

Washington State Community College  
Washington County, Ohio

*Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2012





# 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, 2011 through June 30, 2012. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 5, 2012

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**WASHINGTON STATE COMMUNITY COLLEGE  
MARIETTA, OHIO**

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October 15, 2012

Board of Trustees  
Washington State Community College  
710 Colgate Drive  
Marietta, OH 43750

### **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the 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, 2012 and 2011, 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 opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College, and the discretely presented component unit, as of June 30, 2012 and 2011, and the respective changes in financial position and the cash flows, 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 15, 2012 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of 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, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic 2012 financial statements as a whole.

*Rea & Associates, Inc.*

WASHINGTON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012 and 2011

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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, 2012. 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 2011-2012 reported net assets of \$19.7 million at June 30, 2012. This represents no change from the previous fiscal year.

The College's enrollment in FY 2011-2012 decreased by approximately 4.6% in FTE from the previous year. The total FTE for FY 11-12, as reported to the Ohio Board of Regents, was 1799.0, down from 1885.3 reported for FY 10-11.

**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, 2012 and 2011

**Condensed Financial Information**

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

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Current assets	\$ 9,513	\$ 8,324	\$ 7,081
Capital assets, net	14,855	15,075	15,687
Other non-current assets	<u>0</u>	<u>0</u>	<u>0</u>
Total assets	<u>24,368</u>	<u>23,399</u>	<u>22,768</u>
<b>LIABILITIES</b>			
Current liabilities	4,261	3,275	3,323
Non-current liabilities	<u>422</u>	<u>426</u>	<u>484</u>
Total liabilities	<u>4,683</u>	<u>3,701</u>	<u>3,807</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	14,855	15,075	15,687
Restricted			
Nonexpendable	0	0	0
Expendable	818	956	944
Unrestricted	<u>4,012</u>	<u>3,667</u>	<u>2,330</u>
Total net assets	<u>\$19,685</u>	<u>\$19,698</u>	<u>\$18,961</u>

A review of the College's statement of net assets at June 30, 2012 shows that the College continues to maintain a strong financial foundation.

**Assets** As of June 30, 2012, the College's total assets amount to approximately \$24.4 million. Investment in capital assets, net of depreciation, represented the College's largest asset, totaling \$14.9 million or 61.1 percent of total assets. Accounts receivable, net of allowance for doubtful accounts, represented the next largest asset, totaling \$5.0 million or 20.5 percent of total assets, followed by cash and cash equivalents representing \$4.3 million or 17.6 percent of total assets.

**Liabilities** At June 30, 2012, the College's liabilities totaled approximately \$4.7 million. Accounts payable, accrued liabilities, and deferred revenue represented \$4.2 million or 89.4 percent, of total liabilities.

**Net Assets** Net assets at June 30, 2012 totaled approximately \$19.7 million, or 80.7 percent, of total assets. Net assets invested in capital assets totaled \$14.9 million or 75.6 percent, of total net assets. Restricted and unrestricted net assets represented 4.1 percent and 20.3 percent of total net assets, respectively.

WASHINGTON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012 and 2011

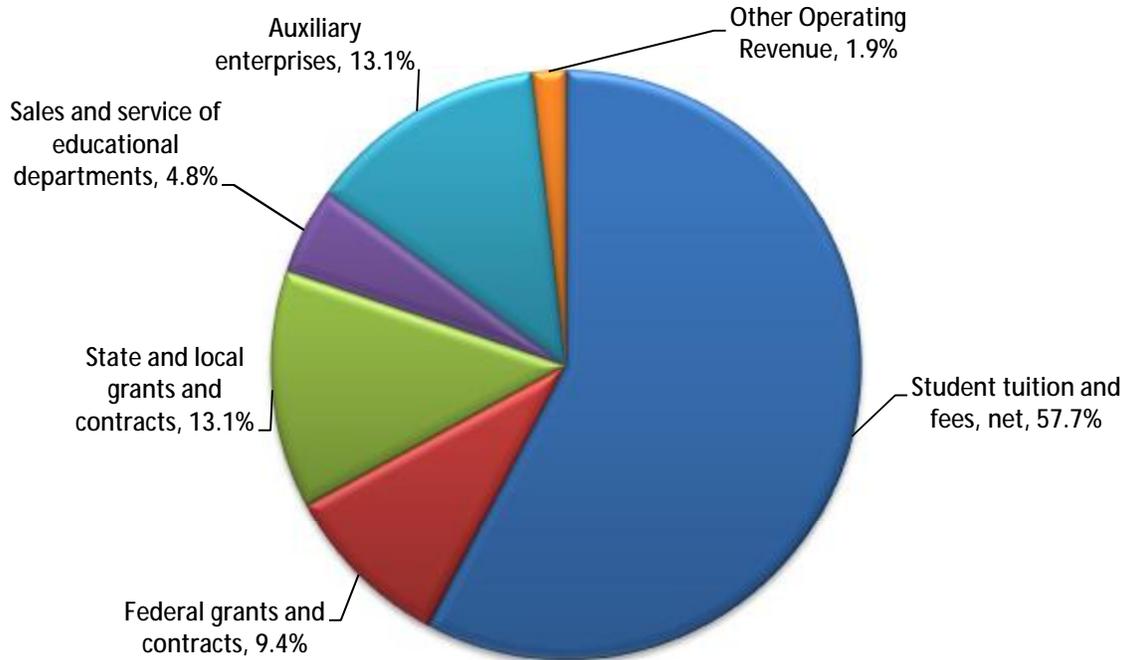
***Statement of Revenues, Expenses and Changes in Net Assets (in thousands)***

