

**WASHINGTON STATE COMMUNITY COLLEGE
ANNUAL REPORT
71084-77-3580-00
SOUTHEAST REGION, WASHINGTON COUNTY
SINGLE AUDIT
JULY 1, 2002 THROUGH JUNE 30, 2003**



**Auditor of State
Betty Montgomery**

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 Crowe Chizek and Company LLC, for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 23, 2003

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WASHINGTON STATE COMMUNITY COLLEGE

Washington County

ANNUAL REPORT

June 30, 2003

CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS.....	1
REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS	8
FINANCIAL STATEMENTS	
STATEMENTS OF NET ASSETS.....	10
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	11
STATEMENTS OF CASH FLOWS.....	12
NOTES TO FINANCIAL STATEMENTS	13
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	23
REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	25
REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	27
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	29
APPOINTED OFFICIALS.....	30
ADMINISTRATIVE PERSONNEL	31

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WASHINGTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2003 and 2002

Washington State Community College (the College) Management Discussion and Analysis (MD&A) of its financial condition provides an overview of the financial performance of the College for the year ended June 30, 2003. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes.

Financial Highlights

The College's financial statements for FY 2002-2003 reported net assets of \$19.5 million at June 30, 2003. This represented an increase of \$821,000 from the previous fiscal year, primarily a result of completion of the Evergreen Child Development Center construction project and its addition to capital asset.

A 6.1% increase in enrollment from the previous year and a tuition increase of nearly 10% at the start of the academic year resulted in an increase in net tuition and fees of \$795,000. State appropriations, however, decreased by \$132,000 from previous fiscal year.

Funds previously allocated by the Board of Trustees for construction projects, in the amount of \$250,000, were utilized during the year, causing a reduction in unrestricted net assets and an increase in invested in capital assets for the year ending June 30, 2003. The completion of the Evergreen Child Development Center yielded a significant increase in invested in capital assets.

Using the Annual Report

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

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

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

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

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

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2003 and 2002

Condensed Financial Information

Statements of Net Assets (in thousands)

	2003	2002
ASSETS		
Current assets	\$ 3,929	\$ 4,113
Capital assets, net	17,615	16,653
Other non-current assets	107	76
Total assets	21,651	20,842
LIABILITIES		
Current liabilities	1,864	1,831
Non-current liabilities	273	318
Total liabilities	2,137	2,149
NET ASSETS		
Invested in capital assets, net of related debt	17,615	16,653
Restricted		
Nonexpendable	107	76
Expendable	494	494
Unrestricted	1,298	1,470
Total net assets	\$ 19,514	\$ 18,693

A review of the College's statements of net assets at June 30, 2003 shows that the College continues to build a strong financial foundation.

Assets As of June 30, 2003, the College's total assets amount to approximately \$21.7 million. Investment in capital assets, net of depreciation, represented the College's largest asset, totaling \$17.6 million or 81 percent of total assets. Net capital assets increased by \$962 thousand due, in part, to the completion of the Evergreen Child Development Center in January 2003. Accounts receivable, net of allowances for doubtful accounts, totaling \$2.6 million or 12 percent of total assets, were the College's next largest asset. Accounts receivable increased by approximately \$1.1 million, primarily a result of federal and state grant projects that ended but reimbursements were still outstanding.

Liabilities At June 30, 2003, the College's liabilities totaled approximately \$2.1 million. Accounts payable, accrued liabilities, and deferred revenue represented \$1.8 million or 85 percent, of total liabilities. Total liabilities remained fairly constant from fiscal year 2002 to fiscal year 2003.

Net Assets Net assets at June 30, 2003 totaled approximately \$19.5 million, or 89 percent, of total assets. Net assets invested in capital totaled \$17.6 million or 90 percent, of total net assets. Restricted and unrestricted net assets represented 3 percent and 7 percent of total net assets, respectively.

