

**Washington State Community
College**

Audited Financial Statements

June 30, 2007



Mary Taylor, CPA
Auditor of State

Board of Trustees
Washington State Community College
710 Colegate Drive
Marietta, Ohio 45750

We have reviewed the *Independent Auditor's Report* of the Washington State Community College, Washington County, prepared by Rea & Associates, Inc., for the audit period July 1, 2006 through June 30, 2007. 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 Washington State Community College is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 2, 2007

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**WASHINGTON STATE COMMUNITY COLLEGE
MARIETTA, OHIO**

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October 10, 2007

Board of Trustees
Washington State Community College
Washington County
710 Colegate Drive
Marietta, OH 45750

Independent Auditor's Report

We have audited the accompanying financial statements of Washington State Community College (the College), a component unit of the State of Ohio, and the aggregate discretely presented component unit, as of and for the years ended June 30, 2007 and 2006, 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 opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and the discretely presented component unit, as of June 30, 2007 and 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2007, 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 accompanying Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the 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 opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information 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 basic financial statements taken as a whole.

Rea & Associates, Inc.

WASHINGTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007 and 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Washington State Community College (the College) Management Discussion and Analysis (MD&A) of its financial condition provides an overview of the financial performance of the College for the year ended June 30, 2007. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes.

Financial Highlights

The College's financial statements for FY 2006-2007 reported net assets of \$20.7 million at June 30, 2007. This represents a decrease of \$652 thousand from the previous fiscal year, primarily a result of no new construction and all other assets being depreciated as they have been in prior years.

After experiencing a steady increase for several years, the College's enrollment in fiscal year 06/07 declined approximately 3.1% in FTE from the previous year. Total FTE for fiscal year 06/07, as reported to the Ohio board of regents, was 1,721, down from 1,777 reported for fiscal year 05/06.

Using the Annual Report

This annual report consists of a series of financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* (GASB 35).

One of the most important questions asked about College finances is whether the College is better off as a result of the year's activities. One key to answering this question is the financial statements of the College. The Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows present financial information on the College, in a format similar to that used by corporations, and present a long-term view of the College's finances. The College's net assets (the difference between assets and liabilities) are one indicator of the College's financial health. Over time, increases or decreases in net assets are an indicator of the improvement or erosion of the College's financial health, when considered in conjunction with non-financial facts such as enrollment levels and conditions of facilities.

The Statement of Net Assets includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. GASB 35 requires state appropriations to be classified as nonoperating revenues. Accordingly, the College will generate a net operating loss prior to the addition of nonoperating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they become due. The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital, financing and investing activities.

WASHINGTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007 and 2006

Condensed Financial Information

Statement of Net Assets (in thousands)

ASSETS	2007	2006	2005
Current assets	\$ 6,506	\$ 6,650	\$ 4,871
Capital assets, net	17,587	18,023	17,816
Other non-current assets	0	117	112
Total assets	<u>\$ 24,093</u>	<u>\$ 24,790</u>	<u>\$ 22,799</u>
LIABILITIES			
Current liabilities	\$ 2,969	\$ 3,044	\$ 2,107
Non-current liabilities	430	398	356
Total liabilities	<u>3,399</u>	<u>3,442</u>	<u>2,463</u>
NET ASSETS			
Invested in capital assets, net of related debt	17,587	18,023	17,816
Restricted			
Nonexpendable	0	100	112
Expendable	686	885	489
Unrestricted	2,422	2,340	1,919
Total net assets	<u>\$ 20,695</u>	<u>\$ 21,348</u>	<u>\$ 20,336</u>

A review of the College's statement of net assets at June 30, 2007 shows that the College continues to build a strong financial foundation.

Assets As of June 30, 2007, the College's total assets amount to approximately \$24.0 million. Investment in capital assets, net of depreciation, represented the College's largest asset, totaling \$17.6 million or 73 percent of total assets. Cash and cash equivalents represented \$3.0 million or 12.5 percent of total assets.

Liabilities At June 30, 2007, the College's liabilities totaled approximately \$3.4 million. Current liabilities, including accounts payable, accrued liabilities, and deferred revenue represented \$2.9 million or 87 percent, of total liabilities.

Net Assets Net assets at June 30, 2007 totaled approximately \$20.7 million, or 86 percent, of total assets. Net assets invested in capital totaled \$17.6 million or 85 percent, of total net assets. Restricted and unrestricted net assets represented 3.3 percent and 11.7 percent of total net assets, respectively.

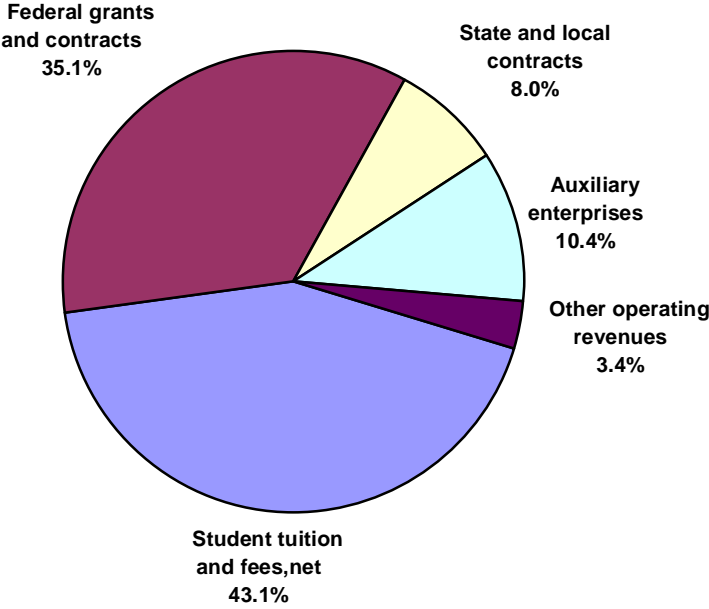
WASHINGTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007 and 2006

