

**NORTHWEST STATE COMMUNITY COLLEGE**

**HENRY COUNTY**

**FINANCIAL STATEMENTS**

*Year Ended June 30, 2002*





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees  
Northwest State Community College

We have reviewed the Independent Auditor's Report of the Northwest State Community College, Henry County, prepared by Steyer & Co. for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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JIM PETRO  
Auditor of State

November 19, 2002

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**NORTHWEST STATE COMMUNITY COLLEGE**

**HENRY COUNTY**

**APPOINTED OFFICIALS**

*AS OF JUNE 30, 2002*

<u>OFFICIAL</u>	<u>TERM ENDING</u>
<u>BOARD OF TRUSTEES</u>	
Chair: Darrell W. Handy 248 Harding Street Defiance, OH 43512	June 30, 2003
Vice Chair: Phillip R. McCartney	June 30, 2005
Secretary: Peter C. Beck	June 30, 2008
Members: Dr. Jon A. Bisher Michael J. Faber Elizabeth Stotzer Leupp Bryan B. Keller Gina R. Short	June 30, 2003 June 30, 2005 June 30, 2002 June 30, 2005 June 30, 2002

**NORTHWEST STATE COMMUNITY COLLEGE**

**HENRY COUNTY**

**ADMINISTRATIVE PERSONNEL**

*AS OF JUNE 30, 2002*

<u>NAME</u>	<u>POSITION</u>
Dr. Larry G. McDougle 600 Rohm Drive Napoleon, Ohio 43545	President
Kenneth A. Esterline	Executive Assistant to the President
Dr. Thomas L. Stuckey	Executive Vice President

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# STEYER & CO.

*Certified Public Accountants*

2000 NORTH CLINTON STREET  
DEFIANCE, OHIO 43512  
PHONE (419) 782-1030  
FAX (419) 782-5298

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Northwest State Community College  
Archbold, Ohio

We have audited the accompanying basic financial statements of the Northwest State Community College, a component unit of the State of Ohio, as of and for the year ended June 30, 2002, as listed in the table of contents. These basic financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Northwest State Community College as of June 30, 2002 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 17 to the basic financial statements, the College adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*; Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – For Public Colleges and Universities*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 2 through 6, is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standard Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Steyer & Co." with a period at the end.