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WASHINGTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2003 and 2002

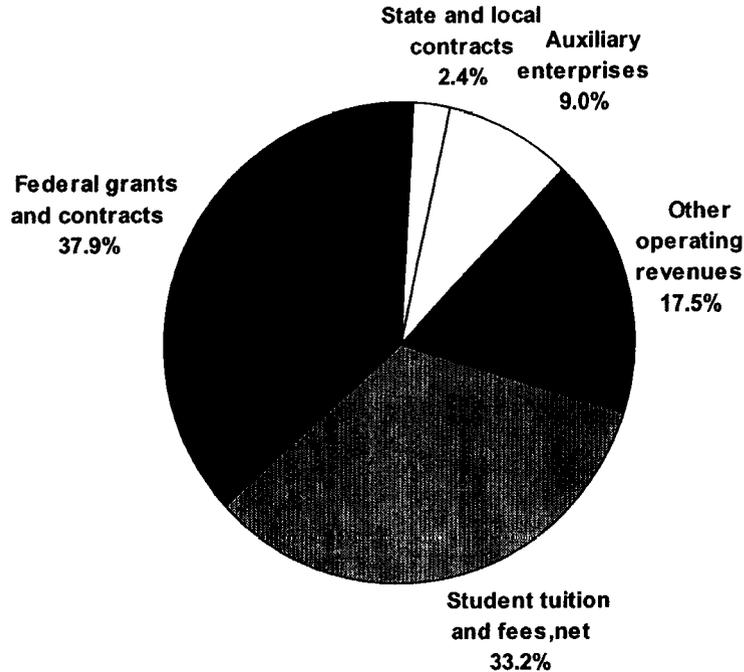
Statements of Revenues, Expenses and Changes in Net Assets (in thousands)

	2003	2002
OPERATING REVENUES		
Student tuition and fees, net	\$ 3,638	\$ 2,843
Grants and contracts	4,415	3,130
Auxiliary enterprises	985	731
Other operating revenues	1,912	354
Total operating revenues	10,950	7,058
OPERATING EXPENSES		
Educational and general	14,339	11,315
Depreciation	661	676
Auxiliary enterprises	1,162	892
Total operating expenses	16,162	12,883
Operating loss	(5,212)	(5,825)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	4,639	4,771
Investment return	4	(25)
Other non-operating expenses	81	0
Net non-operating revenues	4,724	4,746
Loss before other revenues	(488)	(1,079)
Capital appropriations	1,309	541
Increase/(decrease) in net assets	821	(538)
NET ASSETS		
Net assets-beginning of year	18,693	19,231
Net assets-end of year	\$ 19,514	\$ 18,693

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WASHINGTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2003 and 2002

OPERATING REVENUES



Total operating revenues were approximately \$11 million for the year ended June 30, 2003. The most significant sources of operating revenue for the College are federal grants and contracts (37.9 percent), net student tuition and fees (33.2 percent), and other operating revenues (17.5 percent).

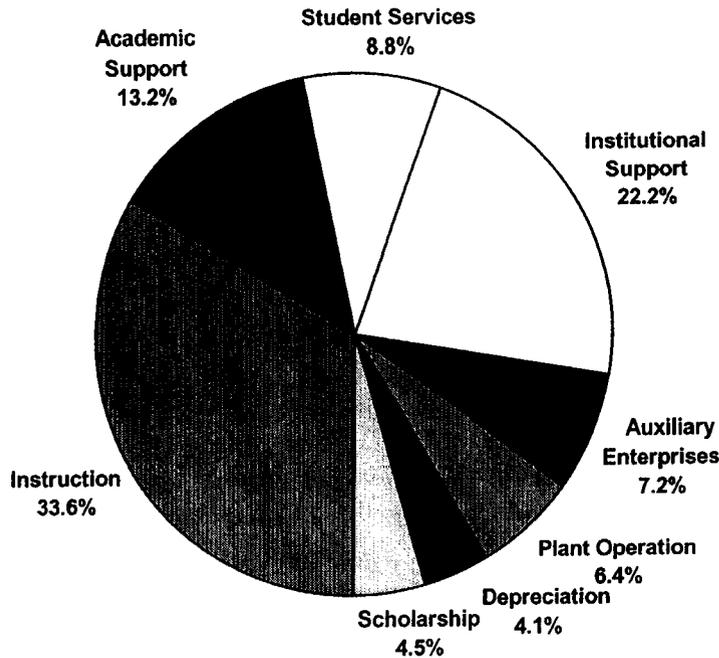
Tuition and fees continued to be one of the largest sources of operating revenues for the College. Income from student tuition and fees increased slightly because of a 6.1 percent increase in full-time enrollment equivalent during the academic year and an average tuition and fee increase of 10 percent.

