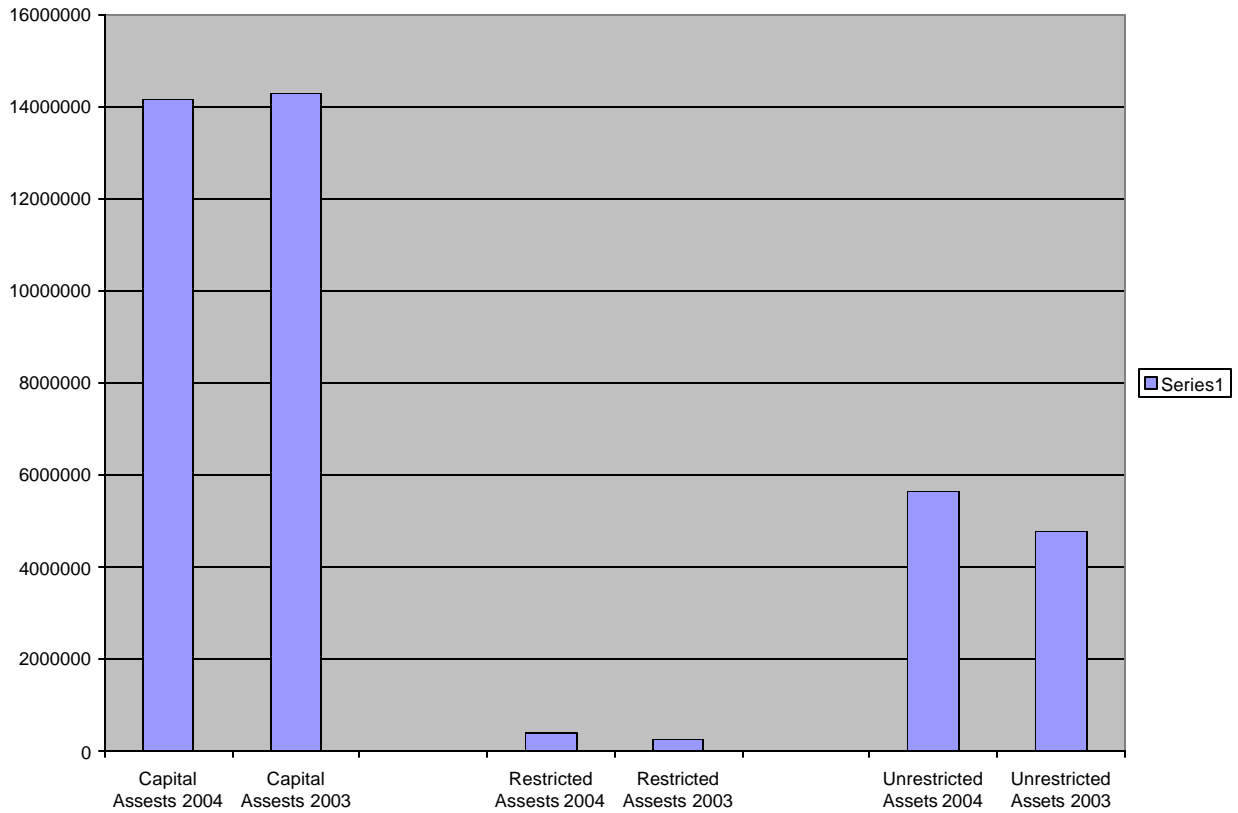
Balestra, Harr & Scherer, CPAs, Inc.
October 12, 2004

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

The discussion and analysis of Northwest State Community College's financial statements provides an overview of the College's financial activities for the year ending June 30, 2004. Included in this analysis is an analysis of the activities of the Northwest State Community College Foundation as a component unit of the college. The management of the college has prepared this discussion and analysis of the financial standing of the institution and is responsible for the completeness and fairness of the information. It should be read in conjunction with the accompanying financial statements.

Financial Highlights

The Net Asset increases and decreases from fiscal year 2002-03 to 2003-04 for Northwest State Community College are presented below:



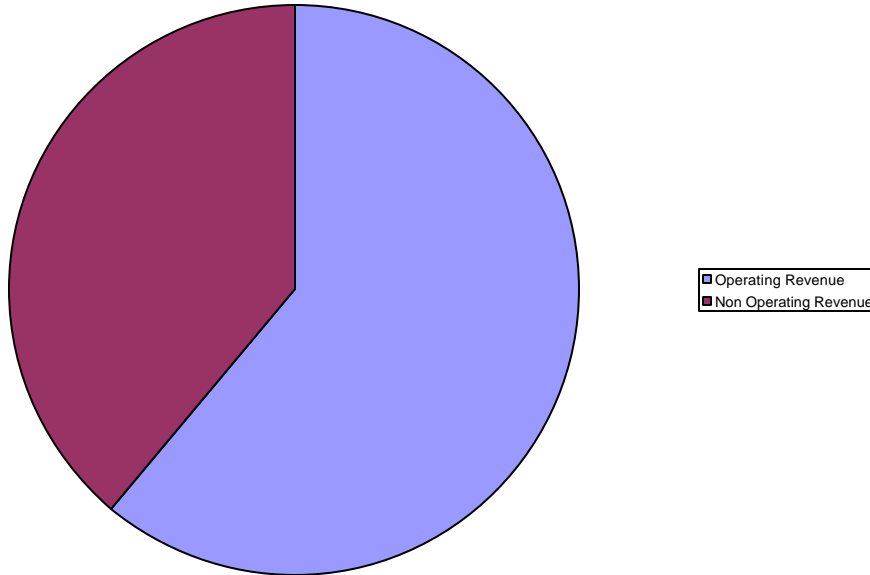
Northwest State's financial position, as a whole, improved during the fiscal year ending June 30, 2004. Its Net Assets increased by \$895,850 or 4.65% over the previous year.

