



Rea & associates *a brighter way*

Washington State Community College
Washington County, Ohio

Audited Financial Statements

For the Fiscal Years Ended
June 30, 2014 and June 30, 2013



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, 2013 through June 30, 2014. 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". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

October 27, 2014

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**WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO**

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October 8, 2014

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Washington State Community College, Washington County, Ohio, (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, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 aggregate discretely presented component unit, as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 65 which resulted in reclassifying deferred revenues as of June 30, 2013 to deferred inflows of resources. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis on pages 4–10 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2014 on our consideration of the College's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Rea & Associates, Inc.

New Philadelphia, Ohio

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 and 2013

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, 2014. 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 fiscal year 2014 reported net position of \$21.5 million at June 30, 2014. This represents an increase of \$500 thousand from the previous fiscal year.

The College's enrollment in fiscal year 2014 decreased by approximately 12.4% in Full-time Equivalent (FTE) from the previous year. The total FTE for fiscal year 2014, as reported to the Ohio Board of Regents, was 1,224.2, down from 1,398.1 reported for fiscal year 2013.

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 Position, Statement of Revenues, Expenses, and Changes in Net Position, 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 position (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 Position 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 Position 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.

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 and 2013

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.

Condensed Financial Information

Statements of Net Position (in thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
ASSETS			
Current assets	\$ 10,678	\$ 10,476	\$ 9,513
Capital assets, net	<u>14,549</u>	<u>14,421</u>	<u>14,855</u>
Total assets	<u><u>25,227</u></u>	<u><u>24,897</u></u>	<u><u>24,368</u></u>
LIABILITIES			
Current liabilities	1,435	1,261	1,484
Non-current liabilities	<u>331</u>	<u>318</u>	<u>422</u>
Total liabilities	1,766	1,579	1,906
DEFERRED INFLOWS OF RESOURCES			
Deferred student tuition and fees	2,011	2,316	2,777
Deferred grants and contracts	<u>0</u>	<u>18</u>	<u>0</u>
Total deferred inflows of resources	2,011	2,334	2,777
NET POSITION			
Net investment in capital assets	14,549	14,421	14,855
Restricted			
Expendable	1,430	1,124	818
Unrestricted	<u>5,472</u>	<u>5,438</u>	<u>4,012</u>
Total net position	<u><u>\$ 21,451</u></u>	<u><u>\$ 20,983</u></u>	<u><u>\$ 19,685</u></u>

A review of the College's Statement of Net Position at June 30, 2014 shows that the College continues to maintain a strong financial foundation.

Assets As of June 30, 2014, the College's total assets amount to approximately \$25.2 million. Investment in capital assets, net of depreciation, represented the College's largest asset, totaling \$14.5 million or 58 percent of total assets. Cash and cash equivalents represented the next largest asset, totaling \$6.6 million or 26 percent of total assets, followed by Accounts receivable, net of allowance for doubtful accounts, representing \$3.7 million or 15 percent of total assets.

Liabilities and deferred inflows of resources At June 30, 2014, the College's liabilities and deferred inflows of resources totaled approximately \$3.8 million. Accounts payable, accrued liabilities, and deferred student tuition and fees represented \$3.4 million or 89 percent of total liabilities and deferred inflows of resources.

