

**Washington State  
Community College**  
*Audited Financial Statements*

*June 30, 2011*



**Rea & Associates, Inc.**

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*





# Dave Yost • 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, 2010 through June 30, 2011. 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.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

December 6, 2011

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**WASHINGTON STATE COMMUNITY COLLEGE  
MARIETTA, OHIO**

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

October 14, 2011

Board of Trustees  
Washington State Community College  
710 Colgate 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, 2011 and 2010, 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 audit.

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, 2011 and 2010, 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 14, 2011, 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, 2011 and 2010

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Washington State Community College (the College) Management's 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, 2011. 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 2010-2011 reported net assets of \$19.7 million at June 30, 2011. This represents a decrease of \$737 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.

The College's enrollment in fiscal year 10-11 increased by approximately 5.6% in FTE from the previous year. The total FTE for FY 10-11, as reported to the Ohio Board of Regents, was 1885.3, up from 1785.3 reported for FY 09-10.

**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 non-operating. GASB 35 requires state appropriations to be classified as non-operating revenues. Accordingly, the College will generate a net operating loss prior to the addition of non-operating 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, 2011 and 2010

**Condensed Financial Information**

**Statement of Net Assets (in thousands)**

| <b>ASSETS</b>                                   | <b>2011</b>      | <b>2010</b>      | <b>2009</b>      |
|---|------------------|------------------|------------------|
| Current assets                                  | \$ 8,324         | \$ 7,081         | \$ 6,281         |
| Capital assets, net                             | 15,075           | 15,687           | 16,410           |
| Total assets                                    | <u>23,399</u>    | <u>22,768</u>    | <u>22,691</u>    |
| <br>  |                  |                  |                  |
| <b>LIABILITIES</b>                              |                  |                  |                  |
| Current liabilities                             | 3,275            | 3,323            | 2,967            |
| Non-current liabilities                         | 426              | 484              | 465              |
| Total liabilities                               | <u>3,701</u>     | <u>3,807</u>     | <u>3,432</u>     |
| <br>  |                  |                  |                  |
| <b>NET ASSETS</b>                               |                  |                  |                  |
| Invested in capital assets, net of related debt | 15,075           | 15,687           | 16,409           |
| Restricted                                      |                  |                  |                  |
| Expendable                                      | 956              | 944              | 831              |
| Unrestricted                                    | 3,667            | 2,330            | 2,019            |
| Total net assets                                | <u>\$ 19,698</u> | <u>\$ 18,961</u> | <u>\$ 19,259</u> |

A review of the College's statement of net assets at June 30, 2011 shows that the College continues to build a strong financial foundation.

**Assets**

As of June 30, 2011, the College's total assets amount to approximately \$23.4 million. Investment in capital assets, net of depreciation, represented the College's largest asset, totaling \$15.1 million or 64.4 percent of total assets. Cash and cash equivalents represented the next largest asset, totaling \$4.4 million or 19.0 percent of total assets, followed by Accounts Receivable, net of allowance for doubtful accounts, representing \$3.7 million or 15.9 percent of total assets.

**Liabilities**

At June 30, 2011, the College's liabilities totaled approximately \$3.7 million. Accounts payable, accrued liabilities, and deferred revenue represented \$3.3 million or 88.9 percent, of total liabilities.

**Net Assets**

Net assets at June 30, 2010 totaled approximately \$19.7 million, or 84.2 percent, of total assets. Net assets invested in capital assets totaled \$15.1 million or 76.5 percent, of total net assets. Restricted and unrestricted net assets represented 5.0 percent and 18.6 percent of total net assets, respectively.

WASHINGTON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011 and 2010

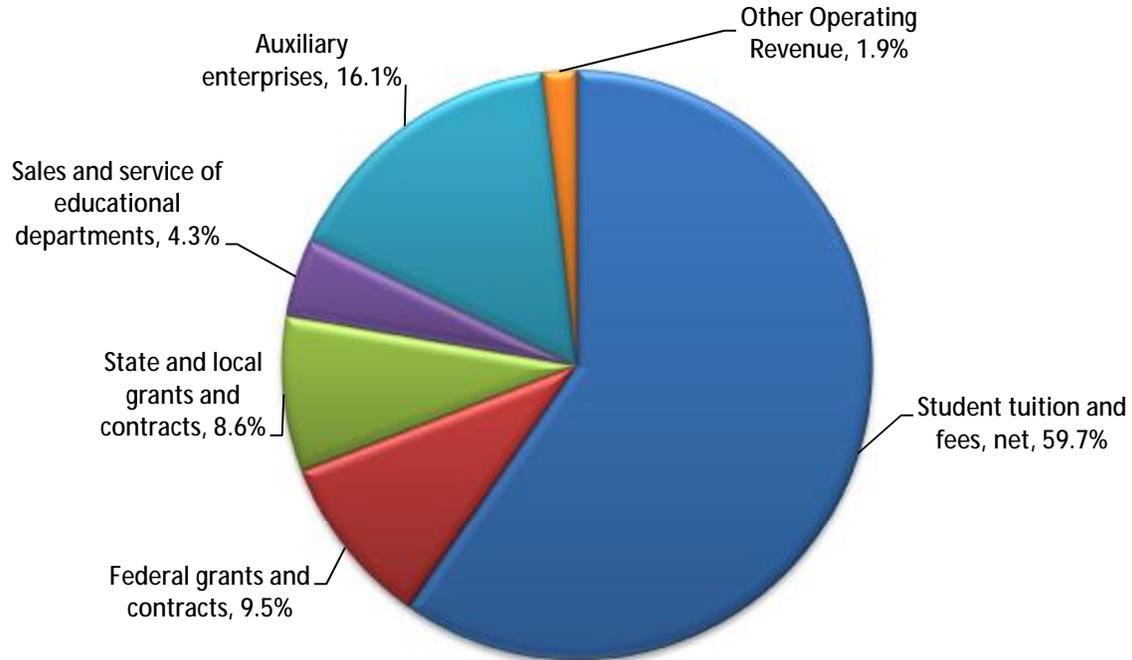
*Statement of Revenues, Expenses and Changes in Net Assets (in thousands)*