There are other significant recurring sources of revenues essential to the operation of the College, including state appropriations and investment income, which are considered nonoperating revenues as defined by GASB 35. The College's state appropriation for the year ended June 30, 2003, amounted to \$4.6 million. This represents a decrease of \$132 thousand over the College's appropriation for the prior year.

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WASHINGTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2003 and 2002

OPERATING EXPENSES



Operating expenses, including \$661 thousand of depreciation, totaled approximately \$16.2 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 (33.6 percent), institutional support (22.2 percent), and academic support (13.2 percent). One of the College's core values is to provide students access to the College with the opportunity to succeed. The College's continued investment in student financial aid programs and student support services reflects this commitment.

For the year ended June 30, 2003, student financial aid related to tuition and fees totaled \$2.1 million, including student aid expenses of \$1.9 million and scholarship allowances of \$410 thousand. This represents an 11 percent increase in the approximately \$1.7 million expended for financial aid related to tuition and fees in the prior year.

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WASHINGTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2003 and 2002

Statements of Cash Flows (in thousands)

	2003	2002
Net cash provided (used) by:		
Operating activities	\$ (5,587)	\$ 4,869
Noncapital financing activities	4,691	4,772
Capital financing activities	(326)	476
Net increase in cash	(1,222)	379
Cash-beginning of year	2,404	2,025
Cash-end of year	\$ 1,182	\$ 2,404

Another way to assess the financial health of an institution is to look at the statements of cash flows. The primary purpose of the statements of cash flows is to provide information about the cash receipts and cash payments made by the College during the period. The statements 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 (\$3.6 million) and grants and contracts (\$4.2 million). The largest cash payments for operating activities were to employees, for wages and benefits, (\$10.3 million) and to suppliers (\$3.3 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 \$17.6 million at June 30, 2003, a net increase of \$961 thousand over the prior year-end. Additions to capital assets during the year totaled \$1.6 million, including \$1.4 million in construction projects with the completion of the Evergreen Child Development Center, which operates day care for students, employees, and community members.

At June 30, 2003, the College's new Center for Business and Technology building was scheduled to be completed and will be open for the start of Fall Quarter 2003.

FACTORS IMPACTING FUTURE PERIODS

The College continues to position for the future. There is a growing public recognition of the vital role the College plays in the economic future of the region. The College is committed to providing high quality, affordable education.

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2003 and 2002

There is a direct relationship between the level of state support and the College's ability to control tuition growth. Declining state appropriations often result in increased tuition rates. Aware of the fact that the College's tuition rate is among the highest for Ohio two-year colleges and that the College is located in an economically depressed region, a conscious effort is being made to proceed through Fiscal Year 2003-2004 with no increase in tuition. A projected increase of 6% in enrollment will help to offset what would otherwise have been gained through higher tuition.

Economic pressures affecting the State of Ohio resulted in a significant shortfall in revenue for the fiscal year ended June 30, 2003. This shortfall prompted the State to reduce the College's appropriations for the year by 2.5 percent. Any further reductions in state support will be difficult to absorb in the College's operating budget for FY2003-2004, as a reserve of funds for such a measure had not been established.

Management believes the College's continuing efforts to diversify revenue sources and maintain costs will enable the College to continue to provide an outstanding higher education experience at an affordable price. Grants are being pursued to supplement the operating budget, a newly constructed Center for Business and Technology will enhance the College's effort in maintaining a highly trained local workforce, and a College Foundation has been established as an avenue for attracting new sources of revenues.