	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>OPERATING REVENUES</b>			
Student tuition and fees, net	\$ 6,458	\$ 6,197	\$ 5,495
Grants and contracts	2,511	1,874	1,855
Auxiliary enterprises	1,470	1,671	1,955
Other operating revenues	745	645	460
Total operating revenues	<u>11,184</u>	<u>10,387</u>	<u>9,765</u>
<b>OPERATING EXPENSES</b>			
Educational and General	18,790	17,950	17,678
Depreciation	741	861	814
Auxiliary enterprises	1,825	2,283	2,742
Total operating expenses	<u>21,357</u>	<u>21,094</u>	<u>21,234</u>
Operating income (loss)	<u>(10,173)</u>	<u>(10,707)</u>	<u>(11,469)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State appropriations	5,397	6,132	6,435
Federal Pell Grant (Non Exchange)	4,461	5,081	4,547
Investment income	18	15	17
Other non-operating income (expenses)	77	103	59
Net non-operating revenues	<u>9,953</u>	<u>11,331</u>	<u>11,058</u>
Income (Loss) before other revenues, expenses, gains, or losses	<u>(220)</u>	<u>624</u>	<u>(411)</u>
Capital appropriations	113	113	113
Capital grants and gifts	94	0	0
Total other revenues	<u>207</u>	<u>113</u>	<u>113</u>
Increase (Decrease) in net assets	<u>(13)</u>	<u>737</u>	<u>(298)</u>
Net assets-beginning of year	<u>19,698</u>	<u>18,961</u>	<u>19,259</u>
Net assets-end of year	<u>\$19,685</u>	<u>\$19,698</u>	<u>\$18,961</u>