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 and 2013

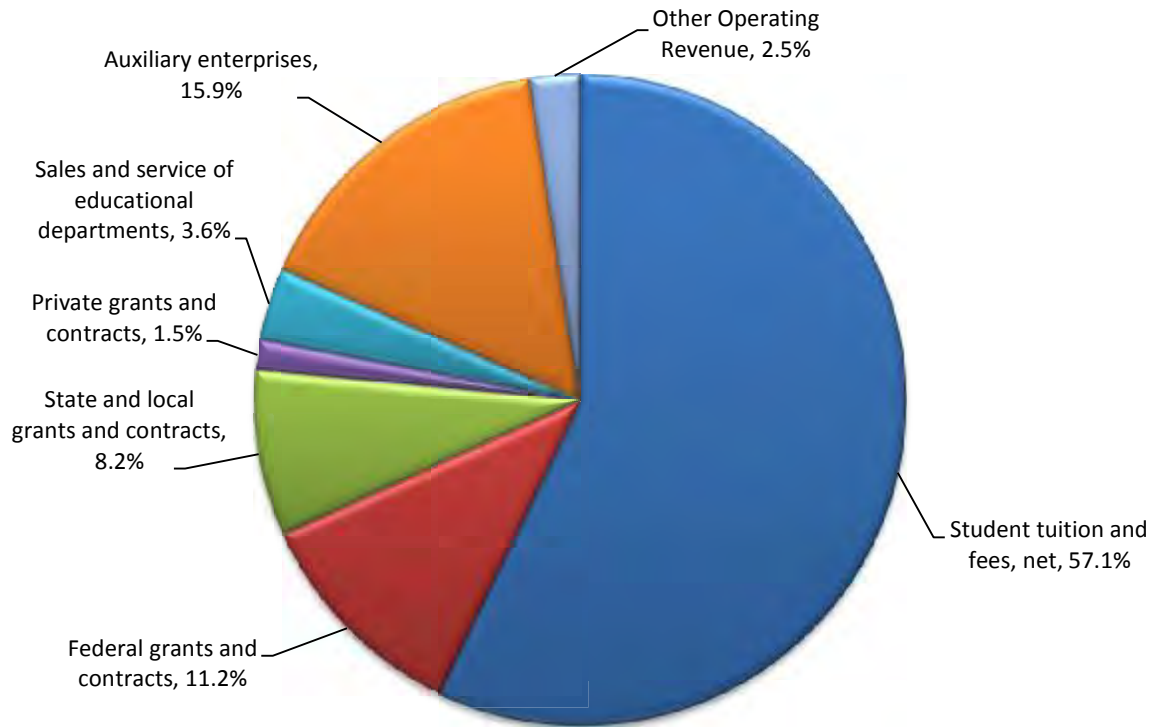
Net Position Net position at June 30, 2014 totaled approximately \$21.5 million, or 85 percent, of total assets. Net investment in capital assets totaled \$14.5 million or 58 percent, of total net position. Restricted and unrestricted net position represented 6 percent and 22 percent of total net position, respectively.

Statements of Revenues, Expenses, and Changes in Net Position (in thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
OPERATING REVENUES			
Student tuition and fees, net	\$ 4,173	\$ 4,765	\$ 4,653
Grants and contracts	1,527	1,513	1,643
Auxiliary enterprises	1,163	1,209	1,470
Other operating revenue	446	504	745
Total operating revenue	<u>7,309</u>	<u>7,991</u>	<u>8,511</u>
OPERATING EXPENSES			
Educational and general	12,831	13,463	16,118
Depreciation	776	698	741
Auxiliary enterprises	1,344	1,562	1,825
Total operating expenses	<u>14,951</u>	<u>15,723</u>	<u>18,684</u>
Operating loss	(7,642)	(7,732)	(10,173)
NONOPERATING REVENUES			
State appropriations	5,188	5,276	5,397
Pell grant awards	2,574	3,268	4,461
Investment income	14	14	18
Other non-operating revenue	28	155	77
Total non-operating revenues	<u>7,804</u>	<u>8,713</u>	<u>9,953</u>
Income (loss) before other revenues expenses, gains, and losses	162	981	(220)
Capital appropriations	306	306	113
Capital grants and gifts	<u>0</u>	<u>11</u>	<u>94</u>
Increase (decrease) in net position	468	1,298	(13)
Beginning net position	<u>20,983</u>	<u>19,685</u>	<u>19,698</u>
Ending net position	<u>\$ 21,451</u>	<u>\$ 20,983</u>	<u>\$ 19,685</u>