Capital Assets decreased by \$158,343 (about 1%) due to normal depreciation and disposal of assets; Restricted Assets increase by \$151,945 or 60.5% due to a decision to carry over some grant funding into the current fiscal year; Unrestricted Assets increased \$869,746 or 18% even after experiencing significant cuts in state share of instruction subsidy. The increase can be attributed to an increase in enrollment and sound fiscal management.

The Northwest State Community College Foundation experienced an increase in Net Assets of \$59,303 or 9.5%, from \$621,933 in 2003 to \$681,236 in 2004. This increase can be attributed to an increase in donations by both individuals and businesses for both permanently or temporarily restricted funds.

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

The following chart provides a graphic breakdown of revenues by category in the fiscal year ending June 30, 2004 for Northwest State Community College and does not include the College Foundation:



Total Revenues—Northwest State Community College 2004

In the fiscal year ending June 30, 2004, Northwest State's revenue and other support exceeded expenses, creating an increase in Net Assets of \$895,850. During the same period, the College Foundation realized an increase in Net Assets of \$59,303 due to revenues exceeding expenses.

Structure of the Annual Report

This report consists of three basic financial statements. The Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows provide information on the College as a whole and the Foundation as a component unit. The report includes all of the programs and services generally associated with a college including instruction, public service and support services. The College Foundation activities are focused on fundraising to benefit the College.

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information on Northwest State Community College that indicates the institution's activities over the past year have positively influenced the health of the institution. Where revenues exceed expenses, the result is an increase to Net Assets. The relationship between revenues and expense may be thought of as Northwest State's operating results.

These two statements report the College's net assets and changes from the prior fiscal year. Northwest State's Net Asset amount—the difference between assets and liabilities—is one way to measure the Institution's financial position. However, several non-financial factors are relevant to the health of the institution such as student retention, conditions of facilities, addition of new and updated academic programs and campus safety.

The statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenue and expenses are accounted for regardless of when cash is received or paid.

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

In the audited financial statements for Northwest State Community College, the Foundation was included as a component unit of the College. However, for the purposes of comparing this current fiscal year with last fiscal year, the foundation was not included in the statements shown below. The fiscal health of the foundation is not the main focus of this Management, Discussion and Analysis.

Statement of Net Assets

	6/30/2003	6/30/2004	Change
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 4,528,831	\$ 3,102,732	\$ (1,426,099)
Investments	0	747,600	747,600
Accounts receivable, net	1,235,518	905,730	(329,788)
Inventories	194,504	219,511	25,007
Prepaid expenses	4,570	5,982	1,412
Total current assets	<u>5,963,423</u>	<u>4,981,555</u>	<u>(981,868)</u>
Noncurrent Assets			
Restricted cash and cash equivalents	42,445	264,119	221,674
Investments	0	1,988,651	1,988,651
Accounts receivable (from NSCC FDA)	85,076	70,896	(14,180)
Capital assets, net	14,376,582	14,218,239	(158,343)
Total noncurrent assets	<u>14,504,103</u>	<u>16,541,905</u>	<u>2,037,802</u>
Total assets	<u>\$ 20,467,526</u>	<u>\$ 21,523,460</u>	<u>\$ 1,055,934</u>
LIABILITIES			
Current Liabilities			
Accounts payable and liabilities	\$ 87,597	\$ 118,994	\$ 31,397
Capital lease obligation	40,414	40,414	-
Compensated absences	445,728	446,999	1,271
Deferred revenue	456,204	470,875	14,671
Total current liabilities	<u>1,029,943</u>	<u>1,077,282</u>	<u>47,339</u>
Noncurrent Liabilities			
Capital lease obligation	65,793	33,291	(32,502)
Compensated absences	94,457	239,704	145,247
Total noncurrent liabilities	<u>160,250</u>	<u>272,995</u>	<u>112,745</u>
Total liabilities	<u>\$ 1,190,193</u>	<u>\$ 1,350,277</u>	<u>\$ 160,084</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 14,270,375	\$ 14,144,534	\$ (125,841)
Restricted for Expendable			
Scholarships and grants	5,592	153,082	147,490
Capital projects	245,173	249,628	4,455
Unrestricted	4,756,193	5,625,939	869,746
Total net assets	<u>\$ 19,277,333</u>	<u>\$ 20,173,183</u>	<u>\$ 895,850</u>

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
*June 30, 2004***

Operating Revenue

Changes in operating revenue were the result of the following factors:

- On March 25, 2003, the Board of Trustees voted to increase tuition by approximately 6% effective for the summer session 2003
- For the Academic year 2003-2004, the college experienced growth, with an FTE increase of approximately 5.2%.
- In the Fall of 2003, the college completed the renovation of a new snack bar area and the college bookstore. This renovation and the increase in enrollment account for the increase in revenues in the auxiliary units
- Due to sustained growth over the past several years, the college is now seeing an increase in the total state share of support subsidy
- The college serves as the fiscal agent for grant funding providing non-credit training to business and industry. In 2003-2004, the income received for this training increased by over \$200,000

Changes in operating expenses were the result of the following factors:

- The institution experienced an increase of salary and benefit costs related to increased enrollment
- The college experiences a significant increase in health care benefit costs for employees
- Upgrading of computer labs resulted in additional expenses in the restricted and unrestricted funds
- A major renovation project was completed to upgrade the bookstore and snack bar areas and add new classroom space
- As mentioned above the college serves as fiscal agent for non-credit grant funding of business and industry training. As with the income, the expenses increase significantly in 2003-04
- In addition the major remodeling project mentioned above, the college remodeled one set of restrooms (bring them into ADA compliance) at a cost of \$122,000, and created a conference/classroom out of a storage and office area at a cost of \$73,000 (\$20,000 of which came from the foundation).