Statement of Revenues, Expenses and Changes in Net Assets (in thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
OPERATING REVENUES			
Student tuition and fees, net	\$ 5,144	\$ 4,349	\$ 3,870
Grants and contracts	5,142	5,286	4,762
Auxiliary enterprises:	1,243	1,270	1,132
Other operating revenues	<u>401</u>	<u>477</u>	<u>357</u>
Total operating revenues	11,930	11,382	10,121
OPERATING EXPENSES			
Educational and General	16,355	14,293	13,450
Depreciation	759	740	722
Auxiliary enterprises	<u>1,592</u>	<u>1,556</u>	<u>1,349</u>
Total operating expenses	<u>18,706</u>	<u>16,589</u>	<u>15,521</u>
Operating income (loss)	(6,776)	(5,207)	(5,400)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	5,727	5,404	5,291
Investment income	179	113	8
Other non-operating income (expenses)	<u>21</u>	<u>98</u>	<u>44</u>
Net non-operating revenues	5,927	5,615	5,343
Income before other revenues, expenses, gains, or losses	<u>(849)</u>	<u>408</u>	<u>(57)</u>
Capital appropriations	<u>197</u>	<u>603</u>	<u>44</u>
Total other revenues	197	603	44
Increase in net assets	(652)	1,011	(13)
Net assets-beginning of year	<u>21,347</u>	<u>20,336</u>	<u>20,349</u>
Net assets-end of year	<u>\$ 20,695</u>	<u>\$ 21,348</u>	<u>\$ 20,336</u>

WASHINGTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007 and 2006

OPERATING REVENUES

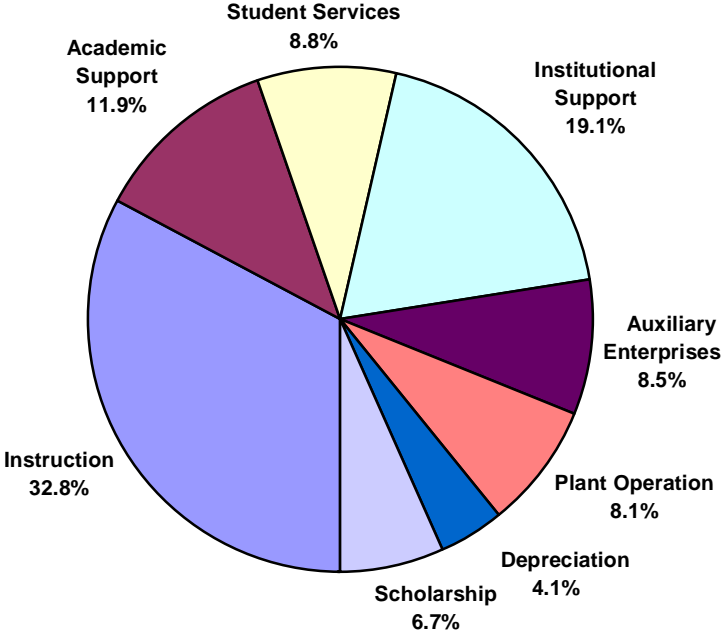


Total operating revenues were approximately \$11.9 million for the year ended June 30, 2007. The most significant sources of operating revenue for the College are federal grants and contracts (35.1 percent), net student tuition and fees (43.1 percent), and auxiliary enterprises, which include the Bookstore and Child Development Center (10.4 percent).

There are other significant recurring sources of revenues essential to the operation of the College, including state appropriations and investment income, which are considered nonoperating revenues as defined by GASB 35. The College's state appropriations for the year ended June 30, 2007, amounted to \$5.7 million. This represents an increase of \$323 thousand from the College's appropriations for the prior year.

WASHINGTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007 and 2006

OPERATING EXPENSES



Operating expenses, including \$759 thousand of depreciation, totaled approximately \$18.7 million. As depicted in the chart above, the majority of the College's operating funds are expended directly for the primary mission of the College – instruction (32.8 percent), institutional support (19.1 percent), and academic support (11.9 percent). One of the College's core values is to provide students access to the College with the opportunity to succeed. The College's continued investment in student financial aid programs and student support services reflects this commitment.

For the year ended June 30, 2007, student financial aid related to tuition and fees totaled \$2.9 million, including student aid expenses of \$1.6 million and scholarship allowances of \$1.3 million.

WASHINGTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007 and 2006

Statement of Cash Flows (in thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net cash provided (used) by:			
Operating activities	\$ (6,249)	\$ (4,406)	\$ (4,772)
Noncapital financing activities	5,865	5,502	5,335
Capital financing activities	(127)	(344)	(80)
Investing activities	179	109	7
Net increase (decrease) in cash	<u>(332)</u>	<u>861</u>	<u>490</u>
Cash-beginning of year	<u>3,338</u>	<u>2,477</u>	<u>1,987</u>
Cash-end of year	<u><u>\$ 3,006</u></u>	<u><u>\$ 3,338</u></u>	<u><u>\$ 2,477</u></u>

Another way to assess the financial health of an institution is to look at the statement of cash flows. The primary purpose of the statement of cash flows is to provide information about the cash receipts and cash payments made by the College during the period. The statement of cash flows also helps financial statement readers assess:

- the College's ability to generate future net cash flows,
- the College's ability to meet obligations as they become due and
- the College's need for external financing.

Major sources of funds included in operating activities are student tuition and fees (\$4.1 million) and grants and contracts (\$4.7 million). The largest cash payments for operating activities were to employees, for wages and benefits, (\$11.3 million) and to suppliers and related services (\$3.8 million).

The largest cash receipt in the noncapital financing activities group is the operating appropriation from the State of Ohio. Cash used by capital and related financing activities is primarily expended on the construction and acquisition of capital assets. Cash provided by investing activities reflects the investment return on investments.

Capital Assets

Capital assets, net of accumulated depreciation, totaled approximately \$17.5 million at June 30, 2007, a net decrease of \$436 thousand over the prior year-end due in part to the annual depreciation expense and no construction projects occurring during the fiscal year.

FACTORS IMPACTING FUTURE PERIODS

Committed to providing access to high quality, affordable education to all residents of the Mid-Ohio Valley, the college's annual tuition and fees of \$3,555 remains low among Ohio two-year colleges. The tuition rate increased only 1.3% from the previous year (\$1.00 per credit hour).