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 and 2013

OPERATING REVENUES

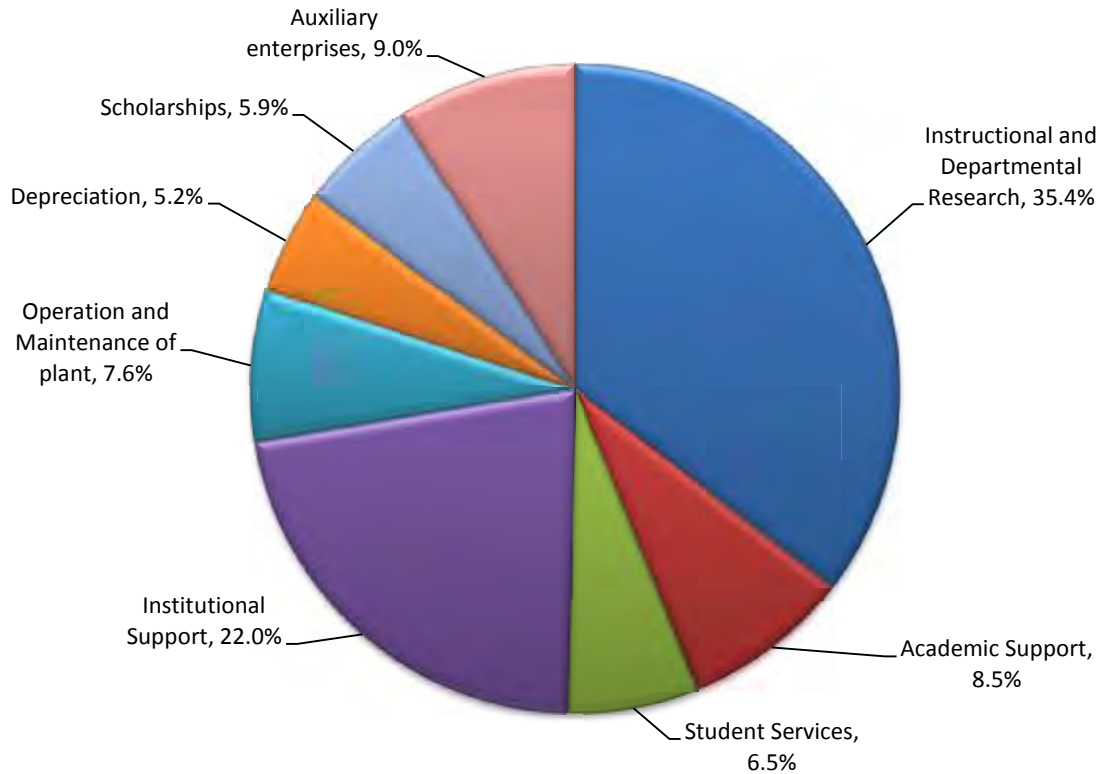


Total operating revenues were approximately \$7.3 million for the year ended June 30, 2014. The most significant sources of operating revenue for the College are student tuition and fees, net of scholarship and allowance (57.1 percent); auxiliary enterprises, which include the Bookstore and Child Development Center (15.9 percent); and federal grants and contracts (11.2 percent). Student tuition and fees are down in the current year by approximately 12.4% from the prior year. The decrease corresponds with the FTE decline of the same percentage during the same period.

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, 2014, amounted to \$5.2 million. This represents a decrease of \$0.1 million from the College's appropriations for the prior year, due primarily to the decline in enrollment in the preceding fiscal year. Pell grant awards in the current fiscal year are down approximately 21.2% from the prior fiscal year. The decrease is a result of the 12.4% FTE decline and a significant increase (18.3%) in the average expected family contribution (EFC) rating from the 2012 award year to 2013. As EFC increases, Pell eligibility is proportionally decreased.

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 and 2013

OPERATING EXPENSES



Operating expenses, including \$776 thousand of depreciation, totaled approximately \$15 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 (35.4 percent), academic support (8.5 percent), institutional support (22.0 percent), and auxiliary enterprises (9.0 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. Educational and general expenses are down in the current year by approximately 5% over the prior year, a result of budget balancing in response to the FTE decline the College experienced during that same period.

For the year ended June 30, 2014, student financial aid related to tuition and fees totaled approximately \$2.8 million, including scholarships and fellowships of \$881 thousand and scholarship allowances of \$1.9 million.

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 and 2013

Statements of Cash Flows

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net cash provided (used) by:			
Operating activities	\$ (6,596)	\$ (7,084)	\$ (9,779)
Noncapital financing activities	7,777	8,700	9,936
Capital financing activities	(598)	53	(314)
Invest activities	<u>22</u>	<u>14</u>	<u>18</u>
Net increase (decrease) in cash	605	1,683	(139)
Cash, beginning of year	<u>5,988</u>	<u>4,305</u>	<u>4,444</u>
Cash, end of year	<u>\$ 6,593</u>	<u>\$ 5,988</u>	<u>\$ 4,305</u>

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

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

Major sources of funds included in operating activities are student tuition and fees (\$4.0 million) and grants and contracts (\$1.7 million). The largest cash payments for operating activities were to employees, for wages and benefits (\$9.6 million); payments to suppliers and utilities (2.2 million) and toward auxiliary expenses (\$1.3 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 \$14.5 million at June 30, 2014, a net increase of \$128 thousand over the prior year-end due in part to extensive information technology infrastructure upgrades and building and land improvements over the annual depreciation expense incurred during the fiscal year.

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 and 2013

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 \$4,340 (effective Summer 2014) 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 \$100 annually, the College implemented a \$100 increase (2.36%) beginning in the Summer 2014 term. These increases in tuition will continue to help offset declining State support and increased costs. It is expected future increases will continue to be limited.

The College experienced a decrease in both headcount and FTE over the previous year, a trend which has leveled in the Fall of 2014 as FTE was only marginally below the previous Fall term. The state's share of instruction (State Appropriation or subsidy) has increased approximately 5% from the prior year; however, the College continues to be mindful of the need for cost containment and efficiencies. The formula for State Share of Instruction is changing dramatically beginning in fiscal year 2015, shifting from a primarily enrollment based calculation to a completion based approach where funding shall be distributed to our institution based upon success points, completion measures and course completion funding, or other performance and access measures.