| OPERATING REVENUES                                       | <u>2011</u>      | <u>2010</u>      | <u>2009</u>      |
|--|------------------|------------------|------------------|
| Student tuition and fees, net                            | \$ 6,197         | \$ 5,495         | \$ 5,088         |
| Grants and contracts                                     | 1,874            | 1,855            | 2,115            |
| Auxiliary enterprises:                                   | 1,671            | 1,955            | 1,927            |
| Other operating revenues                                 | <u>645</u>       | <u>460</u>       | <u>392</u>       |
| Total operating revenues                                 | 10,387           | 9,765            | 9,522            |
| <br>   |                  |                  |                  |
| OPERATING EXPENSES                                       |                  |                  |                  |
| Educational and General                                  | 17,950           | 17,678           | 16,557           |
| Depreciation   | 861              | 814              | 785              |
| Auxiliary enterprises                                    | <u>2,283</u>     | <u>2,742</u>     | <u>2,779</u>     |
| Total operating expenses                                 | <u>21,094</u>    | <u>21,234</u>    | <u>20,121</u>    |
| Operating income (loss)                                  | (10,707)         | (11,469)         | (10,599)         |
| <br>   |                  |                  |                  |
| NONOPERATING REVENUES (EXPENSES)                         |                  |                  |                  |
| State appropriations                                     | 6,132            | 6,435            | 6,621            |
| Federal Pell Grant (Non Exchange)                        | 5,081            | 4,547            | 2,955            |
| Investment income  | 15               | 17               | 48               |
| Other non-operating income (expenses)                    | <u>103</u>       | <u>59</u>        | <u>45</u>        |
| Net non-operating revenues                               | <u>11,331</u>    | <u>11,058</u>    | <u>9,669</u>     |
| Income before other revenues, expenses, gains, or losses | <u>624</u>       | <u>(411)</u>     | <u>(930)</u>     |
| Capital appropriations                                   | <u>113</u>       | <u>113</u>       | <u>73</u>        |
| Total other revenues                                     | <u>113</u>       | <u>113</u>       | <u>73</u>        |
| Increase (decrease) in net assets                        | 737              | (298)            | (857)            |
| Net assets-beginning of year                             | <u>18,961</u>    | <u>19,259</u>    | <u>20,116</u>    |
| Net assets-end of year                                   | <u>\$ 19,698</u> | <u>\$ 18,961</u> | <u>\$ 19,259</u> |

WASHINGTON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011 and 2010

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**OPERATING REVENUES**

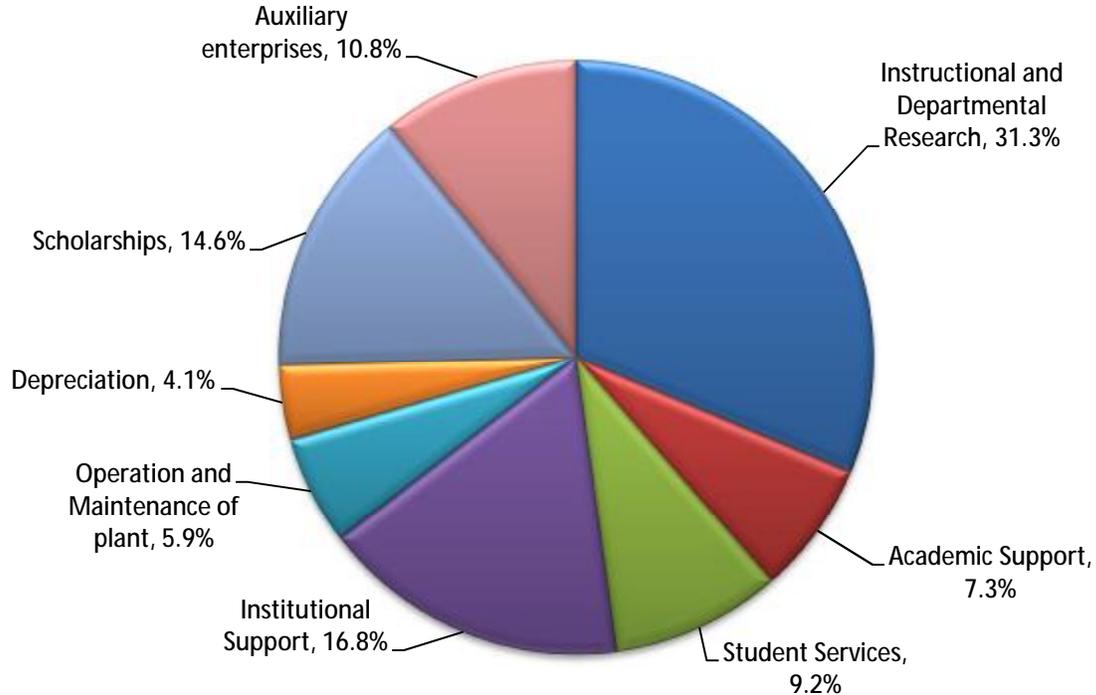


Total operating revenues were approximately \$10.4 million for the year ended June 30, 2011. The most significant sources of operating revenue for the College are student tuition and fees, net of scholarship and allowance (59.7 percent); auxiliary enterprises, which include the Bookstore, Child Development Center, and Workforce Development (16.1 percent); and federal grants and contracts (9.5 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, 2011, amounted to \$6.1 million. This represents a decrease of \$0.3 million from the College's appropriations for the prior year, due primarily to an overall reduction in subsidy distributed by the State of Ohio to State Colleges and Universities during the fiscal year.