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

Statement of Revenues, Expenses and Changes in Net Assets

REVENUES	2002-2003	2003-2004	Change
Operating Revenues			
Tuition, fees, and other student charges (net of scholarship allowances)	\$ 4,773,210	\$ 5,778,421	\$ 1,005,211
Federal grants and contracts	2,490,158	2,902,666	412,508
State grants and contracts	917,805	761,903	(155,902)
Nongovernmental gifts and grants	52,012	47,241	(4,771)
Auxiliary enterprises	1,428,827	1,650,616	221,789
Other operating revenues	328,721	254,575	(74,146)
Total revenue	\$ 9,990,733	\$ 11,395,422	\$ 1,404,689
EXPENSES			
Operating Expenses			
Education and General			
Instruction	6,273,748	6,998,810	725,062
Public service	701,818	936,140	234,322
Academic support	587,890	584,768	(3,122)
Student services	1,170,783	1,488,471	317,688
Institutional support	2,687,669	3,114,703	427,034
Operation and maintenance of plant	936,246	1,185,738	249,492
Scholarships and grants	853,887	904,108	50,221
Total educational and general	13,212,041	15,212,738	2,000,697
Auxiliary enterprises	1,622,476	1,861,499	239,023
Depreciation	805,142	851,293	46,151
Total operating expenses	\$ 15,639,659	\$ 17,925,530	\$ 2,285,871
Operating gain (loss)	\$ (5,648,926)	\$ (6,530,108)	\$ (881,182)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	6,080,781	7,177,478	1,096,697
Investment Income (net of investment expense)	101,589	65,670	(35,919)
Interest of capital asset - related debt	(6,548)	(7,912)	(1,364)
Net nonoperating revenue (expenses)	\$ 6,175,822	\$ 7,235,236	\$ 1,059,414
Income (loss) before other revenues, expenses, gains or losses	\$ 526,896	\$ 705,128	\$ 178,232
State capital appropriations	-	184,215	184,215
Capital grants and gifts	-	1,722	1,722
Capital grants and gifts (from Northwest State Foundation)	11,987	25,252	13,265
Loss on disposal of assets	(155,997)	(20,467)	135,530
Increase in net assets	\$ 382,886	\$ 895,850	\$ 512,964
NET ASSETS			
Net assets - beginning of year	18,894,447	19,277,333	382,886
Net assets - end of year	\$ 19,277,333	\$ 20,173,183	\$ 895,850

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

Statement of Cash Flows

Another way to assess the financial health of the institution is to look at the Statement of Cash Flows. The primary purpose of this statement is to provide relevant information about the cash receipts and cash expenditures for the institution during fiscal year 2003-04. The Statement of Cash Flows helps the user assess:

- The institution's ability to generate future positive cash flows
- The institution's ability to meet its obligations as they come due
- The institution's potential need for external financing

The Statement of Cash Flows

	2002-03	2003-04	change
Cash flows from operating activities			
Net cash used by operating activities	\$(5,300,826)	\$(5,201,182)	\$99,644
Cash flows from non-capital financing			
State Appropriations	6,080,781	7,177,478	1,096,697
Cash flows from capital fin. activities			
Net cash used by capital fin. activities	(1,154,897)	(510,140)	644,757
Cash flows from investing activities	101,589	(2,670,582)	(2,772,171)
Net Change in Cash	(273,353)	(1,204,426)	(931,073)
Beginning Balance	\$4,844,630	\$4,571,277	\$(273,353)
Ending Balance	\$4,571,277	\$3,366,851	\$(1,204,426)

The primary uses of cash for supporting operating activities were salaries, benefits and payments to suppliers. The major sources of operating cash were tuition and fees, and grants and contracts (specifically federal financial aid). The other major source of income, although not considered cash flows from operating, is the state appropriations. Although the college received an increase in appropriations, over the past several years growth in appropriations has not occurred at the same rate as growth in enrollment. Unfortunately, with the current condition of the state's budget the trend is likely to continue.

The most significant change in the statement of cash flows was due to a change in the investment policy of the college. Whereas in the past any excess cash was invested in short term CDs to ensure liquidity, in 2003, the Board approved an investment policy which allowed the college to invest in government backed bonds and notes. These excess funds are now reported as investments instead of cash or cash equivalents.

Economic factors that will affect the future

The economic position of Northwest State Community College is closely tied to the State of Ohio. At present the state is experiencing significant budget short falls. In the recent past Higher Education has absorbed the majority of these cuts. For Northwest State Community College this means less funding per student from the state to support the continued growth of the institution.

In April 2004, the Board approved an additional 5.7% tuition increase to offset the anticipated budget cuts. Additionally, the campus is increasing its efforts in the area of fundraising through the Foundation.

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**
June 30, 2004

On September 30, 2004, the Board approved the purchase of an administrative software and hardware system to replace the current home grown system used by the college. The estimated cost for the entire project is approximately \$1.9 million.

Despite the reduction in state funding and the downturn in the economy in recent years, the institution's current financial and capital plans indicate continued financial stability. Enrollment growth is expected to continue albeit at a slower pace, and the institution is currently reviewing the programming needs in the surrounding communities.

**Northwest State Community College
Henry County
Statement of Net Assets
June 30, 2004**

	Primary Institution Northwest State CC	Component Unit Northwest State Foundation
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,102,732	\$ 271,401
Investments	747,600	-
Accounts receivable, net	905,730	7,964
Inventories	219,511	-
Prepaid expenses	5,982	-
Total current assets	<u>4,981,555</u>	<u>279,365</u>
Noncurrent Assets		
Restricted cash and cash equivalents	264,119	467,747
Investments	1,988,651	19,579
Accounts receivable (from NSCC FDA)	70,896	-
Capital assets, net	14,218,239	-
Total noncurrent assets	<u>16,541,905</u>	<u>487,326</u>
Total assets	<u><u>\$ 21,523,460</u></u>	<u><u>\$ 766,691</u></u>
LIABILITIES		
Current Liabilities		
Accounts payable	112,239	14,559
Accrued liabilities	6,755	-
Capital lease obligation	40,414	-
Compensated absences	446,999	-
Deferred revenue	470,875	-
Total current liabilities	<u>1,077,282</u>	<u>14,559</u>
Noncurrent Liabilities		
Accounts payable (from NSCC FDA)	-	70,896
Capital lease obligation	33,291	-
Compensated absences	239,704	-
Total noncurrent liabilities	<u>272,995</u>	<u>70,896</u>
Total liabilities	<u><u>\$ 1,350,277</u></u>	<u><u>\$ 85,455</u></u>
NET ASSETS		
Invested in capital assets, net of related debt	14,144,534	-
Restricted for		
Nonexpendable		
Scholarships and grants	-	529,395
Expendable		
Scholarships and grants	153,082	34,414
Departmental use	-	24,334
Loans	-	100,101
Capital projects	249,628	-
Other	-	4,554
Unrestricted	5,625,939	(11,562)
Total net assets	<u><u>\$ 20,173,183</u></u>	<u><u>\$ 681,236</u></u>