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.

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

**WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
STATEMENTS OF NET POSITION
As of June 30, 2014 and 2013**

	2014		2013	
	Washington State Community College	Component Unit Washington State Foundation	Washington State Community College	Component Unit Washington State Foundation
ASSETS				
Current assets				
Cash and cash equivalents	\$ 6,592,802	\$ 134,833	\$ 5,988,381	\$ 112,374
Accounts receivable (net of allowance for doubtful accounts of \$113,334 in 2014 and \$98,388 in 2013)	3,744,189	0	4,211,130	0
Pledges receivable	0	417	0	0
Inventories	168,727	0	169,336	0
Prepaid expenses	172,783	0	106,914	0
Total current assets	<u>10,678,501</u>	<u>135,250</u>	<u>10,475,761</u>	<u>112,374</u>
Noncurrent assets				
Investments	0	789,626	0	644,033
Capital assets, net	14,548,797	0	14,420,926	0
Total noncurrent assets	<u>14,548,797</u>	<u>789,626</u>	<u>14,420,926</u>	<u>644,033</u>
Total assets	25,227,298	924,876	24,896,687	756,407
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	1,389,694	250	1,208,987	1,986
Compensated absences - current portion	45,091	0	52,452	0
Total current liabilities	<u>1,434,785</u>	<u>250</u>	<u>1,261,439</u>	<u>1,986</u>
Noncurrent liabilities				
Deposits	75,419	0	20,720	0
Compensated absences	255,514	0	297,227	0
Total noncurrent liabilities	<u>330,933</u>	<u>0</u>	<u>317,947</u>	<u>0</u>
Total liabilities	1,765,718	250	1,579,386	1,986
DEFERRED INFLOWS OF RESOURCES				
Deferred student tuition and fees	2,010,508	0	2,315,849	0
Deferred grants and contracts	0	0	18,533	0
Total deferred inflows of resources	<u>2,010,508</u>	<u>0</u>	<u>2,334,382</u>	<u>0</u>
NET POSITION				
Net investment in capital assets	14,548,797	0	14,420,926	0
Restricted for				
Nonexpendable				
Scholarship and fellowships	0	367,750	0	315,750
Expendable				
Scholarship and fellowships	0	376,511	0	285,246
Capital projects	1,430,165	60,336	1,124,159	53,627
Unrestricted	<u>5,472,110</u>	<u>120,029</u>	<u>5,437,834</u>	<u>99,798</u>
Total net position	<u>\$ 21,451,072</u>	<u>\$ 924,626</u>	<u>\$ 20,982,919</u>	<u>\$ 754,421</u>

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

**WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Years Ended June 30, 2014 and 2013**

	2014		2013	
	Washington State Community College	Component Unit Washington State Foundation	Washington State Community College	Component Unit Washington State Foundation
REVENUES				
Operating revenues				
Student tuition and fees (net of scholarship allowances of \$1,886,661 in 2014 and \$2,333,504 in 2013)	\$ 4,173,275	\$ 0	\$ 4,764,652	\$ 0
Federal grants and contracts	815,603	0	765,128	0
State and local grants and contracts	601,636	0	748,244	0
Private grants and contracts	109,758	143,431	0	124,462
Sales and service of educational departments	264,571	0	280,206	0
Auxiliary enterprises:				
Bookstore	804,078	0	852,294	0
Child Development Center	358,771	0	356,523	0
Other operating revenues	181,576	0	223,993	0
Total operating revenues	<u>7,309,268</u>	<u>143,431</u>	<u>7,991,040</u>	<u>124,462</u>
OPERATING EXPENSES				
Educational and general				
Instructional and departmental research	5,294,639	2,510	5,759,837	800
Academic support	1,264,831	0	1,376,236	0
Student services	972,084	0	1,026,451	0
Institutional support	3,286,985	53,626	3,239,767	73,064
Operation and maintenance of plant	1,131,887	0	1,002,884	0
Depreciation	776,424	0	697,918	0
Scholarships and fellowships	880,738	33,078	1,058,068	31,374
Auxiliary enterprises:				
Bookstore	905,418	0	1,142,689	0
Child Development Center	438,489	0	419,677	0
Total operating expenses	<u>14,951,495</u>	<u>89,214</u>	<u>15,723,527</u>	<u>105,238</u>
Operating income (loss)	(7,642,227)	54,217	(7,732,487)	19,224
NONOPERATING REVENUES (EXPENSES)				
State appropriations (subsidy)	5,188,293	0	5,276,198	0
Gifts	14,304	0	155,459	0
Investment income	27,381	115,988	13,925	79,063
Pell grant awards	2,574,396	0	3,268,136	0
Net nonoperating revenues (expenses)	<u>7,804,374</u>	<u>115,988</u>	<u>8,713,718</u>	<u>79,063</u>
Income before other revenues, expenses, gains and losses	162,147	170,205	981,231	98,287
Capital appropriations	306,006	0	306,006	0
Capital grants and gifts	0	0	10,808	0
Increase (decrease) in net position	468,153	170,205	1,298,045	98,287
NET POSITION				
Beginning net position	<u>20,982,919</u>	<u>754,421</u>	<u>19,684,874</u>	<u>656,134</u>
Ending net position	<u>\$ 21,451,072</u>	<u>\$ 924,626</u>	<u>\$ 20,982,919</u>	<u>\$ 754,421</u>