STEYER & CO.  
Certified Public Accountants

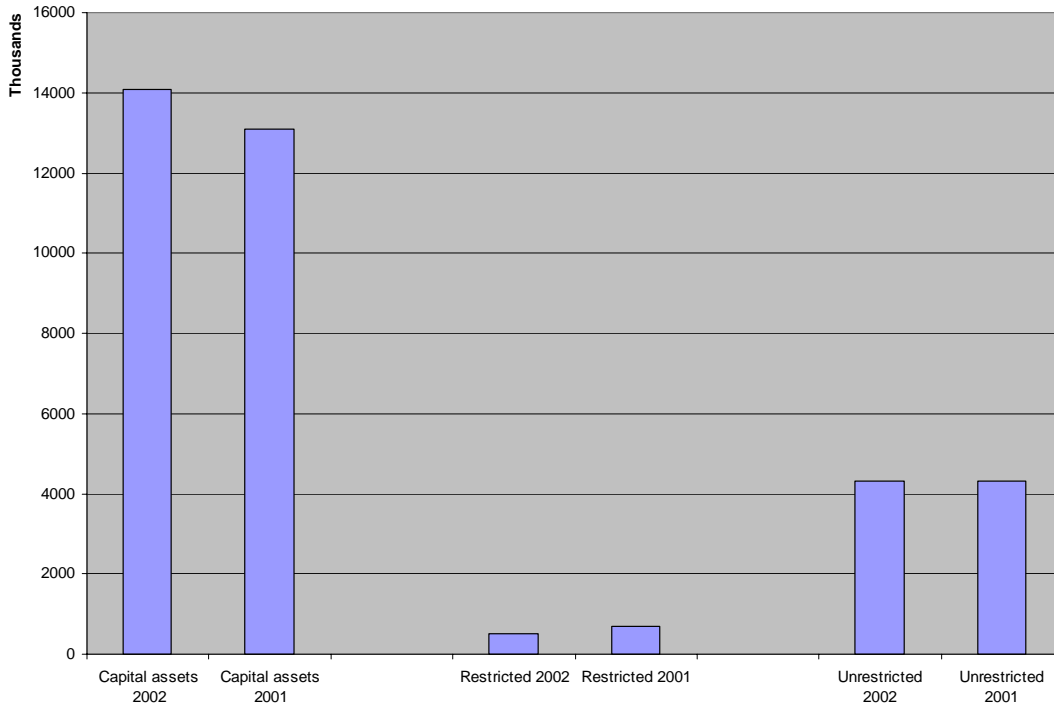
Defiance, Ohio  
September 18, 2002

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2002**

The discussion and analysis of Northwest State Community College's financial statements provides an overview of the College's financial activities for the year ending June 30, 2002. Our Auditor's have prepared the financial statements and the related footnote disclosures; the management of the college has prepared this discussion and analysis of the financial standing of the institution.

**Financial Highlights**

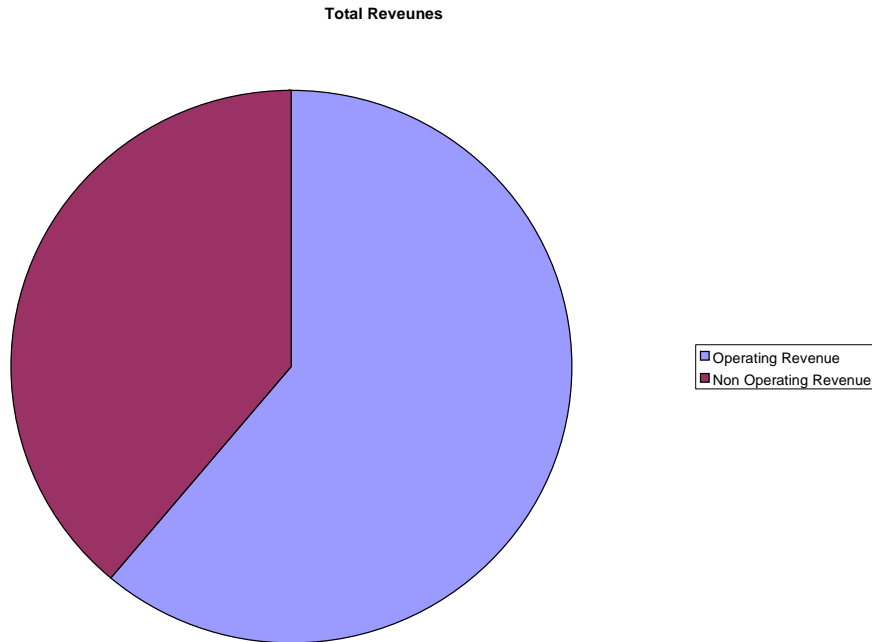
The net asset increases from fiscal year 2000-2001 to 2001-2002 are shown below:



Northwest State's financial position, as a whole improved during the fiscal year ending June 30, 2002. Its net assets increased by \$794,720 or 4% from the previous year. Capital Assets increased \$975,330 or 7% due to the completion of a new building; Restricted Assets decreased by \$184,485 or 27% from the prior year. This decrease in the Restricted Assets is due to the completion of and an overall decrease in the number of job training and industry related grants managed by the college. Unrestricted Assets increased \$3,876 even after funding \$330,560 of the cost of the new Technology Center. The increase can be attributed to an increase in enrollment and sound fiscal management.

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*June 30, 2002*

The following chart provides a graphic breakdown of revenues by category for the fiscal year ending June 30, 2002:



In the fiscal year ending June 30, 2002, institutional revenues and other support exceeded expenses, creating an increase in net assets of \$794,721.