WASHINGTON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011 and 2010

**OPERATING EXPENSES**



Operating expenses, including \$861 thousand of depreciation, totaled approximately \$21.1 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 (31.3 percent), institutional support (16.8 percent), and academic support (7.3 percent). One of the College's core values is to provide student's 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, 2010, student financial aid related to tuition and fees totaled \$5.1 million, including student aid expenses of \$3.1 million and scholarship allowances of \$1.7 million.

**Statement of Cash Flows (in thousands)**

| Net cash provided (used) by:    | <u>2011</u>     | <u>2010</u>     | <u>2009</u>     |
|---------------------------------|-----------------|-----------------|-----------------|
| Operating activities            | \$ (9,889)      | \$ (10,992)     | \$ (10,076)     |
| Noncapital financing activities | 11,316          | 11,043          | 9,628           |
| Capital financing activities    | (136)           | 19              | (43)            |
| Investing activities            | 15              | 16              | 48              |
| Net increase (decrease) in cash | 1,306           | 86              | (443)           |
| Cash-beginning of year          | 3,139           | 3,053           | 3,496           |
| Cash-end of year                | <u>\$ 4,445</u> | <u>\$ 3,139</u> | <u>\$ 3,053</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

WASHINGTON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011 and 2010

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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 (\$5.7 million) and grants and contracts (\$2.2 million). The largest cash payments for operating activities were to employees, for wages and benefits (\$12.2 million); payments for scholarships (3.1 million); and to suppliers and utilities (\$2.6 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 \$15.1 million at June 30, 2011, a net decrease of \$612 thousand over the prior year-end due in part to the annual depreciation expense and limited construction projects occurring during the fiscal year.

### **Looking Ahead**

Washington State Community College remains committed to providing access to high quality, affordable education to all residents of the Mid-Ohio Valley. The College's current annual tuition and fees of \$3,940 remains competitive among Ohio two-year colleges. There is a direct relationship between the level of State support and the College's ability to control tuition growth, as declines in State appropriations generally result in increased tuition levels. Mandated by the state's budget bill to limit increases in tuition to no more than 3.5% per year, the College implemented a 3.5% increase beginning Winter Quarter 2010, an additional 3.5% Summer Quarter 2010, and an additional 3.5% in Summer 2011. These increases in tuition will continue to help offset declining State support. Future increases for FY12 and FY13 are limited to the greater of 3.5% or \$200 annually.

The College experienced an increase in both headcount and Full-time Equivalent (FTE) over the previous year, however Fall 2011 enrollment on a Full time equivalent basis was down 5.4%. However, the state's share of instruction continues to decrease and we are mindful of the need for cost containment and efficiencies. The college continues to become more efficient to partially offset declining state support as Ohio's budget continues to be negatively impacted by the economic downturn.

The College proactively manages its financial position and adopts budgetary guidelines and principles that address cost reductions and revenue enhancement. However, the College faces significant cost pressures in the future. These relate to attracting and retaining high quality faculty and staff, increasing costs of health insurance, volatile energy prices and others.

The College currently operates on a Quarter system, however is mandated by the Ohio Board of Regents to convert to a semester system by Fall of 2012. The College will have expenses related to conversion of its curriculum, systems and processes to a semester system.

Paramount to the continuing success of the College is its accreditation by the Higher Learning Commission, which was successfully reaffirmed during FY 11 is next due in FY 18.

**WASHINGTON STATE COMMUNITY COLLEGE**  
**STATEMENTS OF NET ASSETS**  
**JUNE 30, 2011 AND 2010**

|   | 2011                                  |  | 2010                                  |  |
|---|---------------------------------------|--|---------------------------------------|--|
|   | Washington State<br>Community College | Component Unit<br>Washington State<br>Foundation | Washington State<br>Community College | Component Unit<br>Washington State<br>Foundation |
| <b>ASSETS</b>   |                                       |  |                                       |  |
| Current Assets  |                                       |  |                                       |  |
| Cash and cash equivalents   | \$ 4,444,872                          | \$ 87,593  | \$ 3,139,594                          | \$ 121,664                                       |
| Accounts receivable (net of<br>allowance for doubtful accounts,<br>\$92,698 in 2011 and \$46,065 in 2010) | 3,719,135                             |  | 3,604,405                             |  |
| Pledges Receivable  |                                       | 246  |                                       | 865  |
| Inventories   | 137,644                               |  | 285,299                               |  |
| Prepaid expenses  | 22,083                                |  | 51,713                                |  |
| Other Assets  |                                       | 720  |                                       | 5,918  |
| Total current assets  | <u>8,323,734</u>                      | <u>88,559</u>                                    | <u>7,081,011</u>                      | <u>128,447</u>                                   |
| Noncurrent Assets   |                                       |  |                                       |  |
| Investments   |                                       | 725,910  |                                       | 622,413  |
| Capital assets, net   | <u>15,075,360</u>                     |  | <u>15,686,879</u>                     |  |
| Total noncurrent assets   | <u>15,075,360</u>                     | <u>725,910</u>                                   | <u>15,686,879</u>                     | <u>622,413</u>                                   |
| Total Assets  | <u>23,399,094</u>                     | <u>814,469</u>                                   | <u>22,767,890</u>                     | <u>750,860</u>                                   |
| <b>LIABILITIES</b>  |                                       |  |                                       |  |
| Current Liabilities   |                                       |  |                                       |  |
| Accounts payable and accrued liabilities  | 973,265                               | 489  | 995,369                               | 4,000  |
| Due to Other Governments  |                                       |  |                                       |  |
| Deferred revenue  | 2,242,183                             |  | 2,255,492                             |  |
| Compensated absences - current portion  | <u>59,726</u>                         |  | <u>72,407</u>                         |  |
| Total current liabilities   | <u>3,275,174</u>                      | <u>489</u>                                       | <u>3,323,268</u>                      | <u>4,000</u>                                     |
| Noncurrent Liabilities  |                                       |  |                                       |  |
| Deposits  | 12,212                                |  | 14,462                                |  |
| Deferred revenue  | 75,747                                |  | 59,002                                |  |
| Compensated absences  | <u>338,449</u>                        |  | <u>410,305</u>                        |  |
| Total noncurrent liabilities  | <u>426,408</u>                        | <u>0</u>   | <u>483,769</u>                        | <u>0</u>   |
| Total liabilities   | <u>3,701,582</u>                      | <u>489</u>                                       | <u>3,807,037</u>                      | <u>4,000</u>                                     |
| <b>NET ASSETS</b>   |                                       |  |                                       |  |
| Invested in capital assets, net of related debt   | 15,075,360                            |  | 15,686,879                            |  |
| Restricted for  |                                       |  |                                       |  |
| Nonexpendable   |                                       |  |                                       |  |
| Scholarship and fellowships   |                                       | 235,000  |                                       | 235,000  |
| Expendable  |                                       |  |                                       |  |
| Scholarship and fellowships   |                                       | 235,130  |                                       | 235,130  |
| Capital Projects  | 955,894                               | 220,072  | 943,281                               | 220,071  |
| Unrestricted  | <u>3,666,258</u>                      | <u>123,778</u>                                   | <u>2,330,371</u>                      | <u>56,659</u>                                    |
| Total net assets  | <u>\$ 19,697,512</u>                  | <u>\$ 813,980</u>                                | <u>\$ 18,960,531</u>                  | <u>\$ 746,860</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, 2011 AND 2010**