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

**WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended June 30, 2014 and 2013**

	2014		2013	
	Washington State Community College	Component Unit Washington State Foundation	Washington State Community College	Component Unit Washington State Foundation
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	\$ 4,034,958	\$ 0	\$ 4,828,617	\$ 0
Grants and contracts	1,733,957	143,014	1,504,744	126,964
Payments to suppliers and utilities	(2,239,992)	(57,872)	(2,060,377)	(71,878)
Payments to employees and benefits	(9,584,531)	0	(10,706,658)	0
Payments for scholarships and fellowships	(880,738)	(33,078)	(1,058,068)	(31,374)
Auxiliary enterprises revenues	1,262,828	0	1,454,643	0
Auxiliary enterprises expenses	(1,343,298)	0	(1,562,366)	0
Other receipts	420,982	0	515,373	0
Net cash provided (used) by operating activities	<u>(6,595,834)</u>	<u>52,064</u>	<u>(7,084,092)</u>	<u>23,712</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	5,188,293	0	5,276,198	0
Pell grant awards	2,574,396	0	3,268,136	0
Gifts and grants for other than capital purposes	14,304	0	155,459	0
Net cash provided by noncapital financing activities	<u>7,776,993</u>	<u>0</u>	<u>8,699,793</u>	<u>0</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital appropriations	306,006	0	306,006	0
Capital grants and gifts received	0	0	10,808	0
Purchases of capital assets	(904,295)	0	(263,538)	0
Net cash provided (used) by capital financing activities	<u>(598,289)</u>	<u>0</u>	<u>53,276</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	0	24,367	0	21,166
Purchase of investments	0	(169,960)	0	(89,020)
Interest on investments	21,551	115,988	13,925	79,063
Net cash provided (used) by investing activities	<u>21,551</u>	<u>(29,605)</u>	<u>13,925</u>	<u>11,209</u>
NET INCREASE IN CASH	604,421	22,459	1,682,902	34,921
Cash and cash equivalents - beginning of year	<u>5,988,381</u>	<u>112,374</u>	<u>4,305,479</u>	<u>77,453</u>
Cash and cash equivalents - end of year	<u>\$ 6,592,802</u>	<u>\$ 134,833</u>	<u>\$ 5,988,381</u>	<u>\$ 112,374</u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (7,642,227)	\$ 54,217	\$ (7,732,487)	\$ 19,224
Adjustments to reconcile net operating income (loss) to net cash used by operating activities:				
Depreciation expense	776,424	0	697,918	0
Increase (decrease) in assets and liabilities:				
Receivables, net	472,771	0	811,212	0
Pledges receivable	0	(417)	0	300
Inventories	609	0	(4,482)	0
Other assets	(65,869)	0	(86,839)	2,202
Accounts payable	180,707	(1,736)	(214,908)	1,986
Deposits held for others	54,699	0	8,862	0
Compensated absences	(49,074)	0	(50,887)	0
Deferred inflows of resources	(323,874)	0	(512,481)	0
Net cash provided (used) by operating activities	<u>\$ (6,595,834)</u>	<u>\$ 52,064</u>	<u>\$ (7,084,092)</u>	<u>\$ 23,712</u>

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

WASHINGTON STATE COMMUNITY COLLEGE
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NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY

Washington State Community College (the College) was originally chartered on September 17, 1971 as Washington Technical College 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 and began operating under its current name as a state community college. The College is a component unit of the State of Ohio, operates under an appointed Board of Trustees, and is fully accredited by the North Central Association of Colleges and Schools.

The Washington State Community College Foundation (the 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 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 position categories:

- **Net investment in capital assets:** 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 position subject to externally imposed stipulations that they be maintained permanently by the College. These include the College's permanent endowment funds.

Expendable — Net position of which 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.

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

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

c. Cash and Cash Equivalents

This classification appears on the Statement of Net Position and the Statement of Cash Flows and includes petty cash and cash on deposit with private banks in checking and savings accounts.