**Using This Annual Report**

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

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

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

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

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

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2002**

<b>Assets</b>	6/30/2001	6/30/2002	Change
<b>Current Assets</b>			
Cash and cash equivalents	\$4,727,446	\$4,844,630	\$117,184
Accounts receivable net	\$1,525,824	\$1,139,866	(\$385,958)
Inventories	<u>\$154,096</u>	<u>\$202,583</u>	<u>\$48,487</u>
Total current assets	\$6,407,366	\$6,187,079	(\$220,287)
<b>Non current assets</b>			
Land	\$176,657	\$176,657	\$0
Capital assets, net	<u>\$12,919,192</u>	<u>\$14,017,782</u>	<u>\$1,098,590</u>
Total noncurrent assets	\$13,095,849	\$14,194,439	\$1,098,590
Total assets	\$19,503,215	\$20,381,518	\$878,303
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	\$571,708	\$396,138	(\$175,570)
Capital lease obligation	\$5,692	\$52,622	\$46,930
Compensated absences	\$547,773	\$512,112	(\$35,661)
Deferred revenue	<u>\$278,315</u>	<u>\$378,764</u>	<u>\$100,449</u>
Total current liabilities	\$1,403,488	\$1,339,636	(\$63,852)
<b>Noncurrent liabilities</b>			
Capital lease obligation		\$70,638	\$70,638
Compensated absences		<u>\$76,796</u>	<u>\$76,796</u>
Total noncurrent liabilities		\$147,434	\$147,434
Total liabilities	\$1,403,488	\$1,487,070	\$83,582
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$13,095,849	\$14,071,179	\$975,330
<b>Restricted for</b>			
<b>Expendable</b>			
Scholarships and grants	\$416,560	\$16,159	(\$400,401)
Capital projects	\$262,310	\$478,226	\$215,916
Unrestricted	<u>\$4,325,008</u>	<u>\$4,328,884</u>	<u>\$3,876</u>
	\$18,099,727	\$18,894,448	\$794,721

**Operating Revenue**

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

- On June 7, 2001, the Board of Trustees voted to increase tuition by 5.3% effective for the Fall Session 2001.
- For the Academic year 2001-2002, Northwest State Community College experiences significant growth with an FTE increase of approximately 17%. This also explains the increase in revenues experienced in the auxiliary services.
- In the restricted funds, Northwest State experienced a decrease in revenue due to a decrease in the number of Job Training and Industry related grants administered by the institution.

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*June 30, 2002*

**Operating Expenses**

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

- The institution experienced an increase in salary and benefit costs related to increased enrollment.
- An increase in expenses related to building and equipping the new Technology Center. This project was partially funded by the State of Ohio and the Bryan Foundation; however, the college costs associated with the project were \$330,560 for the building plus additional equipment costs.
- Additional costs of \$75,000 were incurred to develop the College's web site.
- Upgrading of computer labs resulted in additional expenses in the restricted and unrestricted funds.
- The college was awarded a SkillMax grant to enable the development of a new testing center. The grant was used to purchase the hardware, software, training and materials for the center. Funds from the operational budget of the college were used to do the necessary remodeling.
- The College developed a new Student Success Center. In addition to the funds provided by the state, the costs to the College in remodeling and furnishing the center were approximately \$70,000.

**Revenues**

Total operating revenue	\$8,996,816
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**Expenses**

Total operating expenses	<u>14,957,227</u>
Operating Loss	(5,960,411)

<b>Non-operating Revenue (Expense)</b>	5,714,481
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<b>Other revenues, expenses, gains or losses</b>	<u>1,040,651</u>
<b>Increase in Net Assets</b>	\$794,720

**Statement of Cash Flows**

Another way to assess the financial health of the institution is to look at the Statement of Cash Flows. The primary purpose of this statement is to provide relevant information about the cash receipts and cash expenditures for the institution during fiscal year 2001-02. The Statement of Cash Flows helps users assess:

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

<b>Cash flows from operating activities</b>	(\$4,822,243)
<b>Cash flows from non-capital financing activities</b>	5,571,308
<b>Cash flows from capital financing activities</b>	(786,895)
<b>Cash flows from investing activities</b>	155,014
<b>Net Increase in Cash</b>	<u>117,184</u>
<b>Beginning Balance</b>	<u>4,727,446</u>
<b>Ending Balance</b>	4,844,630

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*June 30, 2002*

The primary use of cash for supporting operating activities was used for salaries and benefits, and payments to suppliers. The major sources of operating cash were tuition and fees, and grants and contracts (specifically federal financial aid). The other major source of income, although not considered cash flows from operating, is the state appropriations. State appropriations decreased approximately 2% despite sustained growth, due to state budget cuts. Colleges without sustained growth experienced more than a 6% decrease in state appropriations.

As mentioned prior, another significant use of cash was for the completion of the Technology Center and the purchase of necessary equipment and furnishing for the building.

**Economic factors that will affect the future**

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

In April 2002, the Board approved an additional 6% tuition increase to attempt to offset the anticipated budget cuts. Additionally, the institution is being proactive in intentional growth in specific programs on campus.