The College is proceeding with a strategic plan, which will provide the framework for the future. Staff, students, and community members are participating in the process. The campus master plan is being updated to plan for future construction projects.

This is indeed an exciting time for the College, as plans for the future are developed and refined. Our challenge will be to secure the funds necessary to proceed with these plans.



Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS

Board of Trustees
Washington State Community College
Washington County
Marietta, Ohio

We have audited the accompanying statements of net assets of Washington State Community College (the College), a component unit of the State of Ohio, as of June 30, 2003 and 2002 and the statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

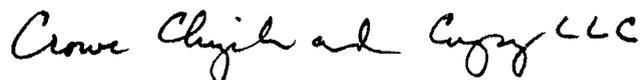
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College, as of June 30, 2003 and 2002, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the Financial Statements, the College adopted the provisions of the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*, as of July 1, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2003, 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.

Our audits were performed for the purpose of forming an opinion on the general-purpose financial statements of the 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 general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audits of the general-purpose 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.

The Management's Discussion and Analysis (MD&A) on pages 1 to 7 is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it.



Crowe Chizek and Company LLC

Columbus, Ohio
September 19, 2003

WASHINGTON STATE COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
June 30, 2003 and 2002

	2003		2002
	Washington State Community College	Component Unit Washington State Foundation	Washington State Community College
ASSETS			
Current Assets			
Cash and cash equivalents (Note 2)	\$ 1,181,813	\$ 23,200	\$ 2,404,162
Accounts receivable (net of allowance for doubtful accounts, \$39,392 in 2003 and \$39,626 in 2002) (Note 3)	2,620,346		1,564,002
Inventory	115,282		120,729
Prepaid expenses	11,193		23,955
Total current assets	<u>3,928,634</u>	<u>23,200</u>	<u>4,112,848</u>
Noncurrent Assets			
Investments	107,307		75,671
Capital assets, net (Note 4)	17,615,124		16,653,375
Total noncurrent assets	<u>17,722,431</u>	<u>--</u>	<u>16,729,046</u>
Total assets	<u>21,651,065</u>	<u>23,200</u>	<u>20,841,894</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities (Note 5)	914,848		951,801
Compensated absences, current portion	47,891		44,670
Deferred revenue	901,542		834,298
Total current liabilities	<u>1,864,281</u>		<u>1,830,769</u>
Noncurrent Liabilities			
Deferred revenue	1,000		63,260
Deposits held for others	384		1,793
Compensated absences	271,384		253,127
Total noncurrent liabilities	<u>272,768</u>	<u>--</u>	<u>318,180</u>
Total liabilities	<u>2,137,049</u>	<u>--</u>	<u>2,148,949</u>
NET ASSETS			
Invested in capital assets	17,615,124		16,653,375
Restricted for			
Nonexpendable			
Scholarships and fellowships	107,307		75,672
Expendable			
Capital projects	488,673		488,673
Loans	5,053		4,984
Unrestricted	1,297,859	23,200	1,470,241
Total net assets	<u>\$ 19,514,016</u>	<u>\$ 23,200</u>	<u>\$ 18,692,945</u>

See accompanying notes to the financial statements

WASHINGTON STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ended June 30, 2003 and 2002