See accompanying notes to the basic financial statements

**Northwest State Community College
Henry County
Statement of Revenues, Expenditures, and Changes in Net Assets
For the Year Ended June 30, 2004**

	Primary Institution Northwest State CC	Component Unit Northwest State Foundation
REVENUES		
Operating Revenues		
Tuition, fees, and other student charges (net of scholarship allowances of \$2,737,583)	\$ 5,778,421	\$ -
Federal grants and contracts	2,902,666	-
State grants and contracts	761,903	-
Nongovernmental gifts and grants	47,241	-
Contributions and fund raising	-	137,181
Auxiliary enterprises		
Food service	362,765	-
Bookstore (net of scholarship allowances of \$402,023)	1,287,851	-
Other operating revenues	254,575	-
Total revenue	\$ 11,395,422	\$ 137,181
EXPENSES		
Operating Expenses		
Education and General		
Instruction	6,998,810	-
Public service	936,140	-
Academic support	584,768	-
Student services	1,488,471	-
Institutional support	3,114,703	49,141
Operation and maintenance of plant	1,185,738	-
Scholarships and grants	904,108	12,191
Total educational and general	15,212,738	61,332
Auxiliary enterprises	1,861,499	-
Depreciation	851,293	-
Total operating expenses	\$ 17,925,530	\$ 61,332
Operating gain (loss)	\$ (6,530,108)	\$ 75,849
NONOPERATING REVENUES (EXPENSES)		
State appropriations	7,177,478	-
Investment Income (net of investment expense)	65,670	8,706
Interest of capital asset - related debt	(7,912)	-
Payments to Northwest State Community College	-	(25,252)
Net nonoperating revenue (expenses)	\$ 7,235,236	\$ (16,546)
Income (loss) before other revenues, expenses, gains or losses	\$ 705,128	\$ 59,303
State capital appropriations	184,215	-
Capital grants and gifts	1,722	-
Capital grants and gifts (from Northwest State Foundation)	25,252	-
Loss on disposal of assets	(20,467)	-
Increase in net assets	\$ 895,850	\$ 59,303
NET ASSETS		
Net assets - beginning of year	19,277,333	621,933
Net assets - end of year	\$ 20,173,183	\$ 681,236

See accompanying notes to the basic financial statements

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
STATEMENT OF CASH FLOWS
6/30/2004**

	Primary Institution Northwest State CC
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 5,944,484
Grants and contracts	3,832,203
Payments to suppliers	(4,649,575)
Payments for utilities	(335,939)
Payments to employees	(8,432,264)
Payments for benefits	(2,645,318)
Payments for scholarships and grants	(907,661)
Auxiliary enterprise	
Food service	362,765
Bookstore	1,293,611
Other receipts (payments)	<u>336,512</u>
Net cash used by operating activities	<u><u>(5,201,182)</u></u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	<u>7,177,478</u>
Net cash provided by noncapital financing activities	<u><u>7,177,478</u></u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Capital grants and gifts	26,974
Capital appropriations	184,215
Purchases of capital assets	(713,417)
Interest paid on capital debt and leases	<u>(7,912)</u>
Net cash used by capital financing activities	<u><u>(510,140)</u></u>
CASH FLOWS FROM CAPITAL INVESTING ACTIVITIES	
Purchase of investments	(2,736,252)
Interest on investments	<u>65,670</u>
Net cash used by investing activities	<u><u>(2,670,582)</u></u>
Net decrease in cash and cash equivalents	(1,204,426)
Cash - beginning of year	<u>4,571,277</u>
Cash - end of year	<u><u>\$ 3,366,851</u></u>
Reconciliation of net operating revenue (expenses) to net cash used by operating activities:	
Operating loss	\$ (6,530,108)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	851,293
Change in assets and liabilities	
Receivables, net	343,968
Inventories	(25,007)
Prepaid expenses	(1,412)
Accounts payable	(1,105)
Compensated absences	146,518
Deferred revenue	<u>14,671</u>
Net cash provided by operating activities	<u><u>\$ (5,201,182)</u></u>

See accompanying notes to the basic financial statements

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 – REPORTING ENTITY

Northwest State Community College (College) is a body, politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

Northwest State Community College was chartered on May 13, 1994, as a State Community College under Section 3358.02 of the Ohio Revised Code. Prior to that date the entity was operated as Northwest Technical College under a charter dated February 1, 1972, as a State Technical College under section 3357.02 of the Ohio Revised Code. The College is a component unit of the State of Ohio and therefore, is included in its Comprehensive Annual Financial Report (CAFR).

The College operates under the direction of a nine-member Board of Trustees who are appointed by the Governor with the advice and consent of the Senate. A President is appointed by the Board of Trustees to oversee day-to-day operations of the College. An appointed Treasurer is the custodian of funds and is responsible for the fiscal control of the resources of the College.

The College was organized for the principal purpose of offering educational programs beyond high school, normally not exceeding two year's duration, and leading to the award of an associate degree. The College thus offers programs in the liberal arts and sciences, in technical training, and in adult and continuing education, as outlined in Section 3358 of the Ohio Revised Code.