|   | 2011                                  |   | 2010                                  |   |
|---|---------------------------------------|---|---------------------------------------|---|
|   | Washington State<br>Community College | Component Unit<br>Community College<br>Foundation | Washington State<br>Community College | Component Unit<br>Community College<br>Foundation |
| <b>REVENUES</b>   |                                       |   |                                       |   |
| Operating Revenues  |                                       |   |                                       |   |
| Student tuition and fees (net of scholarship allowances of \$1,668,661 in 2011 and \$1,617,226 in 2010) | \$ 6,197,297                          |   | \$ 5,494,582                          |   |
| Federal grants and contracts  | 984,722                               |   | 1,060,140                             |   |
| State and local grants and contracts  | 889,562                               |   | 793,916                               |   |
| Private Grants and Contracts  |                                       | \$ 149,809  |                                       | \$ 165,879  |
| Sales and service of educational departments  | 449,186                               |   | 362,069                               |   |
| Auxiliary enterprises:  |                                       |   |                                       |   |
| Bookstore   | 1,129,409                             |   | 1,224,226                             |   |
| Child Development Center  | 369,538                               |   | 351,317                               |   |
| Workforce Development   | 172,276                               |   | 379,564                               |   |
| Other Operating Revenue   | 195,388                               |   | 98,922                                |   |
| Total operating revenue   | <u>10,387,378</u>                     | <u>149,809</u>                                    | <u>9,764,736</u>                      | <u>165,879</u>                                    |
| <b>EXPENSES</b>   |                                       |   |                                       |   |
| Operating Expenses  |                                       |   |                                       |   |
| Educational and general   |                                       |   |                                       |   |
| Instructional and Departmental Research   | 6,601,773                             | 3,169   | 6,734,254                             | 5,703   |
| Academic Support  | 1,534,580                             |   | 1,548,135                             |   |
| Student Services  | 1,949,400                             |   | 1,573,257                             |   |
| Institutional Support   | 3,535,474                             | 104,372   | 4,016,899                             | 65,185  |
| Operation and Maintenance of plant  | 1,251,353                             |   | 1,388,311                             |   |
| Depreciation  | 860,637                               |   | 814,639                               |   |
| Scholarships and fellowships  | 3,077,654                             | 31,539  | 2,415,033                             | 30,428  |
| Auxiliary enterprises:  |                                       |   |                                       |   |
| Bookstore   | 1,602,900                             |   | 1,650,540                             |   |
| Child Development Center  | 427,978                               |   | 442,291                               |   |
| Workforce Development   | 252,404                               |   | 649,516                               |   |
| Other Expenditures  | 0                                     |   | 889                                   |   |
| Total operating expenses  | <u>21,094,153</u>                     | <u>139,080</u>                                    | <u>21,233,764</u>                     | <u>101,316</u>                                    |
| Operating Income (loss)   | <u>(10,706,775)</u>                   | <u>10,729</u>                                     | <u>(11,469,028)</u>                   | <u>64,563</u>                                     |
| <b>NONOPERATING REVENUES (EXPENSES)</b>   |                                       |   |                                       |   |
| State Appropriations (Subsidy)  | 6,132,455                             |   | 6,435,278                             |   |
| Gifts   | 102,499                               |   | 59,836                                |   |
| Investment Income   | 14,995                                | 56,391  | 16,521                                | 25,046  |
| Refund of Grant   |                                       |   |                                       | (927)   |
| Pell Grant Awards   | 5,081,161                             |   | 4,546,791                             |   |
| Net nonoperating revenues   | <u>11,331,110</u>                     | <u>56,391</u>                                     | <u>11,058,426</u>                     | <u>24,119</u>                                     |
| Income before other revenues, expenses, gains, or loss  | 624,335                               | 67,120  | (410,602)                             | 88,682  |
| Capital appropriations  | 112,646                               |   | 112,646                               |   |
| Increase (decrease) in net assets   | <u>736,981</u>                        | <u>67,120</u>                                     | <u>(297,956)</u>                      | <u>88,682</u>                                     |
| <b>NET ASSETS</b>   |                                       |   |                                       |   |
| Net assets - beginning of year  | <u>18,960,531</u>                     | <u>746,860</u>                                    | <u>19,258,487</u>                     | <u>658,178</u>                                    |
| Net assets - end of year  | <u>\$ 19,697,512</u>                  | <u>\$ 813,980</u>                                 | <u>\$ 18,960,531</u>                  | <u>\$ 746,860</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, 2011 AND 2010**