	2003		2002
	Washington State Community College	Component Unit Washington State Foundation	Washington State Community College
REVENUES			
Operating revenues			
Tuition and fees, (net of scholarship allowances of \$1,909,110 in 2003 and \$1,788,699 in 2002)	\$ 3,637,786		\$ 2,843,081
Federal grants and contracts	4,154,994		2,804,439
State grants and contracts	260,343		326,026
Private grants and contracts		\$23,187	
Sales and service of educational departments	129,802		110,650
Auxiliary enterprises			
Bookstore	811,107		731,227
Child care center	174,389		
Other operating revenues	<u>1,781,917</u>	<u>19</u>	<u>242,837</u>
Total operating revenues	<u>10,950,338</u>	<u>23,206</u>	<u>7,058,260</u>
EXPENSES			
Operating expenses			
Education and general			
Instruction	5,433,935		4,351,706
Academic support	2,133,635		1,493,910
Student services	1,418,489		1,347,934
Institutional support	3,594,502		2,902,356
Operation and maintenance of plant	1,029,574		868,430
Depreciation	660,899		676,391
Student aid	728,629		351,122
Auxiliary enterprises			
Bookstore	944,006		892,001
Child care center	217,905		
Other expenditures		<u>6</u>	
Total operating expenses	<u>16,161,574</u>	<u>6</u>	<u>12,883,850</u>
Operating income/loss	<u>(5,211,236)</u>	<u>23,200</u>	<u>(5,825,590)</u>
NON-OPERATING REVENUES (EXPENSES)			
State appropriations subsidy	4,639,022		4,770,836
Private gifts and grants	81,044		55
Investment return	<u>3,635</u>		<u>(24,986)</u>
Net non-operating revenues	<u>4,723,701</u>		<u>4,745,905</u>
Income/(loss) before other revenues	<u>(487,535)</u>	<u>23,200</u>	<u>(1,079,685)</u>
Capital appropriations	<u>1,308,606</u>		<u>541,489</u>
Increase/(decrease) in net assets	821,071	23,200	(538,196)
NET ASSETS			
Net assets-beginning of year	<u>18,692,945</u>	--	<u>19,231,141</u>
Net assets-end of year	<u>\$ 19,514,016</u>	<u>\$ 23,200</u>	<u>\$ 18,692,94</u>

See accompanying notes to financial statements.

WASHINGTON STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2003 and 2002

	2003		2002	
	Component Unit			
	Washington State Community College	Washington State Foundation	Washington State Community College	
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	\$ 2,658,106		\$ 1,943,664	
Grants and contracts	3,653,342	\$ 23,187	2,983,999	
Payment to suppliers and utilities	(3,341,015)		(1,459,585)	
Payments to employees and benefits	(10,279,148)		(9,261,931)	
Auxiliary enterprise receipts	700,563		785,070	
Other receipts	1,020,700	13	139,285	
Net cash used by operating activities	<u>(5,587,452)</u>	<u>23,200</u>	<u>(4,869,498)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	4,639,022		4,770,836	
Gifts and grants for other than capital purposes	53,044		56	
Agency activity	(1,409)		1,475	
Net cash provided by noncapital financing activities	<u>4,690,657</u>	<u>--</u>	<u>4,772,367</u>	
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital appropriations	1,308,606		541,489	
Purchases of capital assets	(1,634,160)		(65,253)	
Net cash provided by capital financing activities	<u>(325,554)</u>	<u>--</u>	<u>476,236</u>	
Net change in cash	(1,222,349)	23,200	379,105	
Cash - beginning of year	2,404,162	--	2,025,057	
Cash - end of year	<u>\$ 1,181,813</u>	<u>\$ 23,200</u>	<u>\$ 2,404,162</u>	
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (5,211,236)	\$ 23,200	\$ (5,825,590)	
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation expense	660,899		676,391	
Changes in assets and liabilities				
Receivables, net	(1,056,344)		17,418	
Inventories	5,447		(32,140)	
Other assets	24,682		46,779	
Accounts payable	(36,953)		233,441	
Deferred revenue	5,984		(28,737)	
Deposits held for others	(1,409)		1,475	
Compensated absences	21,478		41,465	
Net cash used by operating activities	<u>\$ (5,587,452)</u>	<u>\$ 23,200</u>	<u>\$ (4,869,498)</u>	

See Accompanying notes to financial statements.

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

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

b. Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Washington State Foundation (Foundation) is a not-for-profit Ohio corporation formed in fiscal year 2003 and has been included in the College's financial statements as a component unit of the College.

Effective July 1, 2001, the College adopted GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. GASB No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net assets categories:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted:**
 - Nonexpendable* – Net assets subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the College's permanent endowment funds.
 - Expendable* – Net assets whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.
- **Unrestricted:** Net assets whose use by the College is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

c. 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.