Mandated by the State's budget bill to "hold the line" on tuition, the College will not increase tuition for fiscal years 07/08 and 08/09. Operational efficiencies and continued conservative spending are vital as we strive to increase enrollment.

Major factors affecting the year's financial activity are the decline in enrollment, the full implementation of a new pay structure, and renovation of office areas to better accommodate student functions.

WASHINGTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007 and 2006

Continuing to work toward improving the campus for our students and the community, the immediate needs include creating a second entry at the corner of Glendale Road and Colegate Drive, constructing a new parking lot, and progressing toward construction of a health sciences classroom building. Management is currently working with city officials to develop the entry, and with a consulting firm to develop a program of requirements for the classroom building. Architectural design services will begin in 07/08 while the College seeks outside funds for construction.

Management will continue to search for ways to become more efficient and effective. Required by the State to identify at least \$120,000 in operating efficiency savings in fiscal year 07/08, and \$360,000 in 08/09, the challenge will be to continue to provide exceptional facilities and services to our students, staff, and our community.

Contacting the College's Financial Management

This financial report is designed to provide the Ohio Department of Education, our citizens, taxpayers, and investors and creditors with a general overview of the College's finances and to show the College's accountability for the money it received. If you have questions about this report, or need additional financial information, contact Richard Peoples, Vice President/Treasurer, at Washington State Community College, 710 Colegate Drive, Marietta, OH 45750.

WASHINGTON STATE COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
JUNE 30, 2007 AND 2006

	2007		2006	
	Washington State Community College	Component Unit Washington State Foundation	Washington State Community College	Component Unit Washington State Foundation
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 3,006,171	\$ 239,000	\$ 3,338,347	\$ 158,155
Accounts receivable (net of allowance for doubtful accounts, \$53,957 in 2007 and \$71,074 in 2006)	3,316,105	0	3,152,845	0
Pledges Receivable		4,050	0	1,651
Inventories	160,530	0	135,810	0
Prepaid expenses	23,559	0	23,068	0
Other Assets	0	326	0	3,175
Total current assets	<u>6,506,365</u>	<u>243,376</u>	<u>6,650,070</u>	<u>162,981</u>
Noncurrent Assets				
Investments	0	394,264	116,672	0
Capital assets, net	<u>17,587,116</u>	<u>0</u>	<u>18,022,667</u>	<u>0</u>
Total noncurrent assets	<u>17,587,116</u>	<u>394,264</u>	<u>18,139,339</u>	<u>0</u>
Total Assets	<u>24,093,481</u>	<u>637,640</u>	<u>24,789,409</u>	<u>162,981</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	1,067,632	0	1,065,470	33
Due to Other Governments	0	20,875	0	0
Deferred revenue	1,836,458	0	1,919,614	0
Compensated absences - current portion	<u>65,019</u>	<u>0</u>	<u>58,910</u>	<u>0</u>
Total current liabilities	2,969,109	20,875	3,043,994	33
Noncurrent Liabilities				
Deposits	4,862	0	4,935	0
Deferred revenue	56,262	0	59,574	0
Compensated absences	<u>368,441</u>	<u>0</u>	<u>333,825</u>	<u>0</u>
Total noncurrent liabilities	<u>429,565</u>	<u>0</u>	<u>398,334</u>	<u>0</u>
Total liabilities	3,398,674	20,875	3,442,328	33
NET ASSETS				
Invested in capital assets, net of related debt	17,587,116	0	18,022,667	0
Restricted for				
Nonexpendable				
Scholarship and fellowships	0	180,000	100,000	30,936
Expendable				
Scholarship and fellowships	0	127,364	16,672	93,005
Capital Projects	685,771	260,334	868,210	8,406
Unrestricted	<u>2,421,920</u>	<u>49,067</u>	<u>2,339,532</u>	<u>30,601</u>
Total net assets	<u>\$ 20,694,807</u>	<u>\$ 616,765</u>	<u>\$ 21,347,081</u>	<u>\$ 162,948</u>

The accompanying notes are an integral part of these financial statements.

WASHINGTON STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007		2006	
	Washington State Community College	Component Unit Community College Foundation	Washington State Community College	Component Unit Community College Foundation
REVENUES				
Operating Revenues				
Student tuition and fees (net of scholarship allowances of \$1,644,218 in 2007 and \$2,615,098 in 2006)	\$ 5,144,389	\$ 0	\$ 4,348,553	\$ 0
Federal grants and contracts	4,193,438	0	4,411,608	0
State and local grants and contracts	948,558	0	874,528	0
Private Grants and Contracts	0	517,294	0	162,117
Sales and service of educational departments	292,196	0	239,599	0
Auxiliary enterprises:				
Bookstore	931,673	0	952,754	0
Child Development Center	311,149	0	317,984	0
Other Operating Revenue	108,549	0	235,760	0
Total operating revenue	<u>11,929,952</u>	<u>517,294</u>	<u>11,380,786</u>	<u>162,117</u>
EXPENSES				
Operating Expenses				
Educational and general				
Instructional and Departmental Research	6,134,921	3,127	5,744,417	121,744
Academic Support	2,228,585	0	1,784,113	53,767
Student Services	1,641,403	0	1,569,900	0
Institutional Support	3,581,976	28,066	3,525,402	17,501
Operation and Maintenance of plant	1,506,420	0	1,258,754	0
Depreciation	758,649	0	740,029	0
Scholarships and fellowships	1,262,240	21,684	409,803	7,500
Auxiliary Services				
Bookstore	1,178,337	0	1,167,286	0
Child Care Center	413,273	0	388,696	0
Other Expenditures	200	0	327	0
Total operating expenses	<u>18,706,004</u>	<u>52,877</u>	<u>16,588,727</u>	<u>200,512</u>
Operating Income (loss)	<u>(6,776,052)</u>	<u>464,417</u>	<u>(5,207,941)</u>	<u>(38,395)</u>
NONOPERATING REVENUES (EXPENSES)				
State Appropriations (Subsidy)	5,727,238	0	5,403,975	0
Gifts	138,125	0	98,312	0
Investment Income	178,555	24,400	113,064	4,097
Refund of Grant	0	(35,000)	0	0
Transfer of Scholarship to Component Unit	(116,672)	0	0	0
Net nonoperating revenues	<u>5,927,246</u>	<u>(10,600)</u>	<u>5,615,351</u>	<u>4,097</u>
Income before other revenues, expenses, gains, or loss	(848,806)	453,817	407,410	(34,298)
Capital appropriations	196,532	0	603,006	0
Increase (decrease) in net assets	(652,274)	453,817	1,010,416	(34,298)
NET ASSETS				
Net assets - beginning of year	21,347,081	162,948	20,336,665	197,246
Net assets - end of year	<u>\$ 20,694,807</u>	<u>\$ 616,765</u>	<u>\$ 21,347,081</u>	<u>\$ 162,948</u>

The accompanying notes are an integral part of these financial statements.