|   | 2011  |  | 2010  |  |
|---|---|--|---|--|
|   | Washington<br>State<br>Community<br>College | Component Unit<br>Community<br>College<br>Foundation | Washington<br>State<br>Community<br>College | Component Unit<br>Community<br>College<br>Foundation |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |   |  |   |  |
| Tuition and Fees  | \$ 5,731,068                                |  | \$ 3,070,596                                |  |
| Grants and contracts  | 2,236,485                                   | \$ 150,428   | 1,442,170                                   | \$ 165,274   |
| Payments to suppliers and utilities   | (2,616,350)                                 | (105,854)  | (3,004,389)                                 | (70,888)   |
| Payments to employees and benefits  | (12,215,216)                                |  | (12,524,209)                                |  |
| Payments for scholarships and fellowships   | (3,077,654)                                 | (31,539)   | (2,415,033)                                 | (30,428)   |
| Collection of loans to students and employees   |   |  | (5,587)                                     |  |
| Auxiliary enterprises expenses  | (2,283,282)                                 |  |   |  |
| Auxiliary enterprises revenues  | 1,663,957                                   |  | 2,012,880                                   |  |
| Other receipts  | 671,954                                     |  | 431,046                                     |  |
| Net cash provided (used) by operating activities  | <u>(9,889,038)</u>                          | <u>13,035</u>  | <u>(10,992,526)</u>                         | <u>63,958</u>  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>   |   |  |   |  |
| State Appropriations  | 6,132,455                                   |  | 6,435,278                                   |  |
| Pell Grant Awards   | 5,081,161                                   |  | 4,546,791                                   |  |
| Gifts and grants for other than capital purposes  | 102,177                                     |  | 61,048                                      | (927)  |
| Net cash provided (used) by noncapital financing activities   | <u>11,315,793</u>                           | <u>0</u>   | <u>11,043,117</u>                           | <u>(927)</u>   |
| <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>  |   |  |   |  |
| Capital Appropriations  | 112,646                                     |  | 112,646                                     |  |
| Purchases of capital assets   | (249,118)                                   |  | (93,499)                                    |  |
| Net cash provided (used) by capital financing activities  | <u>(136,472)</u>                            | <u>0</u>   | <u>19,147</u>                               | <u>0</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |   |  |   |  |
| Interest on investments   | 14,995                                      | 56,391   | 16,521                                      | 25,046   |
| Purchase of Investments   |   | (103,497)  |   | (169,967)  |
| Net cash provided (used) by investment activities   | <u>14,995</u>                               | <u>(47,106)</u>                                      | <u>16,521</u>                               | <u>(144,921)</u>                                     |
| Net increase (decrease) in cash   | 1,305,278                                   | (34,071)   | 86,259                                      | (81,890)   |
| Cash and Cash Equivalents - beginning of year   | 3,139,594                                   | 121,664  | 3,053,335                                   | 203,554  |
| Cash and Cash Equivalents - end of year   | <u>\$ 4,444,872</u>                         | <u>\$ 87,593</u>                                     | <u>\$ 3,139,594</u>                         | <u>\$ 121,664</u>                                    |
| <b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b> |   |  |   |  |
| Operating income (loss)   | \$ (10,706,775)                             | \$ 10,729  | \$ (11,469,028)                             | \$ 64,563  |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:                 |   |  |   |  |
| Depreciation expense  | 860,637                                     |  | 814,639                                     |  |
| Increase (decrease) in changes in assets and liabilities:   |   |  |   |  |
| Receivables, net  | (114,730)                                   |  | (588,346)                                   |  |
| Pledges Receivable  |   | 619  |   | 1,047  |
| Inventories   | 147,655                                     |  | (95,431)                                    |  |
| Non-Current Assets (Investments -Net)   |   |  |   |  |
| Other Assets  | 29,630                                      | 5,198  | (29,545)                                    | (5,652)  |
| Due to Other Governments  |   |  |   |  |
| Accounts payable  | (22,104)                                    | (3,511)  | (177,565)                                   | 4,000  |
| Deferred revenue  | 3,436                                       |  | 537,896                                     |  |
| Deposits held for others  | (2,250)                                     |  | 9,600                                       |  |
| Compensated absences  | (84,537)                                    |  | 5,254                                       |  |
| Net cash provided (used) by operating activities:   | <u>\$ (9,889,038)</u>                       | <u>\$ 13,035</u>                                     | <u>\$ (10,992,526)</u>                      | <u>\$ 63,958</u>                                     |

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

WASHINGTON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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**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 include the College's permanent endowment funds.
  - 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.

WASHINGTON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**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).

WASHINGTON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2011 and 2010 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.

**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. In addition, the GASB Implementation Guide has indicated PELL grants should be considered non-operating revenues beginning in fiscal year 2009. Beginning in fiscal year 2010, the State Fiscal Stabilization Funds were reported as non operating revenue which is included as a subsidized amount with State Appropriations. Also, beginning in fiscal year 2009, the Workforce Development activity is reported as an Auxiliary Enterprise.

WASHINGTON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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 ten years of service in the retirement system. These accumulations are reduced to the maximum amount allowed as a termination payment.

WASHINGTON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES**

For the year ended June 30, 2011, the College has implemented Governmental Accounting Standards Board (GASB) Statement No. 59, "*Financial Instruments Omnibus*."

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

Implementation of this GASB statement did not affect the presentation of the financial statements of the College.