Despite the reduction in state funding, the institution's current financial and capital plans indicate continued financial stability.

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
STATEMENT OF NET ASSETS**  
*June 30, 2002*

**ASSETS**

Current Assets

Cash and cash equivalents	\$ 4,516,274
Accounts receivable, net (Note 5)	904,044
Inventories	202,583
Total current assets	5,622,901

Noncurrent Assets

Restricted cash and cash equivalents	328,356
Accounts receivable (Note 5)	235,822
Land (Note 7)	176,657
Library books (Note 7)	595,757
Capital assets, net (Note 7)	13,422,025
Total noncurrent assets	14,758,617
Total assets	20,381,518

**LIABILITIES**

Current Liabilities

Accounts payable	379,877
Accrued liabilities	2,055
Intergovernmental payables	14,206
Capital lease obligation (Note 8)	52,622
Compensated absences (Note 8)	512,112
Deferred revenue	378,764
Total current liabilities	1,339,636

Noncurrent liabilities

Capital lease obligation	70,638
Compensated absences	76,796
Total noncurrent liabilities	147,434
Total liabilities	1,487,070

**NET ASSETS**

Invested in capital assets, net of related debt	14,071,179
Restricted for	
Expendable	
Scholarships and grants	16,159
Capital projects	478,226
Unrestricted	4,328,884
Total net assets	\$ 18,894,448



**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
*For the Year Ended June 30, 2002*

**REVENUES**

Operating Revenues	
Tuition, fees, and other student charges (net of scholarship allowances of \$1,412,205)	\$ 4,563,027
Federal grants and contracts	1,857,137
State grants and contracts	818,798
Nongovernmental gifts and grants	94,003
Auxiliary enterprises	
Food service	305,666
Bookstore (net of scholarship allowances of \$249,167)	1,126,227
Other operating revenues	231,958
Total operating revenues	<u>8,996,816</u>

**EXPENSES**

Operating Expenses	
Education and General	
Instruction	5,501,767
Public service	807,120
Academic support	428,474
Student services	1,240,342
Institutional support	2,466,539
Operation and maintenance of plant	1,519,913
Scholarships and grants	654,560
Total educational and general	<u>12,618,715</u>
Auxiliary enterprises	1,503,829
Depreciation	834,683
Total operating expenses	<u>14,957,227</u>
Operating loss	<u>(5,960,411)</u>

**NONOPERATING REVENUES (EXPENSES)**

State appropriations	5,571,308
Investment income	155,014
Interest on capital asset - related debt	(11,841)
Net nonoperating revenues (expenses)	<u>5,714,481</u>
Income (loss) before other revenues, expenses, gains, or losses	(245,930)
Capital appropriations from the State of Ohio	1,105,587
Capital grants and gifts	33,708
Loss on disposal of assets	(98,645)
Increase in net assets	<u>794,720</u>

**NET ASSETS**

Net assets - beginning of year, as restated	<u>18,099,728</u>
Net assets - end of year	<u>\$ 18,894,448</u>

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
STATEMENT OF CASH FLOWS  
June 30, 2002**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and fees	\$ 4,708,561
Grants and contracts	2,824,470
Payments to suppliers	(4,342,200)
Payments for utilities	(286,205)
Payments to employees	(6,588,164)
Payments for benefits	(2,131,505)
Payments for scholarships and grants	(661,355)
Auxiliary enterprise	
Food service	310,298
Bookstore	1,111,899
Other receipts (payments)	231,957
Net cash used by operating activities	<u>(4,822,244)</u>

**CASH FLOWS FROM NONCAPITAL  
FINANCING ACTIVITIES**

State appropriations	<u>5,571,308</u>
Net cash provided by noncapital financing activities	<u>5,571,308</u>

**CASH FLOWS FROM CAPITAL  
FINANCING ACTIVITIES**

Capital appropriations	1,105,587
Capital grants and gifts	33,708
Purchases of capital assets	(1,883,410)
Principal paid on capital debt and leases	(30,938)
Interest paid on capital debt and leases	(11,841)
Net cash used by capital financing activities	<u>(786,894)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on investments	<u>155,014</u>
Net cash used by investing activities	<u>155,014</u>

Net decrease in cash and cash equivalents	117,184
Balances - beginning of year	<u>4,727,446</u>
Balances - end of year	<u>\$ 4,844,630</u>