**WASHINGTON STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	2007		2006	
	Washington State Community College	Component Unit Community College Foundation	Washington State Community College	Component Unit Community College Foundation
CASH FLOWS FROM OPERATING ACTIVITIES:				
Tuition and Fees	\$ 4,104,082	\$ 0	\$ 2,461,807	\$ 0
Grants and contracts	4,769,982	517,744	5,618,509	(35,877)
Payments to suppliers and utilities	(3,869,537)	(10,351)	(2,554,234)	0
Payments to employees and benefits	(11,298,145)	0	(10,878,793)	0
Payments for scholarships and fellowships	(1,262,240)	(21,684)	(409,803)	(7,500)
Loans issued to students and employees	(200)	0	(327)	0
Collection of loans to students and employees	218	0	260	0
Auxiliary enterprises	908,028	0	881,080	0
Other receipts	398,282	0	474,798	0
Net cash provided (used) by operating activities	<u>(6,249,530)</u>	<u>485,709</u>	<u>(4,406,703)</u>	<u>(43,377)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State Appropriations	5,727,238	0	5,403,975	0
Gifts and grants for other than capital purposes	138,127	0	98,312	0
Repayment of grant funds	0	(35,000)	0	0
Net cash provided (used) by noncapital financing activities	<u>5,865,365</u>	<u>(35,000)</u>	<u>5,502,287</u>	<u>0</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Capital Appropriations	196,532	0	603,006	0
Purchases of capital assets	(323,098)	0	(946,759)	0
Net cash used by capital financing activities	<u>(126,566)</u>	<u>0</u>	<u>(343,753)</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	178,555	24,400	109,125	4,097
Purchase of investments	0	(394,264)	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net cash provided (used) by investing activities	<u>178,555</u>	<u>(369,864)</u>	<u>109,125</u>	<u>4,097</u>
NET INCREASE (DECREASE) IN CASH	(332,176)	80,845	860,956	(39,280)
Cash and Cash Equivalents - beginning of year	<u>3,338,347</u>	<u>158,155</u>	<u>2,477,391</u>	<u>197,435</u>
Cash and Cash Equivalents - end of year	<u>\$ 3,006,171</u>	<u>\$ 239,000</u>	<u>\$ 3,338,347</u>	<u>\$ 158,155</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (6,776,052)	\$ 464,417	\$ (5,207,941)	\$ (38,395)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	758,649	0	740,029	0
Changes in assets and liabilities:				
Receivables, net	(163,260)	0	(870,794)	0
Pledges Receivable		(2,399)	0	(1,651)
Inventories	(24,720)	0	(42,552)	0
Other Assets	(491)	2,849	(5,108)	(3,175)
Due to Other Governments	0	20,875	0	0
Accounts payable	2,162	(33)	14,388	(156)
Deferred revenue	(86,468)	0	933,094	0
Deposits held for others	(73)	0	4,547	0
Compensated absences	40,723	0	27,634	0
Net cash provided (used) by operating activities:	<u>\$ (6,249,530)</u>	<u>\$ 485,709</u>	<u>\$ (4,406,703)</u>	<u>\$ (43,377)</u>
NONCASH TRANSACTIONS				
In-Kind Contributions		<u>\$ 0</u>		<u>\$ 13,832</u>

The accompanying notes are an integral part of these financial statements.

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY

The Washington State Community College (the College) was originally chartered on September 17, 1971, by the Ohio Board of Regents in accordance with Section 3357.02 of the Ohio Revised Code. In 1991, the College's charter was revised to conform to the provisions of Section 3358.02 of the Ohio Revised Code. Also, the College began operating as a state community college on this date and changed its name from Washington Technical College to Washington State Community College. The College operates under an appointed Board of Trustees. The College is a component unit of the State of Ohio. The College is fully accredited by the North Central Association of Colleges and Schools.

The Washington State Foundation (Foundation) is a legally separate, tax-exempt organization supporting the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, are restricted to the activities of the College by donors. Based upon the provisions in *Governmental Accounting Standards Board (GASB) Statement No. 14 – Reporting Entity* and subsequent amendments in GASB Statement No. 39, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

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

GASB Statement No. 35, *Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities*, as amended by subsequent GASB Statements establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net assets categories:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted:**
Nonexpendable — Net assets subject to externally imposed stipulations that they be maintained permanently by the College. Such assets included the College's permanent endowment funds in 2006. The College transferred the endowment funds to the Washington State Community College Foundation in 2007.

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expendable — Net assets whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

- **Unrestricted:** Net assets whose use by the College is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

The financial statement presentation required by GASB Statement No. 35 is intended to provide a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

b. Accrual Basis

The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The College reports as a Business Type Activity (BTA) as defined by GASB 35. BTAs are those activities that are financed in whole or part by fees charged to external parties for goods and services.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities That Uses Proprietary Fund Accounting*, the College is required to follow all applicable GASB pronouncements. In addition, the College should apply all applicable Financial Accounting Standards Board (the "FASB") Statements and Interpretations, Accounting Principles Board (the "APB" Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The College had elected to not apply FASB statements and interpretations issued after November 30, 1989.

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 savings accounts.