**NOTE 4 - 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.

WASHINGTON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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**NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

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 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 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. 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;
6. The State Treasurer's investment pool (STAROhio);
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.

WASHINGTON STATE COMMUNITY COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011 and 2010

**NOTE 4 - CASH, CASH EQUIVALENTS, 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 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 \$4,443,522. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures,” as of June 30, 2011, \$3,836,500 of the College’s bank balance of \$4,841,576 was exposed to custodial credit risk as discussed above, while \$1,005,076 was covered by Federal Deposit Insurance Corporation.

**Investments**

As of June 30, 2011, the College did not have any investments.

**NOTE 5 - NOTES, LOANS AND ACCOUNTS RECEIVABLE**

Notes, loans and accounts receivable as of June 30, 2011 and 2010 are as follows:

|  | 2011                |                  |                     | 2010                |                  |                     |
|--|---------------------|------------------|---------------------|---------------------|------------------|---------------------|
|  | Gross<br>Receivable | Allowance        | Net<br>Receivable   | Gross<br>Receivable | Allowance        | Net<br>Receivable   |
| Students   | \$ 2,279,419        | \$ 92,698        | \$ 2,186,721        | \$ 1,866,996        | \$ 46,065        | \$ 1,820,931        |
| Reimbursement receivable-<br>grant and contracts | 1,079,995           | 0                | 1,079,995           | 1,338,320           | 0                | 1,338,320           |
| Other  | 452,419             | 0                | 452,419             | 445,154             | 0                | 445,154             |
| <b>Total</b>                                     | <b>\$ 3,811,833</b> | <b>\$ 92,698</b> | <b>\$ 3,719,135</b> | <b>\$ 3,650,470</b> | <b>\$ 46,065</b> | <b>\$ 3,604,405</b> |

WASHINGTON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

**NOTE 6 - CAPITAL ASSETS, NET**

Capital assets as of June 30, 2011 and 2010 are summarized as follows:

|                                  | 2011                 |                     |               |                      |
|----------------------------------|----------------------|---------------------|---------------|----------------------|
|                                  | 2010                 | Additions           | Reductions    |                      |
| <b>Assets:</b>                   |                      |                     |               |                      |
| Land                             | \$ 980,000           | \$ 0                | \$ 0          | \$ 980,000           |
| Buildings                        | 20,882,719           | 199,045             | 0             | 21,081,764           |
| Land improvements                | 3,013,855            | 0                   | 0             | 3,013,855            |
| Library books                    | 439,362              | 7,688               | 0             | 447,050              |
| Moveable equipment               | 1,832,680            | 42,385              | 0             | 1,875,065            |
|                                  | <u>27,148,616</u>    | <u>249,118</u>      | <u>0</u>      | <u>27,397,734</u>    |
| <b>Accumulated Depreciation:</b> |                      |                     |               |                      |
| Buildings                        | 7,232,501            | 524,153             | 0             | 7,756,654            |
| Land improvements                | 2,468,488            | 150,693             | 0             | 2,619,181            |
| Library books                    | 394,627              | 13,981              | 0             | 408,608              |
| Moveable equipment               | 1,366,121            | 171,810             | 0             | 1,537,931            |
|                                  | <u>11,461,737</u>    | <u>860,637</u>      | <u>0</u>      | <u>12,322,374</u>    |
| <b>Capital Assets, net</b>       | <u>\$ 15,686,879</u> | <u>\$ (611,519)</u> | <u>\$ 0</u>   | <u>\$ 15,075,360</u> |
| <br>                             |                      |                     |               |                      |
|                                  | 2010                 |                     |               |                      |
|                                  | 2009                 | Additions           | Reductions    |                      |
| <b>Assets:</b>                   |                      |                     |               |                      |
| Land                             | \$ 980,000           | \$ 0                | \$ 0          | \$ 980,000           |
| Buildings                        | 20,860,751           | 21,968              | 0             | 20,882,719           |
| Land improvements                | 3,013,855            | 0                   | 0             | 3,013,855            |
| Library books                    | 434,008              | 5,354               | 0             | 439,362              |
| Moveable equipment               | 1,779,618            | 66,177              | 13,115        | 1,832,680            |
|                                  | <u>27,068,232</u>    | <u>93,499</u>       | <u>13,115</u> | <u>27,148,616</u>    |
| <b>Accumulated Depreciation:</b> |                      |                     |               |                      |
| Buildings                        | 6,710,961            | 521,540             | 0             | 7,232,501            |
| Land improvements                | 2,317,795            | 150,693             | 0             | 2,468,488            |
| Library books                    | 380,695              | 13,932              | 0             | 394,627              |
| Moveable equipment               | 1,249,873            | 128,474             | 12,226        | 1,366,121            |
|                                  | <u>10,659,324</u>    | <u>814,639</u>      | <u>12,226</u> | <u>11,461,737</u>    |
| <b>Capital Assets, net</b>       | <u>\$ 16,408,908</u> | <u>\$ (721,140)</u> | <u>\$ 889</u> | <u>\$ 15,686,879</u> |

WASHINGTON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

**NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities as of June 30, 2011 and 2010 are as follows:

|                                    | 2011       | 2010       |
|------------------------------------|------------|------------|
| Payable to vendors and contractors | \$ 181,697 | \$ 133,894 |
| Accrued wages                      | 533,702    | 604,307    |
| Other accrued liabilities          | 257,866    | 257,168    |
|                                    | \$ 973,265 | \$ 995,369 |