Reconciliation of operating loss to net cash  
used by operating activities:

Operating loss	\$ (5,960,411)
Adjustments to reconcile operating income to net cash used by operating activities	
Depreciation expense	834,683
Change in assets and liabilities	
Receivables, net	385,958
Inventories	(48,487)
Accounts payable	(175,570)
Compensated absences	41,135
Deferred revenue	100,449
Net cash used by operating activities	<u>\$ (4,822,243)</u>

Noncash Transactions

Equipment acquired by lease	\$ 148,505
Capital lease	(148,505)

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 1 – REPORTING ENTITY**

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

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

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

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

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

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – For Public Colleges and Universities* effective for the College's year ended June 30, 2002, the full scope of the College's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

Fiduciary funds however, are not included in the accompanying financial statements. The College's only fiduciary fund is the agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Northwest State maintains an agency fund for the NSCC Student Body Organization and the NSCC Alumni. At June 30, 2002 the amounts held for the NSCC Student Body Organization & the NSCC Alumni are \$4,259 and \$1,018, respectively.

**B. Basis of Accounting**

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

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

NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Cash and Cash Equivalents**

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

**D. Investments**

Investments when purchased are stated at cost and, if received through gift, at market value at the date of gift if a market value is available; otherwise, they are stated at an appraisal or nominal value. The College had no investments as of June 30, 2002.

**E. Receivables**

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

**F. Inventories**

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

**G. Capital Assets**

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

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

**H. Restricted Assets**

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

**I. Noncurrent Long-Term Liabilities**

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

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the College will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is based on the College's past experience of making termination payments.

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

**K. Deferred Revenue**

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

NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Net Assets**

The College's net assets are classified as follows:

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

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

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

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

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

**M. Scholarship Allowances**

Student tuition and fees revenue and certain other revenues from College charges are reported net of scholarship allowances in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship allowance is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the 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.

**N. Revenue and Expense Recognition**

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

**O. Budgetary Process**

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

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. 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.

**Q. Use of Estimates**

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

**NOTE 3 - STATE SUPPORT**

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

In addition to the student subsidies, the State of Ohio provides the funding and constructs major plant facilities on the College's campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission, which in turn causes the construction and subsequent lease of the facility by the Ohio Board of Regents. Costs incurred during construction are included in construction in progress. Upon completion of a facility, the Board of Regents turns over control to the College. College facilities are not pledged as collateral for these revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the state.

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

**NOTE 4 – DEPOSITS AND INVESTMENTS**

**Legal Requirements**

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

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

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

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002**

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

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

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

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

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

At fiscal year end, the College had \$2,850 in undeposited cash on hand, which is included on the Statement of Net Assets of the College as part of cash.

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

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002**

**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Deposits**

At fiscal year end, the carrying amount of the College's deposits was \$4,841,780 and the bank balance was \$5,510,656. \$200,000 of the bank balance was covered by federal depository insurance and \$5,310,656 was covered by collateral held by the bank in the College's name. Although the securities serving as collateral were held by the pledging institution and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the College to a successful claim by the FDIC.

**Investments**

Investments are categorized below to give an indication of the level of risk assumed by the College. Category 1 includes investments that are insured or registered or for which the securities are held by the College or its agent in the College's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the College's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the College's name. The College had no investments in these categories at June 30, 2002.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Investments
GASB Statement 9	\$ 4,844,630
Cash on Hand	(2,850)
GASB Statement 3	<u>\$ 4,841,780</u>

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2002 were as follows:

	<u>Gross Receivables</u>	<u>Allowance For Doubtful Accounts</u>	<u>Net Receivables</u>
Current Receivables:			
Students	\$ 298,466	\$ (35,468)	\$ 262,998
Pledges	22,784	-	22,784
Intergovernmental	510,898	-	510,898
Litigation	99,999	-	99,999
Other	7,365	-	7,365
Total Current Receivables	<u>939,512</u>	<u>(35,468)</u>	<u>904,044</u>
Noncurrent Receivables:			
Pledges	<u>235,822</u>	<u>-</u>	<u>235,822</u>
Total Accounts Receivable	<u>\$ 1,175,334</u>	<u>\$ (35,468)</u>	<u>\$ 1,139,866</u>



**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002**

**NOTE 6 – DONOR RESTRICTED ENDOWMENTS**

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

At June 30, 2002, there was no net appreciation on donor restricted assets available to be spent.