WASHINGTON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012 and 2011

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**OPERATING REVENUES**

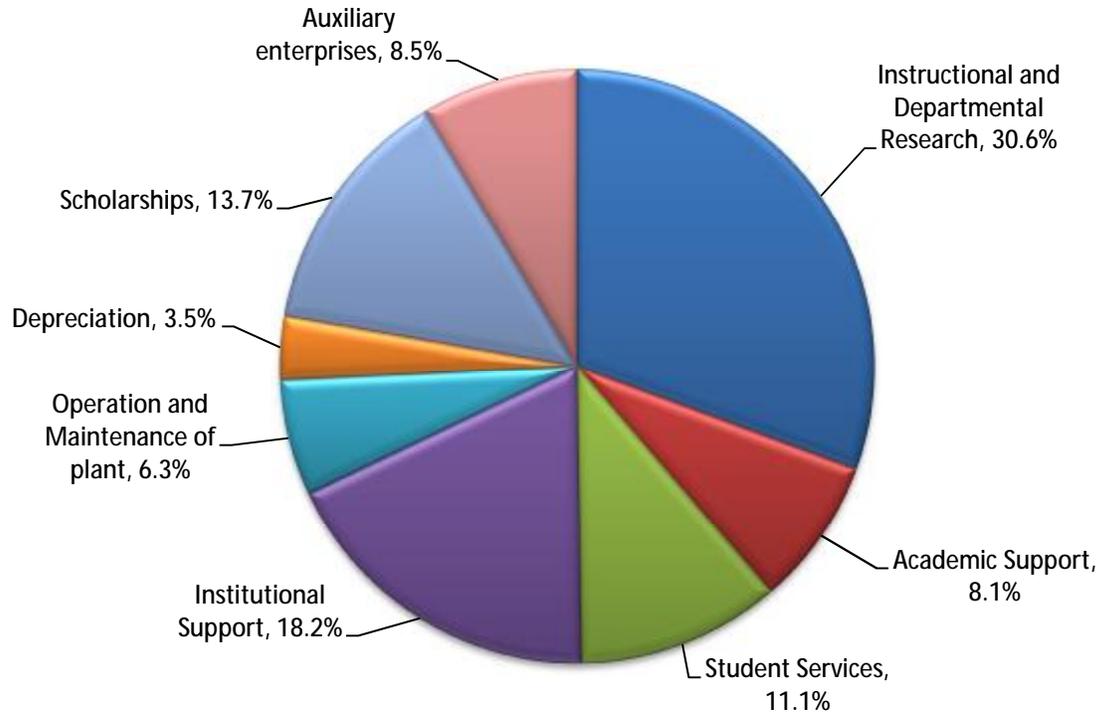


Total operating revenues were approximately \$11.2 million for the year ended June 30, 2012. The most significant sources of operating revenue for the College are student tuition and fees, net of scholarship and allowance (57.7 percent); auxiliary enterprises, which include the Bookstore and Child Development Center (13.1 percent); and state and local grants and contracts (13.1 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 non-operating revenues as defined by GASB 35. The College's state appropriations for the year ended June 30, 2012, amounted to \$5.4 million. This represents a decrease of \$0.7 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, 2012 and 2011

**OPERATING EXPENSES**



Operating expenses, including \$741 thousand of depreciation, totaled approximately \$21.4 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 (30.6 percent), institutional support (18.2 percent), and student services (11.1 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, 2012, student financial aid related to tuition and fees totaled \$4.4 million, including scholarships and fellowships of \$2.9 million and scholarship allowances of \$1.4 million.

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

Net cash provided (used) by:	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating activities	\$(9,779)	\$(9,889)	\$(10,992)
Noncapital financing activities	9,936	11,316	11,043
Capital financing activities	(314)	(136)	19
Investing activities	18	15	16
Net increase in cash	(139)	1,306	86
Cash-beginning of year	4,445	3,139	3,053
Cash-end of year	<u>\$4,306</u>	<u>\$4,445</u>	<u>\$3,139</u>

WASHINGTON STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012 and 2011

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

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

Major sources of funds included in operating activities are student tuition and fees (\$6.4 million) and grants and contracts (\$2.0 million). The largest cash payments for operating activities were to employees, for wages and benefits (\$11.5 million); payments for scholarships (\$2.9 million); and to suppliers and utilities (\$4.0 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 \$14.9 million at June 30, 2012, a net decrease of \$220 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 (increased to \$4,140 effective Fall 2012) 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 the greater of 3.5% or \$200 annually, the College implemented a 3.5% increase beginning Summer 2011 and a \$200 annual increase (5.1%) beginning Fall 2012. These increases in tuition will continue to help offset declining State support and increased costs. It is expected future increases will be limited to the greater of 3.5% or \$200 annually.

The College experienced a decrease in both headcount and Full-time Equivalent (FTE) over the previous year, a trend which continued for Fall 2012 as FTE was down 23.9%. Additionally, the state's share of instruction (State Appropriation or subsidy) 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 operated on a quarter system for during FY 12, however in compliance with a mandate by the Ohio Board of Regents the College converted to a semester system for Fall of 2012.