**NOTE 8 – LONG-TERM OBLIGATIONS**

The changes in the College’s long-term obligations during fiscal year 2011 and 2010 were as follows:

|                             | 2011                 |              |                |                   |                    |
|-----------------------------|----------------------|--------------|----------------|-------------------|--------------------|
|                             | Beginning<br>Balance | Additions    | Reductions     | Ending<br>Balance | Current<br>Portion |
| Deferred revenue            | \$ 2,314,494         | \$ 2,631,655 | \$ (2,628,219) | \$ 2,317,930      | \$ 2,242,183       |
| Compensated absences        | 482,712              | 13,284       | (97,821)       | 398,175           | 59,726             |
| Deposits                    | 14,462               | 0            | (2,250)        | 12,212            | 0                  |
| Total long-term liabilities | \$ 2,811,668         | \$ 2,644,939 | \$ (2,728,290) | \$ 2,728,317      | \$ 2,301,909       |
|                             | 2010                 |              |                |                   |                    |
|                             | Beginning<br>Balance | Additions    | Reductions     | Ending<br>Balance | Current<br>Portion |
| Deferred revenue            | \$ 1,776,597         | \$ 2,384,876 | \$ (1,846,979) | \$ 2,314,494      | \$ 2,255,492       |
| Compensated absences        | 477,458              | 72,418       | (67,164)       | \$ 482,712        | 72,407             |
| Deposits                    | 4,862                | 10,000       | (400)          | 14,462            | 0                  |
| Total long-term liabilities | \$ 2,258,917         | \$ 2,467,294 | \$ (1,914,543) | \$ 2,811,668      | \$ 2,327,899       |

WASHINGTON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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**NOTE 9 - 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 of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor 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 at [www.ohsers.org](http://www.ohsers.org) under **Employer/Audit Resources**.

Plan members were required to contribute 10% of their annual covered salary and the College is required to contribute 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 Retirement Board acting with the advice of the actuary, allocated the current employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits to be 11.81%. The remaining 2.19% of the 14% employer contribution rate was allocated to the Health Care and Medicare B Funds. The College's contributions to SERS for the years ended June 30, 2011, 2010 and 2009 were \$372,536, \$427,329, and \$462,291, 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.

Plan Options - 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.

WASHINGTON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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**NOTE 9 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES (Continued)**

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 31<sup>st</sup> 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.

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. 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.

WASHINGTON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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**NOTE 9 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES (Continued)**

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 DB or 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.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, 10% of covered payroll for members and 14% for employers. Employer contributions by the College were \$672,548, \$700,358 and \$679,729, respectively for the years ended June 30, 2011, 2010 and 2009, respectively; 100% of required amounts have been paid for all years.

STRS Ohio issues a stand-alone financial report. That report may be obtained each year by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3371 or by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://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 5.76%. The College has implemented the alternative retirement plan. In fiscal years 2011, 2010 and 2009, the employer match was \$43,926, \$32,170 and \$18,186, respectively.

**NOTE 10 - 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.

WASHINGTON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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**NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

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 Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2011 and June 30, 2010, the board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the College, this amount equaled \$48,039 during the 2011 fiscal year.

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

**Medicare Part B Plan**

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B fund. For fiscal year 2011, the actuarially required allocation was .76%. The College's contributions for the years ended June 30, 2011, 2010 and 2009 were \$20,223, \$22,892 and \$32,044, respectively, which equaled the required contributions each year.

**Health Care Plan**

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

WASHINGTON STATE COMMUNITY COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011 and 2010

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**NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation was 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The College’s contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$83,674, \$176,668 and \$158,769, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS’ Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under **Employers/Audit Resources**.

**NOTE 11 - OPERATING EXPENSES BY NATURAL CLASSIFICATION**

The College’s operating expenses by natural classification were as follows for the years ended June 30, 2011 and 2010:

|  | 2011          | 2010          |
|--|---------------|---------------|
| Salaries and wages                     | \$ 8,195,500  | \$ 8,333,584  |
| Employee benefits                      | 3,865,272     | 4,190,625     |
| Utilities                              | 283,997       | 332,479       |
| Supplies and other services            | 4,811,093     | 5,247,404     |
| Depreciation                           | 860,637       | 814,639       |
| Student scholarships and financial aid | 3,077,654     | 2,415,033     |
|  | \$ 21,094,153 | \$ 21,333,764 |

**NOTE 12 - 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 Argonaut 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.

WASHINGTON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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**NOTE 12 - RISK MANAGEMENT (Continued)**

Vehicles are covered by Argonaut 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. There has not been any significant reduction in coverage from the prior year.

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 The Health Plan of the Upper Ohio Valley, Inc. for hospitalization and major medical, CoreSource for dental insurance and Vision Service Plan for vision insurance. The College pays 80% of the total monthly premiums for dental and vision coverage's and the employee pays for the remaining 20%. The College pays 80% or 85% of the total monthly premiums for hospitalization and major medical and the employee pays the remaining 20% or 15% 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.

**NOTE 13 – COMPONENT UNIT DISCLOSURES**

Washington State Community College Foundation (Foundation) is a legally separate, tax-exempt component unit of Washington State Community College (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 assets of the Foundation have been given by donors/grantors independent from the College and are governed by a Board of Directors. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, 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.

The accompanying financial statements of the Foundation have been prepared in accordance with pronouncements of the Financial Accounting Standards Board. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Contributions to the Foundation are recognized and reported as revenue at fair value upon the earlier of the period in which a pledge becomes unconditional or the period in which the contribution is received. Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted support, while contributions without donor-imposed restrictions are reported as unrestricted support.

WASHINGTON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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**NOTE 13 – COMPONENT UNIT DISCLOSURES (Continued)**

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.

As of June 30, 2011, the carrying amount of the Foundation’s deposits was \$87,593. The bank balance of \$87,192 was covered by federal depository insurance.