**NOTE 7 – CAPITAL ASSETS**

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

	<b>Restated Balance July 1, 2001</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2002</b>
Capital Assets, Non-Depreciable:				
Land	\$ 176,657	\$ -	\$ -	\$ 176,657
Construction in Progress	351,958	-	351,958	-
Library Books	<u>601,514</u>	<u>27,956</u>	<u>33,713</u>	<u>595,757</u>
Total Non-Depreciable	1,130,129	27,956	385,671	772,414
Capital Assets, Depreciable:				
Buildings	15,061,520	1,764,578	-	16,826,098
General Infrastructure	1,607,054	-	-	1,607,054
Machinery and Equipment	1,933,608	573,019	182,826	2,323,801
Motor Vehicles	<u>66,784</u>	<u>18,320</u>	<u>-</u>	<u>85,104</u>
Totals	18,668,966	2,355,917	182,826	20,842,057
Less Accumulated Depreciation:				
Buildings	4,824,291	546,472	-	5,370,763
General Infrastructure	764,236	45,618	-	809,854
Machinery and Equipment	1,070,161	235,060	117,895	1,187,326
Motor Vehicles	<u>44,556</u>	<u>7,533</u>	<u>-</u>	<u>52,089</u>
Totals	<u>6,703,244</u>	<u>834,683</u>	<u>117,895</u>	<u>7,420,032</u>
Total capital assets, depreciable, net	<u>11,965,722</u>	<u>1,521,234</u>	<u>64,931</u>	<u>13,422,025</u>
Capital Assets, net	<u>\$ 13,095,851</u>	<u>\$ 1,549,190</u>	<u>\$ 450,602</u>	<u>\$ 14,194,439</u>

Restatements in capital assets are due to accounting changes in the College's capitalization policy. See note 17 for more information on accounting changes.

**NOTE 8 – LONG-TERM LIABILITIES**

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

	<b>Balance July 1, 2001</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2002</b>	<b>Current Portion</b>
Capital Lease Payable	\$ -	\$ 148,505	\$ 25,245	\$ 123,260	\$ 52,622
Compensated Absences	547,773	41,135	-	588,908	512,112
Total Long-term Liabilities	<u>\$ 547,773</u>	<u>\$ 189,640</u>	<u>\$ 25,245</u>	<u>\$ 712,168</u>	<u>\$ 564,734</u>

Additional information regarding capital lease obligations is included in Note 9.

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002**

**NOTE 9 – LEASE OBLIGATIONS**

**Capital Lease Obligations** – Capital lease obligations relating to various forms of equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2002:

Fiscal Year Ending June 30,	Amount
2003	\$ 37,087
2004	37,087
2005	37,087
2006	37,087
Total minimum lease payments	148,348
Amount representing interest	(25,088)
Present Value of Future Lease Payments	\$ 123,260

Leased assets amount to \$148,505 at June 30, 2002, all of which is movable equipment.

**Operating Lease Obligations** – Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2002:

Fiscal Year Ending June 30,	Amount
2003	\$ 15,535
2004	14,253
2005	3,896
	\$ 33,684

Rental expense for all operating leases during the year was \$19,260.

**NOTE 10 – OPERATING EXPENSES BY FUNCTION AND NATURAL CLASS**

	Salaries And Benefits	Scholarships And Fellowships	Utilities	Supplies And other Services	Depreciation	Total
Instruction and departmental research	\$5,087,191	\$ -	\$ -	\$ 414,576	\$ -	\$ 5,501,767
Public service	551,056	-	-	256,064	-	807,120
Academic support	246,759	-	-	181,715	-	428,474
Student Services	707,122	-	-	533,220	-	1,240,342
Institutional support	1,354,105	-	-	1,112,434	-	2,466,539
Operations and maintenance	387,146	-	286,205	846,562	-	1,519,913
Scholarships and grants	-	654,560	-	-	-	654,560
Auxiliary enterprises	297,500	-	-	1,206,329	-	1,503,829
Depreciation	-	-	-	-	834,683	834,683
Totals	\$8,630,879	\$ 654,560	\$286,205	\$4,550,900	\$ 834,683	\$14,957,227

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002**

**NOTE 11 - NORTHWEST STATE COMMUNITY COLLEGE EDUCATION FOUNDATION**

Not included in these financial statements is the Northwest State Community College Foundation, Inc., a non-profit tax-exempt organization operated exclusively to provide support for the general educational needs of the college. Northwest State Community College Foundation was formed in 1975.