Northwest State Community College Foundation (Foundation) is a legally separate, tax-exempt organization supporting Northwest State Community College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The board of the Foundation is self-perpetuating and consists of graduates, community members and friends of the college. The majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

During the year ended June 30, 2004, the Foundation made distributions of \$25,252 to or on behalf of the College for both temporarily restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Business Office at 22-600 State Route 34, Archbold, Ohio 43502. Specific disclosures relating to the component unit can be found in Note 17.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – For Public Colleges and Universities* effective for the College's year ended June 30, 2004, the full scope of the College's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

Fiduciary funds, however, are not included in the accompanying financial statements. The College's only fiduciary fund is the agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Northwest State maintains an agency fund for the NSCC Student Body Organization & the NSCC Alumni. At June 30, 2004, the amounts held for the NSCC Student Body Organization & the NSCC Alumni are \$6,182.74 and \$873.99, respectively.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Foundation is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of the necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the College's financial report for these differences.

B. Basis of Accounting

The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

C. Cash and Cash Equivalents

This Classification appears on the Statement of Net Assets and the Statement of Cash Flows and includes petty cash, cash on deposit with private bank accounts, and saving accounts.

D. Investments

Investments when purchased are stated at cost and, if received through gift, at market value at the date of gift if a market value is available; otherwise, they are stated at an appraisal or nominal value.

E. Receivables

Receivables consist of tuition and fees, charges to students, and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the Federal government, state and local governments, private sources in connections with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource providers condition have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

F. Inventories

Inventories, consisting of expendable supplies and merchandise for resale, are stated at the lower of cost or market value using the first-in, first-out method.

G. Capital Assets

Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of one or more years. Library books are significant in the aggregate and are therefore also capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 75 years for infrastructure, 10 to 50 years for buildings, and 3 to 15 years for machinery, equipment and vehicles.

H. Restricted Assets

Restricted assets represent assets whose use is restricted by external parties or by law through constitutional provisions or enabling legislation.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Noncurrent Long-Term Liabilities

Noncurrent long-term liabilities include capital lease obligations, and compensated absences that will not be paid within the next fiscal year.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the College will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is based on the College's past experience of making termination payments.

When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out method.

K. Deferred Revenue

In accordance with the State of Ohio policy of recording instructional revenues in the year in which the courses are principally conducted, the College defers certain revenues at June 30 that are applicable to courses conducted subsequent to June 30.

L. Net Assets

The College's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt – This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted Net Assets – Nonexpendable – Nonexpendable restricted net assets include endowments and similar type assets whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity.

Restricted Net Assets – Expendable – Expendable restricted net assets include resources in which the College is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties.

Unrestricted Net Assets – Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the department management system in place at the College.

M. Scholarship Allowances

Student tuition and fees revenue and certain other revenues from College charges are reported net of scholarship allowances in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship allowance is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the student's behalf. Student financial assistance grants, such as Pell grants, and other federal, state or non-governmental programs, are recorded as either operating or non-operating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship allowance discount.

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Revenue and Expense Recognition

The College presents its revenues and expenses as operating or non-operating based on recognition definitions from GASB statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include all charges to customers, grants received for student financial assistance, and interest earned on loans. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the College. Revenues from non-exchange transactions and state appropriations that represent subsidies or gifts to the College, as well as investment income, are considered non-operating since these are either investing capital or non-capital financing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor non-operating activities and are presented after non-operating activities on the accompanying Statement of Revenues, Expenses, and Changes in Net Assets.

O. Budgetary Process

Annually, the Business Office develops a balanced budget for the College based on projected expenditures from department directors and anticipated revenue, including tuition and fees and the subsidy from the Ohio Board of Regents. The board of trustees approves the budget.

P. Income Taxes

Income taxes have not been provided on the general operation of the College because, as a state institution, its income is exempt from Federal income taxes under section 115 of the Internal Revenue Code.

Q. Use of Estimates

Management of the College has made estimates and assumption relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

The College implemented Governmental Accounting Standard Number 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14 (May 2002)*, for the fiscal year ended June 30, 2004. As a result of the implementation of GASB Statement No. 39, the College now includes the Northwest State Community College Foundation as a discretely presented component unit in the College's financial statements.

NOTE 4 – STATE SUPPORT

The College is a state-assisted institution of higher education, which receives student-based subsidy from the State of Ohio. This appropriation is determined annually based upon a formula devised by the State of Ohio.

In addition to state share of instructional costs, the State of Ohio provides funds for basic renovations of the College facilities. In the past the State has provided funding for construction of major plant facilities on the College campus; however, a policy change at the State level has required the College to repay the State funds used from the College funds. Due to this policy change, The College is less able to rely on State funds to construct facilities. In the event that the State does contribute to a building project, the State's portion of the funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission, which in turn causes the construction and subsequent lease of the facility by the Ohio Board of Regents.

As a result of the above described financial assistance provided by the state of Ohio to the College, outstanding debt issued by the Ohio Public Facilities Commission is not included on the College's Statement of Net Assets. In addition, the appropriation by the Board of Regents for payment of debt service are not reflected as appropriation revenue received by the college, and the related debt service payments are not recorded in the College's accounts.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 5 – DEPOSITS AND INVESTMENTS

Legal Requirements

Statutes require the classification of moneys held by the College into three categories. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the College Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the College's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer, by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Regulations permit interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligations or securities issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies of instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the College, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the College had \$2,687 in undeposited cash on hand, which is included on the Statement of Net Assets of the College as part of cash.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Cash and Investments

In accordance with Statement No. 3 of the Government Accounting Standards Board, cash deposits are categorized to give an indication of the level of risk assumed by the College. The categories are as follows:

- Category 1 - Insured or collateralized with securities by the College or by its agent in the College's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the College's name.
- Category 3 - Uncollateralized.