*Investments* – Foundation investments are stated at fair value, with changes in market value being recognized as gains and losses during the period in which they occur. The following summarizes the fair value of investments of the Foundation as of June 30, 2011 and 2010:

| <u>Investment Type</u> | <u>2011 Fair Value</u> | <u>2010 Fair Value</u> |
|------------------------|------------------------|------------------------|
| Money Market Funds     | \$ 55,453              | \$ 430,778             |
| Equities               | 402,001                | 60,667                 |
| Fixed Income           | 268,456                | 130,968                |
|                        | <u>\$ 725,910</u>      | <u>\$ 622,413</u>      |

Support Provided to the College:

During the years ended June 30, 2011 and 2010 the Foundation provided resources of \$78,438 and \$60,796 to or on behalf of the College for scholarships and other purposes.

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## Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

October 14, 2011

The Board of Trustees  
Washington State Community College  
710 Colgate Drive  
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 financial statements of Washington State Community College (the "College"), and the aggregate discretely presented component unit of the College as of and for the year ended June 30, 2011, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 14, 2011. 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**

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Washington State Community College  
Independent Auditor's Report on Internal Control Over  
Financial Reporting on Compliance and Other  
Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*  
October 14, 2011

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the College in a separate letter dated October 14, 2011.

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.*



## Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

October 14, 2011

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON 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 (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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The 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 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 on the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that are could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Washington State Community College  
Independent Auditor's Report On Compliance With  
Requirements That Could Have A Direct And Material  
Effect On Each Major Program And Internal Control Over  
Compliance In Accordance with OMB Circular A-133  
October 14, 2011

Internal Control over Compliance

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 internal control over compliance in accordance with OMB circular A-133, 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 the College's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, 2011

|   | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass through<br/>Entity Identifying<br/>Number</u> | <u>Expenditures</u>  |
|---|------------------------------------|---|----------------------|
| <u>U.S. Department of Education</u>                             |                                    |   |                      |
| <i>Direct Awards</i>  |                                    |   |                      |
| Student Financial Aid Cluster                                   |                                    |   |                      |
| Federal Pell Grant  | 84.063                             |   | \$ 5,081,161         |
| Federal Work Study  | 84.033                             |   | 34,322               |
| Federal Academic Competiveness Grant                            | 84.375                             |   | 16,750               |
| Federal Family Education Loan (Note 2)                          | 84.032                             |   | 5,466,479            |
| Total Student Financial Aid Cluster                             |                                    |   | <u>10,598,712</u>    |
| TRIO Cluster  |                                    |   |                      |
| Educational Talent Search                                       | 84.044                             |   | 289,407              |
| Student Support Services  | 84.042                             |   | 43,975               |
| Upward Bound  | 84.047                             |   | 252,195              |
| Total TRIO Cluster  |                                    |   | <u>585,577</u>       |
| State Fiscal Stabilization Fund - Education State Grants - ARRA | 84.394                             |   | 893,831              |
| <i>Passed Through Ohio Department of Education</i>              |                                    |   |                      |
| Vocational Education - Basic Grants to States                   | 84.048                             | 064345-20C3-2011<br>064345-20A5-2011                  | 55,496<br>2,014      |
| Basic Grants to States  |                                    |   |                      |
| Technical preparation education                                 | 84.243                             | 064345 3ETC 2011                                      | <u>161,374</u>       |
| <i>Passed Through Ohio Department of Development</i>            |                                    |   |                      |
| Small business Center grant: RSC/SBDC                           |                                    |   |                      |
| Entrepreneurship Project - ARRA                                 | 84.390                             | ECDD11-063  | <u>36,957</u>        |
| Total U.S. Department of Education                              |                                    |   | 12,333,961           |
| <u>U.S. Department of Health and Human Services</u>             |                                    |   |                      |
| <i>Direct Award</i>   |                                    |   |                      |
| Scholarship for Disadvantaged Students (SDS)                    | 93.925                             |   | 5,182                |
| Child Care and Development Block Grant                          | 93.575                             |   | <u>4,755</u>         |
| Total U.S. Department of Health and Human Services              |                                    |   | 9,937                |
| <u>U.S. Small Business Administration</u>                       |                                    |   |                      |
| <i>Passed - Through Ohio University:</i>                        |                                    |   |                      |
| Small Business Development Center                               | 59.037                             | 22000130  | 66,942               |
| <u>U.S. Department of Agriculture</u>                           |                                    |   |                      |
| <i>Passed Through Ohio Department of Education</i>              |                                    |   |                      |
| Food Service  | 10.558                             | N/A   | <u>15,626</u>        |
| Total Federal Awards  |                                    |   | <u>\$ 12,426,466</u> |

See note to the Schedule of Expenditures of Federal Awards.

WASHINGTON STATE COMMUNITY COLLEGE  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2011

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**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 can differ from amounts presented in, or used in the preparation of the financial statements.

**NOTE 2: OUTSTANDING LOANS**

The College originates but does not make Federal Family Education Loans (FFELs). For the fiscal year 2010 – 2011, the College certified need for \$5,466,479 in Guaranteed Student Loan and Supplemental Loans. The amount presented represents the value of new FFELs awarded during the fiscal year as follows:

|                                     |        |                             |
|-------------------------------------|--------|-----------------------------|
| Federal Stafford Loans              | \$     | 2,692,152                   |
| Federal Unsubsidized Stafford Loans |        | 2,750,878                   |
| Federal Parent Plus Loans           |        | <u>23,449</u>               |
| <br>Total FFELs                     | <br>\$ | <br><u><u>5,466,479</u></u> |

**WASHINGTON STATE COMMUNITY COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133, SECTION .505**  
**JUNE 30, 2011**

**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)?                         | No  |
| (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):<br>Student Financial Assistance Cluster<br>State Fiscal Stabilization Fund-Education State Grants | CFDA #'s 84.063, 84.033,<br>84.032, 84.375<br>CFDA # 84.394 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs  | Type A: >\$372,794<br>Type B: All others                    |
| (d)(1)(ix)   | Low Risk Auditee?  | Yes   |

**2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

**None**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**None**

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# Dave Yost • 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  
DECEMBER 20, 2011