For purposes of the statement of cash flows and for presentation of the statement of net position, 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).

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f. Investments

Investments are stated at fair value.

g. Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of assets by the College that is applicable to a future reporting period. A deferred outflow of resources is a consumption of assets by the College that is applicable to a future reporting period.

Deferred inflows of resources consist primarily of tuition and fees that have not been earned by June 30, 2014 and June 30, 2013 and 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 Position, 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.

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l. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

m. 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, 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.

n. Non-current Long-Term Liabilities

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

o. 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.

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- 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 the 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.

p. 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 Position. 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 Position. The College has recorded a scholarship allowance discount to the extent that revenues from these programs are used to satisfy tuition, fees, and other charges.

q. 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.

r. 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.

s. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2014, the College has implemented Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities, GASB Statement No. 66, Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62, and GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The implementation of GASB Statement No. 65 resulted in reclassifying deferred revenue as of June 30, 2013 to deferred inflows of resources but did not have an effect on ending net position.

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GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the College.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving non-exchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the College.

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 available for withdrawal on demand including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Trustees has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing no 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 no 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;

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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 (STAR Ohio and STAR Plus);
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.

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 \$1,090 at year end.

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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 \$6,591,712. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2014, \$6,347,297 of the College's bank balance of \$6,847,297 was exposed to custodial credit risk as discussed above, while \$500,000 is covered by FDIC.

Investments

As of June 30, 2014 and 2013, the College had no investments.

NOTE 4 - NOTES, LOANS AND ACCOUNTS RECEIVABLE

Notes, loans and accounts receivable as of June 30, 2014 and 2013 are as follows:

	2014			2013		
	Gross Receivable	Allowance	Net Receivable	Gross Receivable	Allowance	Net Receivable
Students	\$ 2,560,232	\$ 113,334	\$ 2,446,898	\$ 2,712,314	\$ 96,203	\$ 2,616,111
Reimbursement receivable - grants and contracts	1,149,552	0	1,149,552	1,261,356	0	1,261,356
Other	147,739	0	147,739	335,848	2,185	333,663
Total	\$ 3,857,523	\$ 113,334	\$ 3,744,189	\$ 4,309,518	\$ 98,388	\$ 4,211,130

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NOTE 5 - CAPITAL ASSETS

Capital assets as of June 30, 2014 and 2013 are summarized as follows:

	2014			
	2013	Additions	Reductions	2014
Assets:				
Land	\$ 980,000	\$ 0	\$ 0	\$ 980,000
Buildings	21,376,611	84,843	0	21,461,454
Land improvements	3,026,655	17,275	0	3,043,930
Movable equipment	2,312,978	515,411	0	2,828,389
Library books	466,317	3,692	0	470,009
In progress	0	283,074	0	283,074
	<u>28,162,561</u>	<u>904,295</u>	<u>0</u>	<u>29,066,856</u>
Accumulated depreciation:				
Buildings	8,823,975	534,706	0	9,358,681
Land improvements	2,802,455	32,316	0	2,834,771
Movable equipment	1,678,231	196,390	0	1,874,621
Library books	436,974	13,012	0	449,986
	<u>13,741,635</u>	<u>776,424</u>	<u>0</u>	<u>14,518,059</u>
Capital assets, net	<u>\$ 14,420,926</u>	<u>\$ 127,871</u>	<u>\$ 0</u>	<u>\$ 14,548,797</u>
	2013			
	2012	Additions	Reductions	2013
Assets:				
Land	\$ 980,000	\$ 0	\$ 0	\$ 980,000
Buildings	21,305,925	70,686	0	21,376,611
Land improvements	3,026,655	0	0	3,026,655
Movable equipment	2,133,014	179,964	0	2,312,978
Library books	453,429	12,888	0	466,317
	<u>27,899,023</u>	<u>263,538</u>	<u>0</u>	<u>28,162,561</u>
Accumulated depreciation:				
Buildings	8,290,819	533,156	0	8,823,975
Land improvements	2,770,638	31,817	0	2,802,455
Movable equipment	1,559,259	118,972	0	1,678,231
Library books	423,001	13,973	0	436,974
	<u>13,043,717</u>	<u>697,918</u>	<u>0</u>	<u>13,741,635</u>
Capital assets, net	<u>\$ 14,855,306</u>	<u>\$ (434,380)</u>	<u>\$ 0</u>	<u>\$ 14,420,926</u>

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NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2014 and 2013 are as follows:

	2014	2013
Payable to vendors and contractors	\$ 437,300	\$ 332,824
Accrued wages	569,399	545,763
Other accrued liabilities	382,995	330,400
Total	\$ 1,389,694	\$ 1,208,987