As of June 30, 2004:

Carrying Amount	Bank Balance	<u>Balance per Bank Risk Category</u>		
		1	2	3
\$ 3,366,851	\$ 4,029,453	\$ 200,100	\$ 3,829,353	\$ 0

The difference between cash carrying amount and bank balance represents normal reconciling items (outstanding checks, cash on hand, and deposits in transit). Of the total cash in the bank accounts \$1,930,093 was held in demand accounts, \$1,549,906 was held in Federated US Treasury Cash #632 and \$ 549,454 was in certificates of deposit.

Statement No. 3 of the Government Accounting Standards Board requires government entities to categorize investments to give an indication of the level of risk assumed by the entity at year-end. These categories are as follows:

- Category 1 - Investments that are insured or registered, or for which securities are held by the College or its agent in the name of the College.
- Category 2 - Investments that are uninsured and unregistered, with securities held by the broker's trust department or agent in the College's name.
- Category 3 - Investments that are uninsured and unregistered, with the securities held by the broker or dealer, or by its trust department or agent, but not in the College's name.

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

The College's fair value and distribution of investments as of June 30, 2004 are as follows:

Investments:	<u>Category 2</u>	<u>Carrying/ Fair Value</u>
Federal Home Loan Mtge Corp.	\$ 250,118	\$ 250,118
Federal Home Loan Bank	591,798	\$ 591,798
Federal Home Loan Bank Discount	747,600	747,600
Federal National Mtge Assoc	1,146,735	1,146,735
	<u>\$ 2,736,251</u>	<u>\$ 2,736,251</u>

The classification of cash and cash equivalents and investments on the Statement of Net Assets is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Cash and cash equivalents are defined as investments with original maturities of three months or less and funds held as part of the College's cash management pool. No differences exist between classifications on the Statement of Net Assets and the classification of deposits and investments presented per GASB Statement No. 3 and therefore, no reconciliation is presented.

NOTE 6 – RECEIVABLES

Receivables at June 30, 2004 were as follows:

	<u>Gross Receivables</u>	<u>Allowance For Doubtful Accounts</u>	<u>Net Receivables</u>
Current Receivables:			
Students	\$ 268,633	\$ (52,714)	\$ 215,919
Pledges	14,180		14,180
Intergovernmental	594,153		594,153
Other	81,478		81,478
Total Current Receivables	<u>958,444</u>	<u>(52,714)</u>	<u>905,730</u>
Non-current Receivables:			
Pledges	70,896		70,896
Total Accounts Receivable:	<u>\$1,029,340</u>	<u>\$ (52,714)</u>	<u>\$ 976,626</u>

NOTE 7 – DONOR RESTRICTED ENDOWMENTS

If a donor has not provided specific instructions, state law permits the Board to authorize for expenditure the new appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the Board is required to consider the College's "long- and short-time needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions". Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established. All expenditures must be approved by the Board.

At 6/30/04, there was no net appreciation on donor restricted assets available to be spent.

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 8 – CAPITAL ASSETS

A summary of changes in the capital assets is presented as follows:

	<u>Balance June 30, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2004</u>
Capital Assets, Non-Depreciable:				
Land	\$ 176,657	\$ -	\$ -	\$ 176,657
Construction in Progress	463,606	3,881	463,606	3,881
Library Books	502,358	68,266	5,447	565,177
Art/Collections	-	66,000	-	66,000
Total Non-Depreciable	<u>1,142,621</u>	<u>138,147</u>	<u>469,053</u>	<u>811,715</u>
Capital Assets, Depreciable:				
Buildings	17,368,203	956,477	-	18,324,680
General Infrastructure	1,607,054	-	-	1,607,054
Machinery and Equipment	2,305,241	82,398	149,551	2,238,088
Motor Vehicles	107,315	-	-	107,315
Totals	<u>21,387,813</u>	<u>1,038,875</u>	<u>149,551</u>	<u>22,277,137</u>
Less Accumulated Depreciation:				
Buildings	5,881,267	602,018	-	6,483,285
General Infrastructure	855,472	45,617	-	901,089
Machinery and Equipment	1,348,979	187,614	134,531	1,402,062
Motor Vehicles	68,133	16,044	-	84,177
Totals	<u>8,153,851</u>	<u>851,293</u>	<u>134,531</u>	<u>8,870,613</u>
Total Capital assets, depreciable, net	<u>13,233,962</u>	<u>187,582</u>	<u>15,020</u>	<u>13,406,524</u>
Capital Assets, net	<u>\$14,376,583</u>	<u>\$ 325,729</u>	<u>\$ 484,073</u>	<u>\$14,218,239</u>

NOTE 9 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is as follows:

	<u>Balance June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>	<u>Current Portion</u>
Capital Lease Payable	\$ 106,207	\$ -	\$ 32,502	\$ 73,705	\$ 40,414
Compensated Absences	540,185	146,518	-	686,703	446,999
Total Long-term Liabilities	<u>\$ 646,392</u>	<u>\$ 146,518</u>	<u>\$ 32,502</u>	<u>\$760,408</u>	<u>\$487,413</u>

Additional information regarding capital lease obligations is included in Note 10.

NOTE 10 – LEASE OBLIGATIONS

Capital Lease Obligations – Capital lease obligations relating to various forms of equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2004

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 10 – LEASE OBLIGATIONS (CONTINUED)

Fiscal Year	Amount
Ending June 30, 2004	
2005	\$ 40,414
2006	40,414
2007	1,664
Total minimum lease payments	82,492
Amount representing interest	(8,787)
Present Value of Future Lease Payments	\$ 73,705

Leased assets amount to \$148,505 at June 30, 2004, all of which is movable equipment.

Operating Lease Obligations – Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2004:

Fiscal Year	Amount
Ending June 30, 2004	
2005	\$ 38,211
2006	35,211
2007	30,289
2008	12,141
	\$ 115,852

Rental expenses for all operating leases during the year was \$41,573.