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, 2012 AND 2011**

	2012		2011	
	Washington State Community College	Component Unit Washington State Foundation	Washington State Community College	Component Unit Washington State Foundation
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 4,305,479	\$ 77,453	\$ 4,444,872	\$ 87,593
Accounts receivable (net of allowance for doubtful accounts, \$43,029 in 2012 and \$92,698 in 2011)	5,022,342		3,719,135	
Pledges Receivable		300		246
Inventories	164,854		137,644	
Prepaid expenses	20,075		22,083	
Other Assets		2,202		720
Total current assets	<u>9,512,750</u>	<u>79,955</u>	<u>8,323,734</u>	<u>88,559</u>
Noncurrent Assets				
Investments		576,179		725,910
Capital assets, net	<u>14,855,306</u>		<u>15,075,360</u>	
Total noncurrent assets	<u>14,855,306</u>	<u>576,179</u>	<u>15,075,360</u>	<u>725,910</u>
Total Assets	<u>24,368,056</u>	<u>656,134</u>	<u>23,399,094</u>	<u>814,469</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable and accrued liabilities	1,423,895		973,265	489
Due to Other Governments				
Deferred revenue	2,776,841		2,242,183	
Compensated absences - current portion	<u>60,085</u>		<u>59,726</u>	
Total current liabilities	<u>4,260,821</u>	<u>0</u>	<u>3,275,174</u>	<u>489</u>
Noncurrent Liabilities				
Deposits	11,858		12,212	
Deferred revenue	70,022		75,747	
Compensated absences	<u>340,481</u>		<u>338,449</u>	
Total noncurrent liabilities	<u>422,361</u>	<u>0</u>	<u>426,408</u>	<u>0</u>
Total liabilities	<u>4,683,182</u>	<u>0</u>	<u>3,701,582</u>	<u>489</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	14,855,306		15,075,360	
Restricted for				
Nonexpendable				
Scholarship and fellowships		305,750		235,000
Expendable				
Scholarship and fellowships		256,942		235,130
Capital Projects	818,153	49,250	955,894	220,072
Unrestricted	<u>4,011,415</u>	<u>44,192</u>	<u>3,666,258</u>	<u>123,778</u>
Total net assets	<u>\$ 19,684,874</u>	<u>\$ 656,134</u>	<u>\$ 19,697,512</u>	<u>\$ 813,980</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, 2012 AND 2011**

	2012		2011	
	Washington State Community College	Component Unit Community College Foundation	Washington State Community College	Component Unit Community College Foundation
<b>REVENUES</b>				
Operating Revenues				
Student tuition and fees (net of scholarship allowances of \$1,447,209 in 2012 and \$1,668,661 in 2011)	\$ 6,458,374		\$ 6,197,297	
Federal grants and contracts	1,047,043		984,722	
State and local grants and contracts	1,463,251		889,562	
Private Grants and Contracts		\$ 88,151		\$ 149,809
Sales and service of educational departments	537,253		449,186	
Auxiliary enterprises:				
Bookstore	1,103,966		1,129,409	
Child Development Center	365,982		369,538	
Workforce Development	0		172,276	
Other Operating Revenue	207,680		195,388	
Total operating revenue	<u>11,183,549</u>	<u>88,151</u>	<u>10,387,378</u>	<u>149,809</u>
<b>EXPENSES</b>				
Operating Expenses				
Educational and general				
Instructional and Departmental Research	6,536,594	1,434	6,601,773	3,169
Academic Support	1,726,518		1,534,580	
Student Services	2,366,051		1,949,400	
Institutional Support	3,883,400	214,064	3,535,474	104,372
Operation and Maintenance of plant	1,347,188		1,251,353	
Depreciation	741,253		860,637	
Scholarships and fellowships	2,930,145	39,464	3,077,654	31,539
Auxiliary Services				
Bookstore	1,400,266		1,602,900	
Child Development Center	425,082		427,978	
Workforce Development	0		252,404	
Total operating expenses	<u>21,356,497</u>	<u>254,962</u>	<u>21,094,153</u>	<u>139,080</u>
Operating Income (loss)	<u>(10,172,948)</u>	<u>(166,811)</u>	<u>(10,706,775)</u>	<u>10,729</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State Appropriations (Subsidy)	5,397,239		6,132,455	
Gifts	77,465		102,499	
Investment Income	17,830	8,965	14,995	56,391
Refund of Grant				
Pell Grant Awards	4,460,881		5,081,161	
Net nonoperating revenues	<u>9,953,415</u>	<u>8,965</u>	<u>11,331,110</u>	<u>56,391</u>
Income before other revenues, expenses, gains, or loss	(219,533)	(157,846)	624,335	67,120
Capital Appropriations	112,646		112,646	
Capital Grants and Gifts	94,249			
Increase (decrease) in net assets	<u>(12,638)</u>	<u>(157,846)</u>	<u>736,981</u>	<u>67,120</u>
<b>NET ASSETS</b>				
Net assets - beginning of year	<u>19,697,512</u>	<u>813,980</u>	<u>18,960,531</u>	<u>746,860</u>
Net assets - end of year	<u>\$ 19,684,874</u>	<u>\$ 656,134</u>	<u>\$ 19,697,512</u>	<u>\$ 813,980</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, 2012 AND 2011**