NOTE 7 – LONG-TERM OBLIGATIONS

The changes in the College's long-term obligations during fiscal year 2014 and 2013 were as follows:

	2014				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 349,679	\$ 9,060	\$ (58,134)	\$ 300,605	\$ 45,091
Deposits	20,720	84,307	(29,608)	75,419	0
Deferred inflows of resources	2,334,382	3,073,705	(3,397,579)	2,010,508	2,010,508
Total long-term liabilities and deferred inflows of resources	\$ 2,704,781	\$ 3,167,072	\$ (3,485,321)	\$ 2,386,532	\$ 2,055,599

	2013				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 400,566	\$ 15,269	\$ (66,156)	\$ 349,679	\$ 52,452
Deposits	11,858	110,768	(101,906)	20,720	0
Deferred inflows of resources	2,846,863	5,105,366	(5,617,847)	2,334,382	2,334,382
Total long-term liabilities and deferred inflows of resources	\$ 3,259,287	\$ 5,231,403	\$ (5,785,909)	\$ 2,704,781	\$ 2,386,834

NOTE 8 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES

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

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a. School Employees Retirement System

Plan Description - The College contributes to 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 the SERS' website at 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 2013, 13.05 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, 2014, 2013 and 2012 were \$278,764, \$269,396 and \$289,291, respectively, equal to the required contributions for each year.

b. State Teachers Retirement System

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

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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 2014, plan members were required to contribute 11 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 11 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, 2014, 2013 and 2012 were \$496,438, \$529,025 and \$589,842, respectively. 100 percent 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 SERS and STRS. The alternative retirement plans shall be defined-contribution plans, with the Ohio employer contribution rates of 6.0% and 4.5%, respectively. The College has implemented the alternative retirement plan. In fiscal years 2014, 2013, and 2012 the employer contribution was \$73,235, \$73,053, and \$72,035, 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 SERS 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. The Medicare Part B monthly premium for calendar year 2014 is \$104.90 for most participants, but could be as high as \$335.70 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

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For the Fiscal Years Ended June 30, 2014 and 2013

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 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 fiscal year 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013, and 2012 were \$2,788, \$3,290, and \$12,528, 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 2014, the actuarially required allocation was 0.76 percent of covered payroll. The College's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$15,133, \$15,218, and \$17,084, 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 STRS for eligible retirees who participated in the defined benefit or combined pension plans. 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 or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS 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. 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 2014, STRS allocated employer contributions equal to 1 percent of covered

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2014 and 2013

payroll to the Health Care Stabilization Fund. The College's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$35,460, \$40,694, and \$45,373, 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, 2014 and 2013:

	2014	2013
Salaries and wages	\$ 6,592,101	\$ 7,251,534
Employee benefits	3,022,604	3,161,488
Utilities	279,023	276,173
Supplies and other services	3,400,605	3,278,346
Depreciation	776,424	697,918
Student scholarships and financial aid	880,738	1,058,068
	<u>\$ 14,951,495</u>	<u>\$ 15,723,527</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 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.

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.

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

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

The College contracts with Anthem Blue Cross Blue Shield for hospitalization, CoreSource for dental insurance and Vision Service Plan for vision insurance. The College pays 80 percent of the total monthly premiums for dental and vision coverage's and the employee pays for the remaining 20 percent. The College pays 50 percent, 80 percent, or 90 percent of the total monthly premiums for hospitalization and major medical and the employees pay the remaining 50 percent, 20 percent, or 10 percent depending on level of benefit chosen. Premiums are paid from the same funds that pay the employees' salaries.

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2014 and 2013

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 12 – COMPONENT UNIT DISCLOSURES

The Washington State Community College Foundation (Foundation) is a legally separate, tax-exempt component unit of Washington State Community College (College).

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.

Equity in Pooled Cash and Cash Equivalents and Investments:

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

As of June 30, 2014, the carrying amount of the Foundation's deposits was \$134,833 and the bank balance of \$136,357 was covered by FDIC.

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, 2014 and 2013:

<u>Investment Type</u>	<u>2014 Fair Value</u>	<u>2013 Fair Value</u>
Money Market Funds	\$ 32,562	\$ 33,372
Equities	557,098	431,112
Fixed Income	199,966	179,549
	<u>\$ 789,626</u>	<u>\$ 644,033</u>

Support Provided to the College:

During the years ended June 30, 2014 and 2013 the Foundation provided resources of \$29,782 and \$39,155 to or on behalf of the College for scholarships and other purposes.