The college requests funds from the foundation for designated purposes. The request is subject to the approval by the Board of Trustees of the Foundation. The College paid expenses related to the Foundation's capital campaign which will be reimbursed. At June 30, 2002, \$113,436 due from the Foundation was included in accounts receivable.

**NOTE 12 - PENSION AND RETIREMENT PLANS**

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

**School Employees Retirement System**

The College contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll for fiscal year 2002. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS's Retirement Board. The College's required contributions for the fiscal years ended June 30, 2002, 2001, and 2000 were \$348,832, \$328,304, and \$314,601, respectively.

**State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the College is required to contribute 14 percent; 12 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The College's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$586,017, \$540,939, and \$485,792, respectively.

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002**

**NOTE 12 - PENSION AND RETIREMENT PLANS (CONTINUED)**

**Alternative Retirement Plan**

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

Eligible employees (those who are full-time and salaried) have 90 days from their date of hire to make an irrevocable election to participate in the alternate retirement plan. Under this plan, employees who would have otherwise been required to be in SERS or STRS and who elect to participate in the alternate retirement program must contribute the employee's share of retirement contributions (9% SERS, 9.3% STRS) to one of eight private providers approved by the State Department of Insurance. The legislation mandates that the employer must contribute 5.76% to the State Teachers Retirement System to which the employee would have otherwise belonged. The College also contributes what would have been the employer's share of the appropriate retirement system, less the aforementioned 5.76%, to the private provider selected by the employee. The College plan provides these employees with immediate plan vesting. The total employer contributions to the alternative retirement plan for the years ended June 30, 2002 and 2001 were \$17,561 and \$12,201, respectively.

**NOTE 13 - POST-EMPLOYMENT BENEFITS**

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

For STRS, all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the College, this amount equaled \$188,363 during the 2002 fiscal year. The balance in the Health Care Reserve Fund was \$3.256 billion at June 30, 2001. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2001, (the latest information available), the allocation rate was 9.8%. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the College, the amount to fund health care benefits, including surcharge, equaled \$258,475 during the 2002 fiscal year. For the fiscal year ended June 30, 2001, net health care costs paid by SERS were \$161,439,934. The number of participants currently receiving health care benefits is 50,000. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits were \$315.7 million.

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**NOTE 14 - LEGAL COMPLIANCE**

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

**NOTE 15 - RISK MANAGEMENT**

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

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

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

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

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

**NOTE 16 - GROUP PURCHASING POOLS**

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the College to NBEC for employee insurance benefits during this fiscal year were \$675,030. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002**

**NOTE 16 – GROUP PURCHASING POOLS (CONTINUED)**

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

**NOTE 17 – ACCOUNTING CHANGES**

Effective July 1, 2001, the College implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. The financial statement presentation required by these Statements is a single-column enterprise activity rather than the fund-group perspective previously reported. Significant accounting changes in order to comply with the new requirements include adopting depreciation on capital assets, reporting revenues net of discounts and allowances, eliminating inter-fund activities, classifying activities as operating or nonoperating, classifying assets and liabilities as current or noncurrent, and prorating summer school activities to periods earned.

Because of the new burden to adopt depreciation on capital assets, a new capitalization policy was adopted by the College (see note 2). A negative adjustment to fund balance in the amount of \$3,636,772 was needed to account for all assets previously capitalized but now qualifying under the new \$5,000 policy amount (see note 18).

In addition, the College implemented GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. Changes in existing disclosures include more detailed information on obligations under leases. New disclosures include information on the major components of receivable and payable balances.

**NOTE 18 – NET ASSET RESTATEMENT**

As referred to in note 17, the College implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – For Public Colleges and Universities*.