	2012		2011	
	Washington State Community College	Component Unit Community College Foundation	Washington State Community College	Component Unit Community College Foundation
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Tuition and Fees	\$ 6,409,619		\$ 5,731,068	
Grants and contracts	1,968,987	\$ 86,615	2,236,485	\$ 150,428
Payments to suppliers and utilities	(3,951,029)	(215,987)	(2,616,350)	(105,854)
Payments to employees and benefits	(11,480,903)		(12,215,216)	
Payments for scholarships and fellowships	(2,930,145)	(39,464)	(3,077,654)	(31,539)
Auxiliary enterprises expenses	(1,825,348)		(2,283,282)	
Auxiliary enterprises revenues	1,285,736		1,663,957	
Other receipts	744,579		671,954	
Net cash provided (used) by operating activities	<u>(9,778,504)</u>	<u>(168,836)</u>	<u>(9,889,038)</u>	<u>13,035</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
State Appropriations	5,397,239		6,132,455	
Pell Grant Awards	4,460,881		5,081,161	
Gifts and grants for other than capital purposes	77,465		102,177	
Net cash provided by noncapital financing activities	<u>9,935,585</u>	<u>0</u>	<u>11,315,793</u>	<u>0</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>				
Capital Appropriations	112,646		112,646	
Capital grants and gift received	94,249		0	
Purchases of capital assets	(521,199)		(249,118)	
Net cash used by capital financing activities	<u>(314,304)</u>	<u>0</u>	<u>(136,472)</u>	<u>0</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds from sales and maturities of investments		168,633		
Interest on investments	17,830	8,965	14,995	56,391
Purchase of Investments		(18,902)		(103,497)
Net cash provided (used) by investing activities	<u>17,830</u>	<u>158,696</u>	<u>14,995</u>	<u>(47,106)</u>
<b>NET INCREASE (DECREASE) IN CASH:</b>				
Cash and Cash Equivalents - beginning of year	(139,393)	(10,140)	1,305,278	(34,071)
	<u>4,444,872</u>	<u>87,593</u>	<u>3,139,594</u>	<u>121,664</u>
Cash and Cash Equivalents - end of year	<u>\$ 4,305,479</u>	<u>\$ 77,453</u>	<u>\$ 4,444,872</u>	<u>\$ 87,593</u>
<b>RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (10,172,948)	\$ (166,811)	\$ (10,706,775)	\$ 10,729
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	741,253		860,637	
Increase (decrease) in changes in assets and liabilities:				
Receivables, net	(1,303,207)		(114,730)	
Pledges Receivable		(54)		619
Inventories	(27,210)		147,655	
Non-Current Assets (Investments -Net)				
Other Assets	2,008	(1,482)	29,630	5,198
Due to Other Governments				
Accounts payable	450,630	(489)	(22,104)	(3,511)
Deferred revenue	528,933		3,436	
Deposits held for others	(354)		(2,250)	
Compensated absences	2,391		(84,537)	
Net cash provided (used) by operating activities:	<u>\$ (9,778,504)</u>	<u>\$ (168,836)</u>	<u>\$ (9,889,038)</u>	<u>\$ 13,035</u>

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

WASHINGTON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

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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, 2012 and 2011

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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, 2012 and 2011

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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, 2012 and 2011 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. To implement a system which allows for on-line payment of tuition and fees a change in accounting for receivables was necessary, creating the receivables at the time of registration rather than at the time of payment on account. That change resulted in a one-time significant increase in accounts receivable from the prior year to the current.

**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 2010, the Workforce Development activity is reported as an Auxiliary Enterprise.

WASHINGTON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

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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, 2012 and 2011

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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 - 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, 2012 and 2011

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**NOTE 3 - 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 or depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio.
5. 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  
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June 30, 2012 and 2011

**NOTE 3 - 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 \$4,304,129. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures,” as of June 30, 2012, \$4,221,923 of the College’s bank balance of \$4,871,147 was exposed to custodial credit risk as discussed above, while \$649,224 was covered by Federal Deposit Insurance Corporation.

**Investments**

As of June 30, 2012, the College had no investments.