For purposes of the statement of cash flows and for presentation of the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the College are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Capital Assets

Capital assets are stated at cost at date of acquisition or, in the case of gifts, at fair market value at date of gift. Equipment with a unit cost of \$3,000 or more and having an estimated useful life of greater than one year is capitalized. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the respective assets, generally 20 years for land improvements, 10—40 years for buildings and fixed equipment, 15 years for library books and 4—10 years for equipment.

e. Inventories

Inventories are stated at cost (first-in, first-out, or average cost).

f. Investments

Investments are stated at fair value.

g. Deferred Revenue

Deferred revenue consists primarily of summer school fees. The College has deferred amounts received for tuition and fees prior to June 30, 2007 and 2006 but relate to the subsequent accounting period.

h. Accounts Receivable

Accounts receivable represents the balance of unpaid student tuition charges, federal and state grants receivable, and miscellaneous receivables owed to the College.

i. Allowance for Doubtful Accounts

The allowance for doubtful accounts is determined by management based on the College's historical losses, specific student circumstances and general economic conditions. Periodically, management reviews accounts receivable and records an allowance for specific students based on current circumstances and charges off the receivable against the allowance when all attempts to collect the receivable have failed.

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Restricted Asset Spending Policy

The College's policy is that restrictions on assets cannot be fulfilled by the expenditure of unrestricted funds for similar purposes. The determination on whether restricted or unrestricted funds are expended for a particular purpose is made on a case-by-case basis. Restricted funds remain restricted until spent for the intended purpose.

k. Operating Activities

The College defines operating activities, as reported on the statements of revenues, expenses, and changes in net assets, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for services and good received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenues relied upon for operations, such as state appropriations, gifts and investment income, are recorded as non-operating revenues, in accordance with GASB Statement No. 35.

l. Use of Estimates

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

m. Non-current Long-Term Liabilities

Non-current long-term liabilities include compensated absences that will not be paid within the next fiscal year.

n. Compensated Absences

The College has adopted GASB No. 16.

Vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of these conditions are met:

- a. The employee's right to receive compensation is attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For vacation leave the College posts a liability for 100% of accumulated vacation time.

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A liability for sick leave and other compensated absences with similar characteristics (hereinafter referred to as “sick leave”) should be accrued using one of the following termination approaches:

- a. The sick leave liability generally would be an estimate based on governmental entity’s past experience of making termination payments for sick leave, adjusted for the effects of changes in its termination payment policy and other current factors. This approach is known as the termination payment method.
- b. The sick leave liability would be an accrual for those employees expected to become eligible in the near future based on assumptions concerning the probability that individual employees or classes or groups of employees will become eligible to receive termination benefits. This accumulation should be reduced to the maximum amount allowed as a termination benefit. This approach is known as the vesting method.

For sick leave liability, the College uses the vesting method. The College posts a liability for any employee with tens years of service in the retirement system. These accumulations are reduced to the maximum amount allowed as a termination payment.

o. 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 students’ behalf. Student financial assistance grants, such as Pell grants, and other federal, state or nongovernmental 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.

p. 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.

q. Income Taxes

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

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

State statutes classify monies held by the College into three categories.

Active deposits are public deposits necessary to meet current demand 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 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 or 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 which 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 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.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security 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 or 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. Bond and other obligations of the State of Ohio.
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. 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.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand

The College maintained cash on hand in the amount of \$1,350 at year end.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the College.

At fiscal year-end, the carrying amount of the College's deposits was \$3,004,821. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2007, \$3,119,625 of the College's bank balance of \$3,324,791 was exposed to custodial credit risk as discussed above, while \$205,166 was covered by Federal Deposit Insurance Corporation.

WASHINGTON STATE COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007 and 2006

NOTE 4 - NOTES, LOANS AND ACCOUNTS RECEIVABLE

Notes, loans and accounts receivable as of June 30, 2007 and 2006 are as follows:

	2007			2006		
	Gross Receivable	Allowance	Net Receivable	Gross Receivable	Allowance	Net Receivable
Students	\$ 1,627,197	\$ 53,957	\$ 1,573,240	\$ 1,781,619	\$ 71,074	\$ 1,710,545
Reimbursement receivable- grant and contracts	1,515,682	0	1,515,682	1,188,461	0	1,188,461
Other	227,183	0	227,183	253,839	0	253,839
Total	<u>\$ 3,370,062</u>	<u>\$ 53,957</u>	<u>\$ 3,316,105</u>	<u>\$ 3,223,919</u>	<u>\$ 71,074</u>	<u>\$ 3,152,845</u>

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WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 5 - CAPITAL ASSETS, NET

Capital assets as of June 30, 2007 and 2006 are summarized as follows:

	2007			
	2006	Additions	Reductions	
Assets:				
Land	\$ 980,000	\$ 0	\$ 0	\$ 980,000
Buildings	20,584,162	120,519	0	20,704,681
Land improvements	2,974,064	39,791	0	3,013,855
Library books	413,775	8,007	0	421,782
Moveable equipemnt	1,639,430	154,781	219,686	1,574,525
	<u>26,591,431</u>	<u>323,098</u>	<u>219,686</u>	<u>26,694,843</u>
Accumulated Depreciation:				
Buildings	5,154,251	516,021	0	5,670,272
Land improvements	1,866,983	149,427	0	2,016,410
Libruary books	329,000	18,774	0	347,774
Moveable equipment	1,218,529	74,427	219,686	1,073,270
	<u>8,568,763</u>	<u>758,649</u>	<u>219,686</u>	<u>9,107,726</u>
Capital Assets, net	<u>\$ 18,022,668</u>	<u>\$ (435,551)</u>	<u>\$ 0</u>	<u>\$ 17,587,117</u>
2006				
	2005	Additions	Reductions	2006
Assets:				
Land	\$ 980,000	\$ 0	\$ 0	\$ 980,000
Buildings	19,815,051	769,111	0	20,584,162
Land improvements	2,956,919	17,145	0	2,974,064
Library books	408,205	5,570	0	413,775
Moveable equipemnt	3,098,355	154,933	1,613,858	1,639,430
	<u>27,258,530</u>	<u>946,759</u>	<u>1,613,858</u>	<u>26,591,431</u>
Accumulated Depreciation:				
Buildings	4,654,123	500,128	0	5,154,251
Land improvements	1,718,423	148,560	0	1,866,983
Libruary books	309,088	19,912	0	329,000
Moveable equipment	2,760,959	71,428	1,613,858	1,218,529
	<u>9,442,593</u>	<u>740,028</u>	<u>1,613,858</u>	<u>8,568,763</u>
Capital Assets, net	<u>\$ 17,815,937</u>	<u>\$ 206,731</u>	<u>\$ 0</u>	<u>\$ 18,022,668</u>