October 8, 2014

Board of Trustees
Washington State Community College
710 Colegate 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, in accordance with the 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, the financial statements of Washington State Community College, Washington County, Ohio, (the College) and the aggregate discretely presented component unit, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 8, 2014, wherein we noted the College reclassified deferred revenues as of June 30, 2013 to deferred inflows of resources to implement Governmental Accounting Standards Board (GASB) Statement No. 65.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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 College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

New Philadelphia, Ohio

October 8, 2014

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

**Independent Auditor's Report on Compliance for Each Major
Federal Program and Report on Internal Control over Compliance
Required by OMB Circular A-133**

Report on Compliance for Each Major Federal Program

We have audited Washington State Community College's (the College) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Washington State Community College's (the College) major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the College's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each of the major federal programs. However, our audit does not provide a legal determination of the College's compliance.

Opinion on the Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular No. A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on the major federal program is not modified with respect to these matters.

The College's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Washington State Community College
Report on Compliance for Each Major Federal Program
and Report on Internal Control over Compliance
Required by OMB Circular A-133
Page 3 of 3

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001, that we consider to be a significant deficiency.

The College's response to the compliance and internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hea & Associates, Inc.

New Philadelphia, Ohio

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2014

	<u>Federal CFDA Number</u>	<u>Pass through Entity Identifying 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		\$ 2,574,396
Federal Work Study	84.033		45,156
Federal Direct Student Loans (Note 3)	84.268		<u>2,867,777</u>
Total Student Financial Aid Cluster			5,487,329
TRIO Cluster			
Educational Talent Search	84.044		279,287
Upward Bound	84.047		<u>241,655</u>
Total TRIO Cluster			520,942
<i>Passed Through Ohio Department of Education</i>			
Vocational Education - Basic Grants to States	84.048	064345-20C3-2011	88,921
<i>Passed Through Ohio Department of Development</i>			
Small Business Center Grant: RSC/SBDC			
Entrepreneurship Project - ARRA	84.390	ECDD11-063	<u>70,666</u>
Total U.S. Department of Education			6,167,858
<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		21,714
<u>U.S. Small Business Administration</u>			
<i>Passed Through Ohio Department of Development:</i>			
Small Business Development Center	59.037	22000130	64,915
<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	22,968
Summer Food Program	10.559	N/A	<u>3,289</u>
Total U.S. Department of Agriculture			<u>26,257</u>
Total Federal Awards			<u>\$ 6,280,744</u>

See accompanying notes to the schedule of expenditures of federal awards

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

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 2014, 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.

Federal Subsidized Loans	\$1,418,811
Federal Unsubsidized Loans	<u>1,448,966</u>
Total Federal Direct Student Loans	<u>\$2,867,777</u>

**WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, SECTION .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(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?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under Section .510?	Yes
(d)(1)(vii)	Major Programs (list): Student Financial Assistance Cluster: Federal Pell Grant Federal Work Study Federal Direct Student Loans	CFDA #'s: 84.063 84.033 84.268
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS

NONE

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, SECTION .505 (Continued)
JUNE 30, 2014

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Significant Deficiency/Non-compliance – Special Tests and Provisions

Finding Number	2014-001
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Program Information:

Federal Programs and CFDA Numbers:

Federal Agency: U.S. Department of Education

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

Noncompliance – 34 CFR 668.22(j)

Criteria: Federal regulation 34 CFR 668.22(j) Timeframe for the return of title IV funds. (1) An institution must return the amount of title IV funds for which it is responsible under paragraph (g) of this section as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew as defined in paragraph (l)(3) of this section.

Condition Found: In our sample of 17 students, we noted the return of funds was not performed within the required 45 day timeframe for 5 students.

Cause: The College did not have proper procedures in place to ensure all returns were prepared in a timely manner. It was also noted there was no supervisory review taking place to prevent or detect potential noncompliance.

Questioned Costs: \$0

Effect: College is not in compliance with Return of Title IV Funds regulations that require an institution to return its share of Title IV funds no later than 45 days after the date of the institution's determination that the student withdrew.

Recommendations: We recommend the College implement procedures to ensure all withdrawn students are properly communicated to the financial aid office to ensure timely return of funds. We also recommend the Financial Aid Director formally approve all returns before they are submitted to the department of education.

Management Response: The College instituted a new procedure of having the financial aid department notified by a system generated withdrawal report. Once notified of a withdrawal, financial aid will have at least two employees crosschecking the Title IV refunds for timely return on a weekly basis.

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2013-001	Material Weakness – Financial Reporting	Yes	
2013-002	Significant Deficiency – System Backups	Yes	
2013-003	Non-Compliance: Timely Return of Title IV Funds.	No	Repeated as Finding 2014-001: Significant Deficiency/ Noncompliance

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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
NOVEMBER 6, 2014**