**NOTE 4 - NOTES, LOANS AND ACCOUNTS RECEIVABLE**

Notes, loans and accounts receivable as of June 30, 2012 and 2011 are as follows:

	2012			2011		
	Gross Receivable	Allowance	Net Receivable	Gross Receivable	Allowance	Net Receivable
Students	\$2,853,163	\$ 43,029	\$2,810,134	\$2,279,419	\$ 92,698	\$2,186,721
Reimbursement receivable- grant and contracts	1,575,577	0	1,575,577	1,079,995	0	1,079,995
Other	636,631	0	636,631	452,419	0	452,419
<b>Total</b>	<b>\$5,065,371</b>	<b>\$ 43,029</b>	<b>\$5,022,342</b>	<b>\$3,811,833</b>	<b>\$ 92,698</b>	<b>\$3,719,135</b>

WASHINGTON STATE COMMUNITY COLLEGE  
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**NOTE 5 - CAPITAL ASSETS, NET**

Capital assets as of June 30, 2012 and 2011 are summarized as follows:

	2012			
	2011	Additions	Reductions	2012
<b>Assets:</b>				
Land	\$ 980,000	\$ 0	\$ 0	\$ 980,000
Buildings	21,081,764	224,161	0	21,305,925
Land improvements	3,013,855	12,800	0	3,026,655
Library books	447,050	6,379	0	453,429
Moveable equipment	1,875,065	277,859	19,910	2,133,014
	<u>27,397,734</u>	<u>521,199</u>	<u>19,910</u>	<u>27,899,023</u>
<b>Accumulated Depreciation:</b>				
Buildings	7,756,654	534,165	0	8,290,819
Land improvements	2,619,181	151,457	0	2,770,638
Library books	408,608	14,393	0	423,001
Moveable equipment	1,537,931	41,238	19,910	1,559,259
	<u>12,322,374</u>	<u>741,253</u>	<u>19,910</u>	<u>13,043,717</u>
<b>Capital Assets, net</b>	<u>\$ 15,075,360</u>	<u>\$ (220,054)</u>	<u>\$ 0</u>	<u>\$ 14,855,306</u>
	2011			
	2010	Additions	Reductions	2011
<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>

WASHINGTON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities as of June 30, 2012 and 2011 are as follows:

	2012	2011
Payable to vendors and contractors	\$ 319,162	\$ 181,697
Accrued wages	619,671	533,702
Other accrued liabilities	485,062	257,866
Total	<u>\$ 1,423,895</u>	<u>\$ 973,265</u>

**NOTE 7 – LONG-TERM OBLIGATIONS**

The changes in the College’s long-term obligations during fiscal year 2012 and 2011 were as follows:

	2012				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Deferred revenue	\$ 2,317,930	\$ 4,740,050	\$ (4,211,117)	\$ 2,846,863	\$ 2,776,841
Compensated absences	398,175	98,632	(96,241)	400,566	60,085
Deposits	12,212	140	(494)	11,858	0
Total long-term liabilities	<u>\$ 2,728,317</u>	<u>\$ 4,838,822</u>	<u>\$ (4,307,852)</u>	<u>\$ 3,259,287</u>	<u>\$ 2,836,926</u>

	2011				
	Beginning Balance	Additions	Reductions	Ending Balance	Current 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	<u>\$ 2,811,668</u>	<u>\$ 2,644,939</u>	<u>\$ (2,728,290)</u>	<u>\$ 2,728,317</u>	<u>\$ 2,301,909</u>

WASHINGTON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

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**NOTE 8 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES**

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

**a. School Employees' Retirement System**

Plan Description - 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 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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the College's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The College's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$289,291, \$314,261 and \$390,090, respectively, equal to the required contributions for each year.

**b. State Teachers' Retirement System**

Plan Description - The College participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

WASHINGTON STATE COMMUNITY COLLEGE  
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**NOTE 8 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES (Continued)**

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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 these active members who die before retirement may qualify for survivor benefits. 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.

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The College was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The College's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$589,842, \$624,509 and \$631,177, respectively; 100% of required amounts have been paid for all years.

**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 and the School Employees Retirement System. The alternative retirement plans shall be defined-contribution plans, with the Ohio employer contribution rates of 10.5% and 6.0%, respectively. The College has implemented the alternative retirement plan. In fiscal years 2012, 2011 and 2010, the employer contribution was \$72,035, \$43,926 and \$32,170, respectively.

**NOTE 9 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**a. School Employees Retirement System**

Plan Description – The College participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 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.

WASHINGTON STATE COMMUNITY COLLEGE  
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June 30, 2012 and 2011

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**NOTE 9 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources. Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated to health care. 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 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. 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. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The College's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$12,528, \$38,052, and \$14,041, respectively, which equaled the required contributions each year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The College's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$17,084, \$20,223, and \$23,198, respectively, which equaled the required contributions each year.

**b. State Teachers Retirement System**

Plan Description - The College contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

WASHINGTON STATE COMMUNITY COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2012 and 2011

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**NOTE 9 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The College's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$45,373, \$48,039, and \$48,552, respectively, which equaled the required contributions each year.