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2007 and 2006 are as follows:

	2007	2006
Payable to vendors and contractors	\$ 222,122	\$ 131,131
Accrued wages	483,457	441,332
Accrued employee benefits, withholdings and deposits payable to third parties	362,053	485,007
	\$ 1,067,632	\$ 1,065,470

NOTE 7 – LONG-TERM OBLIGATIONS

The changes in the College’s long-term obligations during fiscal year 2007 and 2006 were as follows:

	2007				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Deferred revenue	\$ 1,979,188	\$ 1,969,512	\$(2,055,980)	\$ 1,892,720	\$ 1,836,458
Compensated absences	392,735	49,992	(9,260)	433,467	65,019
Deposits	4,935	144	(217)	4,862	0
Total long-term liabilities	\$ 2,376,858	\$ 2,019,648	\$(2,065,457)	\$ 2,331,049	\$ 1,901,477
	2006				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Deferred revenue	\$ 1,046,093	\$ 2,112,333	\$(1,179,238)	\$ 1,979,188	\$ 1,919,614
Compensated absences	\$ 365,102	\$ 59,532	\$ (31,899)	\$ 392,735	\$ 58,910
Deposits	0	4,935	0	4,935	0
Total long-term liabilities	\$ 1,411,195	\$ 2,176,800	\$(1,211,137)	\$ 2,376,858	\$ 1,978,524

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 8 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES

The College participates in the State Teachers' Retirement System (STRS) and the School Employees' Retirement System (SERS) retirement plans for academic and nonacademic personnel.

a. School Employees' Retirement System

The College contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members were required to contribute 10% of their annual covered salary and the College is required to contribute at an actuarially determined rate. The June 30, 2006 (date of most recent information available) rate was 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The College's contributions to SERS for the years ended June 30, 2007, 2006 and 2005 were \$423,973, \$376,483 and \$355,400, respectively, equal to the required contributions for each year.

b. State Teachers' Retirement System

The State Teachers Retirement System of Ohio (STRS) is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution, or other agency wholly controlled, managed, and supported in whole, or in part, by the state or any political subdivision thereof.

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 8 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES (Continued)

New members have a choice of three retirement plans. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC and Combined Plans are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established by Chapter 3307 of the Ohio Revised Code. Any member may retire who has (1) five years of service credit and attained age 60, (2) 25 years of service credit and attained age 55, or (3) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest years’ salaries. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual-retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 8 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES (Continued)

Eligible faculty of Ohio's public college and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS or other Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or lump sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by the 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit of Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage of up to \$2,000 can be purchased by members in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 8 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES (Continued)

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2006 (date of most recent information available) 10% of covered payroll for members and 14% for employers. Employer contributions by the College were \$664,274, \$651,433, and \$609,286 for the years ended June 30, 2007, 2006 and 2005, respectively; 100% of required amounts have been paid for all years.

STRS issues a stand-alone financial report. That report may be obtained after January 19, 2007 by writing to STRS, 275 E. Broad Street, Columbus, Ohio 43215-3371 or by calling toll free 1-800-227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

c. Alternative Retirement Plan

The State of Ohio requires public institutions of higher education to offer an alternative retirement plan to those participating in the State Teachers Retirement System. The alternative retirement plan shall be a defined-contribution plan, with the Ohio employer contribution rate of 8.00%. The College has implemented the alternative retirement plan. In fiscal years 2007, 2006 and 2005, the employer match was \$16,180, \$17,024, and \$20,346, respectively.

NOTE 9 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to the pension benefits described in Note 9, the College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers' Retirement System and to retired non-certified employees and their dependents through the School Employees' Retirement System.

The State Teachers Retirement System provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2006 and June 30, 2005, the board allocated employer contributions equal to 1.0% of covered payroll to the Health Care Stabilization Fund. For the College, this amount equaled \$47,448 during the 2007 fiscal year. The balance in the Health Care Stabilization Fund was \$3.5 billion at June 30, 2006 (the date of the most recent information available).

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

For the fiscal year ended June 30, 2006 (date of most recent information available), net health care costs paid by STRS Ohio were \$282,743,000. There were 119,184 eligible benefit recipients.

Revised Code gives SERS the discretionary authority to provide post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2006 (the date of the most recent information available) the healthcare allocation rate is 3.42%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2006 (the date of the most recent information available), the minimum pay was established as \$35,800. For the College, the amount to fund health care benefits, including surcharge, equaled \$164,441 during the 2007 fiscal year. The surcharge, added to the unallocated portion of the 14% employer-contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006 (the date of the most recent information available) were \$158,751,207. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006 (the date of the most recent information available), the value of the health care fund was \$295.6 million, which is about 2218% of the next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs.

The number of participants currently receiving health care benefits is approximately 59,492.

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 10 - OPERATING EXPENSES BY NATURAL CLASSIFICATION

The College's operating expenses by natural classification were as follows for the years ended June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Salaries and wages	\$ 7,667,438	\$ 7,177,664
Employee benefits	3,630,707	3,353,679
Utilities	308,790	313,600
Supplies and other services	5,078,180	4,593,952
Depreciation	758,649	740,029
Student scholarships and financial aid	<u>1,262,240</u>	<u>409,803</u>
	<u>\$ 18,706,004</u>	<u>\$ 16,588,727</u>

NOTE 11 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts, theft of, damage to, and destructions of assets, errors and omissions, injuries to employees and natural disasters. The College contracts with Utica National Insurance Group for property and general liability insurance, including boiler and machinery coverage. The College has not had a significant reduction in coverage from the prior year.

Vehicles are covered by Utica National Insurance Group and hold a \$250 deductible. Automobile liability coverage has a \$1,000,000 limit for collision and a \$1,000,000 limit for bodily injury. Settled claims have not exceeded any aforementioned commercial coverage in any of the past four years.