NOTE 11 – OPERATING EXPENSES BY FUNCTION AND NATURAL CLASS

	Salaries And Benefits	Scholarships And Fellowships	Utilities	Supplies And other Services	Depreciation	Total
Instruction and departmental research	\$6,312,041	\$ -	\$ -	\$ 686,769	\$ -	\$6,998,810
Public service	836,779			99,361		936,140
Academic Support	418,656			166,112		584,768
Student Services	814,820			673,651		1,488,471
Institutional Support	2,050,813			1,063,890		3,114,703
Operations and maintenance	437,700		335,940	412,098		1,185,738
Scholarships and grants		904,108				904,108
Auxiliary enterprises	392,796			1,468,703		1,861,499
Depreciation					851,293	851,293
Totals	\$11,263,605	\$ 904,108	\$ 335,940	\$4,570,584	\$ 851,293	\$17,925,530

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 12 – PENSION AND RETIREMENT PLANS

The employees of the Northwest State Community College are covered by the School Employees Retirement System of Ohio (SERS), the State Teachers Retirement System of Ohio (STRS) or an Alternative Retirement Plan (ARP). The State of Ohio accounts for the activities of the SERS and STRS systems and amounts of these funds are not reflected in the accompanying financial statements.

School Employees Retirement System

The College contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad, Suite 100, Columbus, Ohio 43215-3746 or by calling (614)222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll for fiscal year 2004. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS's Retirement Board. The College's required contributions for the fiscal years ended June 30, 2004, 2003, and 2002 were \$401,928, \$374,632, and \$348,832, respectively.

State Teachers Retirement Fund

The College contributes to the State Teachers Retirement System Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614)227-4090 or by visiting the STRS Ohio website at www.strsoh.org.

Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The College's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$696,881, \$627,607, and \$586,017, respectively.

Alternative Retirement Plan

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 1998, authorizing an alternative retirement system for academic and administrative college employees of public institutions of higher education, who are currently covered by the School Employees Retirement System or State Teachers Retirement System. The College board of trustees adopted such plan effective March 1, 1999. This plan is defined contribution plan under IRS section 401(a).

Eligible employees (those who are full-time and salaried) have 90 days from their date of hire to make an irrevocable election to participate in the alternate retirement plan. Under this plan, employees who would have otherwise been required to be in SERS or STRS and who elect to participate in the alternate retirement program must contribute the employee's share of retirement contributions (10% SERS, 10% STRS) to one of eight private providers approved by the State Department of Insurance. The legislation mandates that the employer must contribute 3.5% to the State Teachers Retirement System to which the employee would have otherwise belonged. The College also contributes what would have been the employer's share of the appropriate retirement system, less the aforementioned 35%, to the private provider selected by the employee. The College plan provides these employees with immediate plan

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 12 – PENSION AND RETIREMENT PLANS (CONTINUED)

vesting. The total employer contributions to the alternative retirement plan for the years ended June 30, 2004, 2003 and 2002 were \$32,987, \$23,576 and \$17,561 respectively.

NOTE 13 – POST-EMPLOYMENT BENEFITS

The College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both Systems are on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the College, this amount equaled \$223,153 during the 2004 fiscal year. The balance in the Health Care Reserve Fund was \$3.011 billion at June 30, 2003. For the year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000. There were 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2003, (the latest information available), the allocation rate was 5.83%. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the College, the amount to fund health care benefits, including surcharge, equaled \$186,560 during the 2003 fiscal year. For the fiscal year ended June 30, 2003, net health care costs paid by SERS were \$204,930,737. The number of participants currently receiving health care benefits is approx. 50,000. At June 30, 2003, the Retirement System's net assets available for payment of health care benefits were \$303.6 billion.

NOTE 14 – LEGAL COMPLIANCE

Pursuant to Section 117.11(a) of the Ohio Revised Code, the Independent Public Accountant (IPA) performed tests of compliance with various provisions of local, state, and/or federal laws, as appropriate. The tests disclosed no instances of non-compliance. Material adjustments, with which College officials agree, have been posted to the books of account and such adjustments are reflected in the accompanying financial statements.

NOTE 15 – RISK MANAGEMENT

The College maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90 percent coinsured.

There has been no significant reduction in insurance coverages from coverages in the prior years. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 15 – RISK MANAGEMENT (CONTINUED)

The College participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The College pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Educational Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

The College participates in the Northern Buckeye Educational Council Workers' Compensation Group Rating Plan (the Plan), and insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating districts is calculated as one experience and common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

NOTE 16 – GROUP PURCHASING POOLS

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the College to NBEC for employee insurance benefits during this fiscal year were \$962,925. Financial information can be obtained from Northern Buckeye Educational Council, Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

The College participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the College paid a membership fee of \$250 to the WCGRP to cover the costs of administering the program.

NOTE 17 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION

NATURE OF ACTIVITIES – Northwest State Community College Foundation (the Organization) exists to provide financial assistance to the educational programs, services and facilities of Northwest State Community College. To that end, the Organization solicits inter vivos and testamentary gifts.

BASIS OF ACCOUNTING – The financial statements of Northwest State Community College Foundation have been prepared on the accrual basis and accordingly reflect all significant receivables, payables and other liabilities.

BASIS OF PRESENTATION – The Foundation reports under FASB standards, including FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*.

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 17 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)

With the exceptions of the necessary presentation adjustments to conform to the College’s GASB reporting format, no modifications have been made to the Foundation’s financial information in the College’s financial report.

CASH AND CASH EQUIVALENTS – For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude donor restricted cash and cash equivalents.

DONATED SERVICE AND FACILITIES – The Organization has no employees or property (other than cash and investments). Substantially all clerical and management duties are presently performed by business office personnel who are employees of Northwest State Community College, utilizing equipment and facilities of Northwest State Community College.

For accounting purposes, the value of facilities is considered immaterial and it has not been recognized in the financial statements. However, the value of the services provided by the college personnel in the amount of \$36,279 have been recognized in the statement of activities as supporting revenue and as “In-Kind” supporting expense as required by SFAS 116.