**NOTE 10 - OPERATING EXPENSES BY NATURAL CLASSIFICATION**

The College's operating expenses by natural classification were as follows for the years ended June 30, 2012 and 2011:

	2012	2011
Salaries and wages	\$ 8,034,214	\$ 8,195,500
Employee benefits	3,757,947	3,865,272
Utilities	298,561	283,997
Supplies and other services	5,594,377	4,811,093
Depreciation	741,253	860,637
Student scholarships and financial aid	2,930,145	3,077,654
	<u>\$ 21,356,497</u>	<u>\$ 21,094,153</u>

**NOTE 11 - RISK MANAGEMENT**

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

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

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

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

WASHINGTON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

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**NOTE 11 - RISK MANAGEMENT (Continued)**

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

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

Beginning in fiscal year 2011, the College self-insures its prescription drug program. Changes in the balances of claims liabilities for the years indicated for prescription drug coverage are as follows:

	2012	2011
Unpaid claims, July 1	\$ 29,311	\$ 0
Incurred claims	249,847	120,971
Paid claims	(191,048)	(91,660)
Unpaid claims, June 30	\$ 88,110	\$ 29,311

This actuarially determined liability for estimates of losses retained by the College for outstanding claims and claims incurred but not reported is the College's best estimate based on past experience and current claims outstanding. Actual claims experience may differ from the estimate.

**NOTE 12 – 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.

WASHINGTON STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

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**NOTE 12 – COMPONENT UNIT DISCLOSURES (Continued)**

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.

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, 2012, the carrying amount of the Foundation’s deposits was \$77,453. The bank balance of \$77,657 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, 2012 and 2011:

<u>Investment Type</u>	<u>2012 Fair Value</u>	<u>2011 Fair Value</u>
Money Market Funds	\$ 24,765	\$ 55,453
Equities	369,281	402,001
Fixed Income	182,133	268,456
	<u>\$ 576,179</u>	<u>\$ 725,910</u>

Support Provided to the College:

During the years ended June 30, 2012 and 2011 the Foundation provided resources of \$165,910 and \$78,438 to or on behalf of the College for scholarships and other purposes.

October 15, 2012

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) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 15, 2012. 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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*.

Washington State Community College  
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  
Page 2 of 2

We noted certain matters that we reported to management of the College in a separate letter dated October 15, 2012.  
This report is intended solely for the information and use of management, the Board of Trustees and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Kea & Associates, Inc.*

October 15, 2012

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, 2012. 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 requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists this instance as Finding #2012-001.

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  
Page 2 of 2

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.

The College's response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the College's response and, accordingly, we express no opinion on it.

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

*Rea & Associates, Inc.*

WASHINGTON STATE COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For Fiscal Year Ended June 30, 2012

	Federal CFDA Number	Pass through Entity Identifying Number	Expenditures
<u>U.S. Department of Education</u>			
<i>Direct Awards</i>			
Student Financial Aid Cluster			
Federal Pell Grant	84.063		\$ 4,460,881
Federal Work Study	84.033		50,921
Federal Direct Student Loans (Note 3)	84.268		4,867,081
Total Student Financial Aid Cluster			<u>9,378,883</u>
TRIO Cluster			
Educational Talent Search	84.044		300,425
Upward Bound	84.047		247,398
Total TRIO Cluster			<u>547,823</u>
<i>Passed Through Ohio Department of Education</i>			
Vocational Education - Basic Grants to States	84.048	064345-20C3-2011	52,604
Basic Grants to States			
Technical preparation education	84.243		934
<i>Passed Through Ohio Department of Development</i>			
Small Business Center Grant: RSC/SBDC			
Entrepreneurship Project - ARRA	84.390	ECDD11-063	<u>84,487</u>
Total U.S. Department of Education			10,064,731
<u>U.S. Department of Health and Human Services</u>			
<i>Passed Through Ohio Child Care Research and Referral Association</i>			
Child Care and Development Block Grant	93.575		21,118
<u>U.S. Small Business Administration</u>			
<i>Passed Through Ohio Department of Development:</i>			
Small Business Development Center	59.037	22000130	65,376
<u>U.S. Department of Agriculture</u>			
<i>Passed Through Ohio Department of Education</i>			
Child and Adult Care Food Program	10.558	N/A	16,488
Summer Food Program	10.559	N/A	<u>2,613</u>
Total U.S. Department of Agriculture			<u>19,101</u>
Total Federal Awards			<u><u>\$ 10,170,326</u></u>

See accompanying notes 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, 2012

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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.