The College pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative cost.

The College provides life insurance, and accidental death and dismemberment insurance to its employees.

The College contracts with Anthem Blue Cross and Blue Shield for hospitalization and CoreSource for dental insurance and Vision Service Plan for vision insurance. The College pays 90% of the total monthly premiums for dental and vision coverages and the employee pays for the remaining 10%. The College pays 75%, 85%, or 90% of the total monthly premiums for hospitalization and major medical and the employees pay the remaining 25%, 15%, or 10% depending on level of benefit chosen. Premiums are paid from the same funds that pay the employees' salaries.

The College is involved from time to time in routine litigation. Management does not believe that the ultimate resolution of this litigation will be material to its financial condition or results of operations.

WASHINGTON STATE COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007 and 2006

NOTE 12 – COMPONENT UNIT DISCLOSURES

Equity in Pooled Cash and Cash Equivalents and Investments:

Deposits - Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the inability to recover the value of deposits, investments or collateral securities in the possession of an outside party. The Foundation has not established a policy for deposits at this time.

At fiscal year end, the carrying amount of the Foundation’s deposits was \$239,000. The June 30, 2007 bank balances was \$235,799, of which \$100,000 was covered by federal depository insurance and the remaining balance of \$135,799 is unsecured.

Investments

As of June 30, 2007, the following investments were held by the Foundation:

Investment Type	Fair Value	Investment Maturities			More Than 10 Years
		Less than One Year	1-5 Years	5-10 Years	
Money Market Funds	\$ 110,300	\$ 110,300	\$ 0	\$ 0	\$ 0
U.S. Agency Obligations	1,831	0	0	0	1,831
Fixed Income Funds	99,926	99,926	0	0	0
Mutual Funds	182,207	182,207	0	0	0
Total	\$ 394,264	\$ 392,433	\$ 0	\$ 0	\$ 1,831

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Foundation’s investment policy provides for management of the portfolio to minimize principal fluctuations with a long-term investment mix and with an initial target of 60% of its assets to be invested in Equities, 35% in Fixed Income and 5% in Cash Equivalents.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Foundation’s investment policy generally limits investments to the following categories: Equities, Fixed Income and Cash Equivalents. The benchmark for the domestic equity portion of the portfolio will be the Wilshire 5000. The fixed income portfolio should have an average credit quality of “AA”. Cash equivalents, if not guaranteed by the U.S. Government, should be rated investment grade by Standard and Poors or Moody’s. Standard and Poor’s rated the FNMA AAA. The money market funds were unrated.

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 12 – COMPONENT UNIT DISCLOSURES (continued)

Concentration of Credit Risk - The Foundation places a limit whereby no individual stock may comprise more than 5% of the overall equity portion at the time of purchase and no more than 10% of the total amount in equities at any time. The following table includes the percentage to total of each investment type held by the Foundation at June 30, 2007:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Money Market Funds	\$ 110,300	28%
Fixed Income	101,757	26%
Equities	182,207	46%
	<u>\$ 394,264</u>	<u>100%</u>

Custodial credit risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

The Foundation's policy does not address custodial credit risk. All of the Foundation's investments are held in the name of the Foundation.

Pledges Receivable:

Unconditional promises are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. The Foundation's pledges receivable consisted of amounts pledged by various businesses and organizations and are expected to be fully collected by December 31, 2007.

Support Provided to the College:

During the years ended June 30, 2007 and 2006 the Foundation provided resources of \$50,460 and \$198,050 to or on behalf of the College for scholarships and other purposes.



October 10, 2007

The Board of Trustees
Washington State Community College
Marietta, OH 45750

**Independent Auditor's 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**

We have audited the basic financial statements of Washington State Community College, a component unit of the State of Ohio, as of and for the year ended June 30, 2007, and have issued our report thereon dated October 10, 2007. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 Washington State Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses, #2007-001 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Washington State Community College in a separate letter dated October 10, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington State Community 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 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*. However, we noted certain immaterial instances of non-compliance that we have reported to management of the College in a separate letter dated October 10, 2007.

This report is intended solely for the information of management, the Board of Trustees, 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.

Hea & Associates, Inc.



October 10, 2007

The Board of Trustees
Washington State Community College
Marietta, OH 45750

**Report on Compliance with Requirements Applicable to Each Major
Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133**

Compliance

We have audited the compliance of Washington State Community 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 each of its major federal programs for the year ended June 30, 2007. Washington State Community College's major federal programs are 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 each of its major federal programs is the responsibility of Washington State Community College's management. Our responsibility is to express an opinion on Washington State Community 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 Circulars 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 Washington State Community 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 on Washington State Community College's compliance with those requirements.

In our opinion, Washington State Community College complied, in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Washington State Community 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 Washington State Community 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 but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Washington State Community College's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

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

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

Rea & Associates, Inc.

WASHINGTON STATE COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For Fiscal Year Ended June 30, 2007

	Federal CFDA Number	Pass through Entity Identifying Number	Expenditures
<u>U.S. Department of Education</u>			
<i>Direct Awards</i>			
Student Financial Aid Cluster			
Federal Pell Grant	84.063		\$ 2,890,808
Federal Work Study	84.033		36,453
Federal Academic Competitiveness Grant	84.375		2,050
Federal Family Education Loan (Note 2)	84.032		<u>3,248,895</u>
Total Student Financial Aid Cluster			6,178,206
TRIO Cluster			
Educational Talent Search	84.044		310,602
Student Support Services	84.042		282,681
Upward Bound	84.047		<u>221,072</u>
Total TRIO Cluster			814,355
Child Care Access Means Parents in Schools	84.335		25,444
<i>Passed Through Ohio Department of Education</i>			
Vocational Education - Basic Grants to States	84.048	064345-20C3-2006	53,681
Basic Grants to States			
Technical preparation education	84.243	06435 3ETC 2006	<u>159,812</u>
Total U.S. Department of Education			7,231,498
<u>U.S. Department of Health and Human Services</u>			
<i>Direct Award</i>			
Scholarship for Disadvantaged Students (SDS)	93.925		14,902
<u>U.S. Small Business Administration</u>			
<i>Passed - Through Ohio University:</i>			
Small Business Development Center	59.037	22000130	57,497
<u>Appalachian Regional Commission</u>			
<i>Direct Award</i>			
Appalachian Regional Development	23.001		72,314
<u>U.S. Department of Agriculture</u>			
<i>Passed Through Ohio Department of Education</i>			
Food Service	10.558	N/A	<u>19,026</u>
Total Federal Awards			<u>\$ 7,395,237</u>

The accompanying notes are an integral part of this statement.