July 1, 2001 Fund Equity as Previously Reported	\$ 28,439,745
Implementation of GASB 34/35	(6,703,245)
Change in Accounting Capitalization Policy	<u>(3,636,772)</u>
July 1, 2001 Net Assets as Restated	<u>\$ 18,099,728</u>

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2002**

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Program Number</u>	<u>Federal CFDA Number</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
<b><u>U.S. Department of Education</u></b>				
Student Financial Assistance Programs Cluster:				
Federal Work Study Program	P033AXX3328	84.033	\$ 33,001	\$ -
Federal Supplemental Educational Opportunity Grant Program	P007AXX3328	84.007	44,433	-
Federal Pell Grant Program	P063PXX2609	84.063	<u>1,588,009</u>	<u>-</u>
Total Student Financial Assistance Programs Cluster			1,665,443	-
Passed Through Ohio Department of Education				
Vocational Education Basic Grant	063313 20-C2	84.048	58,583	-
Technical Preparation	063313 3E-00	84.243	127,800	-
Child Care Grant	P335AXX0144	84.335A	<u>1,341</u>	<u>-</u>
Total U.S. Department of Education			1,853,167	-
<b><u>U.S. Department of Agriculture</u></b>				
Passed Through Ohio Department of Education				
Child Care Food Subsidy	115105 16-CC&21-ML	10.558	<u>-</u>	<u>8,385</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$ 1,853,167</u>	<u>\$ 8,385</u>

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
*June 30, 2002***

**NOTE 1 - BASIS OF PRESENTATION**

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

**NOTE 2 - FAMILY EDUCATION LOANS**

While not listed in the accompanying schedules, the College also participates in the Federal Family Education Loan Program (CFDA No. 84.032), including Supplemental Loans for Students (SLS) and Parents' Loans for Undergraduate Students (PLUS). The dollar amounts are not listed in the Schedule of Expenditures of Federal Awards, as the College is not the recipient of the funds. Such programs are considered as a component of the student financial assistance major program. New loans made to eligible students and families during the year ended June 30, 2002, totaled \$1,856,034.

**NOTE 3 - CHILD CARE FOOD SUBSIDY**

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2002, the College had no significant fund commodities in inventory.



# STEYER & CO.

*Certified Public Accountants*

2000 NORTH CLINTON STREET  
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PHONE (419) 782-1030  
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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Northwest State Community College  
Archbold, Ohio

We have audited the basic financial statements of the Northwest State Community College, a component unit of the State of Ohio, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 18, 2002. 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.

### Compliance

As part of obtaining reasonable assurance about whether Northwest State Community College's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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



STEYER & CO.

Defiance, Ohio  
September 18, 2002

# STEYER & CO.

*Certified Public Accountants*

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

Board of Trustees  
Northwest State Community College  
Archbold, Ohio

### Compliance

We have audited the compliance of Northwest State Community College, a component unit of the State of Ohio, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. Northwest State Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Northwest State Community College's management. Our responsibility is to express an opinion on Northwest State Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB 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 Northwest State Community College's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Northwest State Community College's compliance with those requirements.

In our opinion, Northwest State Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

### Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the audit committee, board of trustees, management 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.

A handwritten signature in cursive script that reads "Steyer & Co.".

STEYER & CO.

Defiance, Ohio  
September 18, 2002

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2002**

**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
 Material weakness(es) identified? \_\_\_\_\_yes      X  no  
 Reportable condition(s) identified  
 not considered to be material weaknesses? \_\_\_\_\_yes      X  none reported

Noncompliance material to financial statements  
 noted? \_\_\_\_\_yes      X  no

***Federal Awards***

Internal control over major programs:  
 Material weakness(es) identified? \_\_\_\_\_yes      X  no  
 Reportable condition(s) identified  
 not considered to be material weaknesses? \_\_\_\_\_yes      X  none reported

Type of auditor's report issued on compliance  
 for major programs: Unqualified

Any audit findings disclosed that are required  
 to be reported in accordance with  
 Circular A-133, Section.510(a)? \_\_\_\_\_yes      X  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Assistance Programs Cluster

Dollar threshold used to distinguish  
 between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee?      X  yes    \_\_\_\_\_no

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2002**

**Section II - Financial Statement Findings**

The results of our tests disclosed no findings or questioned costs that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

**Section III - Federal Award Findings and Questioned Costs**

The results of our tests disclosed no findings or questioned costs that are required to be reported under Circular A-133, Section 510(a).

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Action Taken
00-1	Inadequate documentation of expenditures and fulfillment of grant requirements.	Yes	The College modified procedures to properly document expenditures to account for grant requirements.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**NORTHWEST STATE COMMUNITY COLLEGE**

**HENRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 17, 2002**