**NOTE 2: FEDERAL WORK-STUDY WAIVER**

For fiscal year 2012, the College received a waiver from the Department of Education for the Institutional Share Requirement under the Federal Work-Study program.

**NOTE 3: FEDERAL DIRECT LOAN PROGRAM**

The College participates in the William D. Ford Federal Direct Loan Program. The College originates the loans which are then funded through the U.S. Department of Education.

**WASHINGTON STATE COMMUNITY COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133, SECTION .505**  
**JUNE 30, 2012**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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(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?	Yes
(d)(1)(vii)	Major Programs (list): Student Financial Assistance Cluster  TRIO Cluster	CFDA #'s 84.063, 84.033, 84.268 CFDA #'s 84.044, 84.047
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$305,110 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

<b>2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS</b>
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**None**

**WASHINGTON STATE COMMUNITY COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133, SECTION .505 (Continued)**  
**JUNE 30, 2012**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**Non-Compliance**

<b>Finding Number</b>	<b>2012-001</b>
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**Program Information:**

Federal Programs and CFDA Numbers:

Student Financial Assistance Cluster:

CFDA #84.063 Federal Pell Grant Program

CFDA #84.033 Federal Work Study Program

CFDA #84.268 Federal Direct Loan Program

Federal Agency: U.S. Department of Education

**Noncompliance** – 34 CFR 668.5(c)

**Criteria:** Federal regulation 34 CFR 668.5(c) *Written arrangements between an eligible institution and an ineligible institution or organization.* If an eligible institution enters into a written arrangement with an institution or organization that is not an eligible institution under which the ineligible institution or organization provides part of the educational program of students enrolled in the eligible institution, the Secretary considers that educational program to be an eligible program if—

- (1) The ineligible institution or organization has not—
  - (i) Had its eligibility to participate in the title IV, HEA programs terminated by the Secretary;
  - (ii) Voluntarily withdrawn from participation in the title IV, HEA programs under a termination, show-cause, suspension, or similar type proceeding initiated by the institution's State licensing agency, accrediting agency, guarantor, or by the Secretary;
  - (iii) Had its certification to participate in the title IV, HEA programs revoked by the Secretary;
  - (iv) Had its application for re-certification to participate in the title IV, HEA programs denied by the Secretary; or
  - (v) Had its application for certification to participate in the title IV, HEA programs denied by the Secretary;
- (2) The educational program offered by the institution that grants the degree or certificate otherwise satisfies the requirements of § 668.8; and
- (3)(i) The ineligible institution or organization provides 25 percent or less of the educational program; or
  - (ii)(A) The ineligible institution or organization provides more than 25 percent but less than 50 percent of the educational program;

WASHINGTON STATE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133, SECTION .505 (Continued)  
JUNE 30, 2012

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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**Non-Compliance (Continued)**

<b>Finding Number</b>	<b>2012-001 (Continued)</b>
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- (ii)(B) The eligible institution and the ineligible institution or organization are not owned or controlled by the same individual, partnership, or corporation; and
- (ii)(C) The eligible institution's accrediting agency, or if the institution is a public postsecondary vocational educational institution, the State agency listed in the Federal Register in accordance with 34 CFR part 603, has specifically determined that the institution's arrangement meets the agency's standards for the contracting out of educational services.

**Condition Found:** The College had a written arrangement with an ineligible institution to provide more than 50% of the educational program for the Radiology program contrary to these regulations.

**Cause:** The College administrative team, as part of its administrative review of third party relationships, discovered they were in an unallowable contractual agreement which resulted in them not being in compliance with 34 CFR 668.5. The College took immediate action to amend the contractual arrangement and come into compliance. The College then notified the appropriate federal agency of the situation and also disclosed this during audit.

**Questioned Costs:** During fiscal year 2012 there was a total of \$75,740.75 paid to an ineligible institution for the radiology program in violation of 34 CFR 668.5.

**Effect:** Student financial assistance monies were used to pay tuition costs incurred at an ineligible institution.

**Recommendations:** We would recommend the College cease the unallowable practice with the ineligible institution, however, the College had already taken appropriate action prior to our audit.

**College's Response:** The College contracted with an organization that provided less than 25% of an educational program. However, the contractual arrangement would allow for the organization to provide more than 25% of the program. To ensure compliance, the College amended the contract to reflect actual practice and the requirement that the organization provide 25% or less of the program. Accordingly, the questioned educational program was provided in compliance with 34 CFR 668.5.

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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 18, 2012