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – OUTSTANDING LOANS

The College does not make Federal Family Education Loans (FFELs). For the fiscal year 2006 - 2007, the College certified need for \$3,248,895 in Guaranteed Student Loans and Supplemental Loans. The amount presented represents the value of new FFELs awarded during the fiscal year as follows:

Federal Stafford Loans	\$ 1,804,646
Federal Unsubsidized Stafford Loans	<u>1,444,249</u>
Total FFELs	<u>\$ 3,248,895</u>

WASHINGTON STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, SECTION .505
JUNE 30, 2007

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 significant deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance 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 significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Assistance Cluster: CFDA #'s 84.063, 84.033, 84.032 and 84.375
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Significant Deficiency

Finding Number	2007-001
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The Foundation's growth over the past year now requires an accounting system that reflects revenues and expenses by detail category and enhances accuracy at year-end close out and close of accounting periods. Amounts are being posted to retained earnings if transactions have an incorrect date or if an invoice or check from a prior period is modified. Revenues need to be identified as to type i.e. ticket sales, contributions, interest and dividends, unrealized gains or losses or other categories. Expenses need to be readily identified as to purpose such as scholarships, office supplies, building renovations, legal fees, and other categories.

WASHINGTON STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, SECTION .505
JUNE 30, 2007

Finding Number	2007-001 (continued)
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Modifications in the accounting system will make financial statements less difficult to compile and prevent errors in the classifications of revenues and expenses. Our discussions with the personnel involved in the transaction posting and financial statements indicates these persons are knowledgeable of the Foundation's activities and are capable of posting to a more sophisticated accounting system. The problem is the current system is not adequately set up to record the activity in a manner consistent with proper accounting presentation.

We recommend the Foundation retain an outside entity with the necessary skill set, to set up the QuickBooks system in order to ensure financial statements can be accurately produced in the future. The set up should refine the use of classes to separately identify non-restricted activity, scholarships, capital projects and any other purpose restriction identified by donors. Revenue and expense detail lines should be set up to identify the source of the revenue and purpose of the expense.

By doing this the Foundation will have a more detailed and effective presentation that will enable the financial statements to be more easily prepared. This will provide the Board and management with a more detailed picture of where revenues are coming from and what expenditures are being made. This will also make completion of the annual 990 Information Return to the IRS more accurate and less costly.

Management's Response: See attached letter.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.



October 9, 2007

Ms. Cynthia J. Reid, CPA
Rea & Associates, Inc.
122 Fourth Street W.
P.O. Box 1020
New Philadelphia, OH 44663-5120

Washington State
Community College
Foundation Board

Officers:

Larry E. Holdren
President
Jeanette E. Hale, Ph.D.
Vice President
Cynthia A. Pyles
Treasurer
Judy Baker
Secretary

Directors:

Dave Archer
Michael K. Brockett, MD
Sally S. Evans
John F. Greacen
Charlotte R. Hatfield, Ph.D.
Megan L. Krivchenia
Pamela B. Parr
Tanya S. Wilder

Gail A. Reynolds
Executive Director

Dear Cindy:

We appreciate not only the diligence with which you and your team manage the Foundation's audit each year but also your professional insights into enhancing our accounting process to address both current and future needs.

In reference to the finding relevant to financial statement deficiencies, particularly in more adequately reflecting revenue and expense details and thereby enhancing accuracy for year-end and accounting period closeouts, we are developing a plan to modify our current accounting system by upgrading QuickBooks through the assistance of an outside professional to provide more specificity. We estimate the new system will be in place by the end of this calendar year.

Our significant and unexpected increase in income during fiscal year 2007 exceeded the current capability of our accounting system and we will be proactive in creating an appropriate accounting environment for the future.

With warm regard,

Gail A. Reynolds
Director of Development
Executive Director, Foundation

**WASHINGTON STATE COMMUNITY COLLEGE
APPOINTED OFFICIALS
June 30, 2007**

Board of Trustees:

<u>Title/Name</u>	<u>Term of Office or Contract Period</u>	<u>Surety</u>	<u>Amount of Coverage</u>
Chairperson/ Mike Iaderosa	09/13/02-02/18/08	(A)	\$ 1,000,000
Vice-Chairperson/ E. Jean Glenn	04/12/02-02/18/08	(A)	1,000,000
<u>Members</u>			
Harry M. Cosgwell	04/04/03-02/18/09	(A)	1,000,000
Teri Ann Zide	01/02/07-02/18/09	(A)	1,000,000
John F. Greacen, Jr.	05/09/05-02/18/11	(A)	1,000,000
Patricia S. Marvin	05/09/05-02/18/11	(A)	1,000,000
Wen-Yu "Frank" Cheng	04/04/03-02/18/09	(A)	1,000,000
Clifford "Mike" Oliver	05/09/05-2/18/11	(A)	1,000,000
Larry Unroe	05/11/05-2/18/08	(A)	1,000,000

(A) Republic Franklin Insurance Company for the period July 1, 2006 through June 30, 2007.

**WASHINGTON STATE COMMUNITY COLLEGE
ADMINISTRATIVE PERSONNEL
June 30, 2007**

<u>Name and Address</u>	<u>Title</u>	<u>Surety</u>	<u>Amount of Coverage</u>
Dr. Charlotte R. Hatfield 710 Colegate Drive Marietta, OH 45750	President	(A)	\$ 1,000,000
Richard Peoples 710 Colegate Drive Marietta, OH 45750	Vice-President/Treasurer	(A)	1,000,000

(A) Republic Franklin Insurance Company for the period July 1, 2006 through June 30, 2007.



Mary Taylor, CPA
Auditor of State

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON 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 15, 2007