MANAGEMENT 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RESTRICTED AND UNRESTRICTED REVENUE – Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

INCOME TAX STATUS – The Organization is a not-for-profit organization that the Internal Revenue Service has determined to be exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

INVESTMENTS – Investments are comprised of bonds, stocks and marketable certificates of deposit and are carried at fair market value. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

EXPENSE ALLOCATION – Directly identifiable expenses are charges to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management estimates.

Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

CASH AND MONEY MARKET FUNDS

Balances as of June 30, 2004 are summarized as follows:

Savings accounts and certificates	\$ 175,426
Certificates of deposit	<u>95,975</u>
Total of all cash accounts	<u>\$ 271,401</u>

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 17 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)

MARKETABLE SECURITIES

Investments as of June 30, 2004 are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>
Restricted cash and cash equivalents	\$467,747	\$467,747
Bonds	14,202	14,381
Stocks	14,625	5,198
	<u>\$496,574</u>	<u>\$487,326</u>

Investment return is summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest income	\$ 290	\$ 11,139	\$11,429
Amortization – bond discount	-	2	2
Amortization – bond premium	-	(11)	(11)
Net unrealized loss	-	(2,714)	(2,714)
Total investment return	<u>\$ 290</u>	<u>\$ 8,416</u>	<u>\$ 8,706</u>

PLEDGE RECEIVABLE

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Less than one year	<u>\$ 1,207</u>	<u>\$ 2,378</u>	<u>\$ 4,379</u>	<u>\$ 7,964</u>
	<u>\$ 1,207</u>	<u>\$ 2,378</u>	<u>\$ 4,379</u>	<u>\$ 7,964</u>

Unconditional promises to give that are receivable are discounted at 1.37% to recognize the present value of future cash flows. No allowance for uncollectible promises to give is considered necessary.

RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes after June 30, 2004:

Academic chair	\$ 1,700
Loan funds	100,101
Student scholarships	31,663
Technology programs	25,284
Operating expenses	1,897
Memorials	2,758
	<u>\$ 163,403</u>

Permanently restricted net assets consist of endowment funds to be held indefinitely, income from which is to be used for scholarships. At June 30, 2004 endowments totaled \$ 529,395.

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 17 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)

RESTRICTIONS ON NET ASSETS

The foundation contributes funds to the College for scholarships and other designated purposes. The contributions are subject to the approval by the Board of Trustees of the Foundation. The College paid expenses related to the Foundation's capital campaign, loan fund and scholarships which will be reimbursed. At June 30, 2004 \$85,076 for the capital campaign and \$379 for the scholarships are due to the College and were included in accounts payable.

Northwest State Community College
Henry County, Ohio
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
United States Department of Education				
<i>Direct from the Federal Agency</i>				
<i>Student Financial Aid Cluster:</i>				
Federal Work Study Program	NA	84.033	\$50,801	\$0
Federal Supplemental Educational Opportunity Grant Program	NA	84.007	36,788	0
Federal Pell Grant Program	NA	84.063	2,621,126	0
<i>Total Student Financial Aid Cluster</i>			2,708,715	0
Child Care Grant	NA	84.335A	11,233	0
<i>Passed through the Ohio Department of Education</i>				
Vocational Education: Basic Grants to States	20-C2	84.048	65,636	0
Improving Teacher Quality State Grants	063313-TRSP	84.367	10,000	0
Tech Prep Education	3ETC	84.243	108,812	0
Subtotal			184,448	0
Total United States Department of Education			2,904,396	0
United States Department of Agriculture				
<i>Passed through the Ohio Department of Education</i>				
Child Care Food Program	115105-CCCN	10.558	0	8,270
Total United States Department of Agriculture			0	8,270
Total Federal Financial Assistance			\$2,904,396	\$8,270

NA - Direct from the federal government

See accompanying notes to the schedule of federal awards expenditures

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
June 30, 2004

NOTE 1 – BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis. Amounts presented are total federal receipts and expenditures for each program.

NOTE 2 – FAMILY EDUCATION LOANS

While not listed in the accompanying schedules, the College also participates in the Federal Family Education Loan Program (CFDA No. 84.032), including Supplemental Loans for Students (SLS) and Parents' Loans for Undergraduate Students (PLUS). The dollar amounts are not listed in the Schedule of Expenditures of Federal Awards, as the College is not the recipient of the funds. Such programs are considered as a component of the student financial assistance major program. New loans made to eligible students and families during the year ended June 30, 2004, totaled \$3,218,560.

NOTE 3 – CHILD CARE FOOD SUBSIDY

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2004, the College had no significant fund commodities in inventory.

BALESTRA, HARR & SCHERER, CPAs, INC.
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

Board of Trustees
Northwest State Community College
22600 State Route 34
Archbold, Ohio 43502-9542

We have audited the financial statements of Northwest State Community College (the College) and its discretely presented component unit as of and for the year ended June 30, 2004, and have issued our report thereon dated October 12, 2004, in which we indicated the College adopted GASB Statement No. 39. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

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

This report is intended solely for the information and use of the audit committee, management, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.
October 12, 2004

BALESTRA, HARR & SCHERER, CPAs, INC.
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Trustees
Northwest State Community College
22600 State Route 34
Archbold, Ohio 43502-9542

Compliance

We have audited the compliance of Northwest State Community College (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. Northwest State Community College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, Northwest State Community College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Board of Trustees

Northwest State Community College

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

October 12, 2004

NORTHWEST STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Aid Cluster: Federal SEOG Program CFDA# 84.007; Federal Work- Study Program CFDA# 84.033; PELL Grant Program CFDA# 84.063; Federal Family Education Loan Program CFDA #84.032
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee ?	Yes

NORTHWEST STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
FOR THE YEAR ENDED JUNE 30, 2004

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED
IN ACCORDANCE WITH GAGAS**

Finding Number	None
----------------	------

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY**

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 23, 2004**