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 buildings and fixed equipment, 15 years for library books and 4–10 years for equipment.

e. Inventories

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

f. Investments

Investments are stated at fair value.

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Deferred Revenue

Deferred revenue consists primarily of summer school fees. The College has deferred amounts received for tuition and fees prior to June 30, 2003 and 2002 but relate to the subsequent accounting period.

h. Accounts Receivable

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

i. Allowance for Doubtful Accounts

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

j. Restricted Asset Spending Policy

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

k. Operating Activities

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

l. Use of Estimates

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

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The balance sheet classification "cash and cash equivalents" includes all readily available sources of cash such as petty cash, demand deposits, certificates of deposit and temporary investments in marketable securities with original maturities less than three months. The carrying amount of the College's deposits was \$1,205,013 at June 30, 2003 and \$2,404,162 at June 30, 2002 with a corresponding total bank balance of \$1,425,761 at June 30, 2003 and \$2,678,795 at June 30, 2002. Of the bank balance, \$427,310 at June 30, 2003 and \$301,712 at June 30, 2002 was covered by federal depository insurance or by collateral held by a qualified third party trustee in the name of the College. The remaining \$998,450 at June 30, 2003 and \$2,377,078 at June 30, 2002 was classified as category 2 as defined below.

Category 1 :

Insured or collateralized with securities held by the College or by its agent in the in the College's name.

Category 2 :

Collateralized with securities held by the pledging financial institution's trust Department or agent in the College's name.

Category 3:

Uncollateralized.

The College's investments as of June 30, 2003 and 2002 were all category 1 and have a carrying and market value of \$107,307 and \$75,671, respectively.

Category 1: Insured or registered, or securities held by the University or its agent in the College's name.

Category 2: Uninsured and unregistered, with securities held by the counter party's trust department or agent in the College's name.

Category 3: Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent, but not in the College's name.

NOTE 3 - NOTES, LOANS AND ACCOUNTS RECEIVABLE

Notes, loans and accounts receivable as of June 30, 2003 and 2002 are as follows:

	2003			2002		
	Gross Receivable	Allowance	Net Receivable	Gross Receivable	Allowance	Net Receivable
Students	\$ 974,486	\$ 39,392	\$ 935,094	\$1,017,784	\$ 39,626	\$ 978,158
Reimbursement receivable – grant and contracts	1,459,916		1,459,916	362,254		362,254
Other	225,336		225,336	223,590		223,590
	<u>\$ 2,659,738</u>	<u>\$ 39,392</u>	<u>\$2,620,346</u>	<u>\$1,603,628</u>	<u>\$ 39,626</u>	<u>\$1,564,002</u>

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 4 - CAPITAL ASSETS, NET

Capital assets as of June 30, 2003 and 2002 are summarized as follows:

	<u>2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>2003</u>
<u>Assets</u>				
Land	\$ 980,000			\$ 980,000
Buildings	16,912,418	\$ 1,524,358		18,436,776
Land improvements	2,872,115	15,000		2,887,115
Library books	390,385	7,081		397,466
Moveable equipment	<u>2,885,763</u>	<u>87,721</u>	<u>\$ 11,512</u>	<u>2,961,972</u>
	24,040,681	1,634,160	11,512	25,663,329
 <u>Accumulated depreciation</u>				
Buildings	3,226,270	440,547		3,666,817
Land improvements	1,281,730	144,356		1,426,086
Library books	248,188	26,026		274,214
Moveable equipment	<u>2,631,118</u>	<u>61,482</u>	<u>11,512</u>	<u>2,681,088</u>
	7,387,306	672,411	11,512	8,048,205
Capital assets, net	<u>\$ 16,653,375</u>	<u>\$ 961,749</u>	<u>\$ --</u>	<u>\$ 17,615,124</u>

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
Payable to vendors and contractors	\$ 185,738	\$ 276,671
Accrued expenses, primarily payroll and vacation leave	530,957	473,654
Employee withholdings and deposits payable to third parties	<u>198,153</u>	<u>201,476</u>
	<u>\$ 914,848</u>	<u>\$ 951,801</u>

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 6 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES

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

a. School Employees' Retirement System

The College contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code.

SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 45 N. Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members were required to contribute 9% at June 30, 2002 and 2001 (date of most recent information available) of their annual covered salary and the College is required to contribute at an actuarially determined rate. The June 30, 2002 (date of most recent information available) and 2001 rate was 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The College's contributions to SERS for the years ended June 30, 2003 and 2002 were \$333,375 and \$311,522, respectively.

The payroll for employees covered by SERS for the years ended June 30, 2003 and 2002, was approximately \$2,378,418 and \$2,225,154, respectively; the total payroll for Washington State Community College was \$6,299,847 and \$5,936,219 for the fiscal years ended June 30, 2003 and 2002, respectively.

b. State Teachers' Retirement System

The State Teachers Retirement System of Ohio (STRS) is a cost-sharing, multiple-employer public employee retirement system. STRS is a statewide retirement plan for certified teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution, or other agency wholly controlled, managed, and supported in whole, or in part, by the state or any political subdivision thereof. Any member who has (1) five years of service credit and attained age 60, (2) 25 years of service credit and attained age 55, or (3) 30 years of service credit regardless of the "formula benefit" or the "money purchase benefit" calculation. Under the "formula benefit" the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest years' salaries. The annual allowance is determined by multiplying final average salary by 2.5% for each year of Ohio contributing service in excess of 30 years and by 2.1% for all other years of credited service up to a maximum allowance of 100% of final average salary.

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 6 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES (Continued)

Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual-retirement allowance.

Eligible faculty of Ohio's public college and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Full-time faculty with less than five years of service credit have a one-time option to select an ARP instead of STRS Ohio. Employees hired after the ARP is established have 90 days from their hire date to select a retirement plan.

A retiree of STRS or other Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or lump sum payment in addition to the original retirement allowance.

Retirement benefits are annually increased by the greater of the change in the Consumer Price Index (CPI) or the cumulative CPI increases since retirement, less previous cost of living increases, up to a maximum of 3% of the original benefit. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums.

A member with five or more years of credited service who becomes disabled is entitled to a disability benefit. Survivor benefits are available to eligible spouses and dependents of active members who die before retirement. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member. Additional death benefit coverage of \$1,000 or \$2,000 can be purchased. Various other benefits are available to the beneficiaries.

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2002 (date of most recent information available) and 2001, were 9.3% of covered payroll for members and 14% for employers. Employer contributions by the College were \$590,238 and \$516,644 for the years ended June 30, 2003 and 2002, respectively.

The amount of the employer's covered payroll for the years ended June 30, 2003 and 2002 was approximately \$4,215,986 and \$3,690,316, respectively.

STRS issues a stand-alone financial report. That report may be obtained after January 1, 2003 by writing to STRS, 275 E. Broad Street, Columbus, Ohio 43215 or by calling (614) 227-4090.

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 6 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES (Continued)

c. Alternative Retirement Plan

The State of Ohio requires public institutions of higher education to offer an alternative retirement plan to participating in the State Teachers Retirement System. The alternative retirement plan shall be a defined-contribution plan, with the Ohio employer contribution rate of 5.76%. The College has implemented the alternative retirement plan. In fiscal years 2003 and 2002, the employer match was \$7,657 and \$2,080, respectively.

NOTE 7 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to the pension benefits described in Note 6, the College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers' Retirement System and to retired noncertified employees and their dependents through the School Employees' Retirement System.

The State Teachers Retirement System provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code (RC), the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The RC grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The board currently allocates employer contributions equal to 8.0% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are made. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2002 (the date of the most recent information available). The Health Care Reserve Fund allocation for the years ended June 30, 2002 and 2001 and after will be 4.5% of covered payroll. The net health care costs paid by STRS was \$ 438,000,000 at June 30, 2002 and \$283,137,000 at June 30, 2001. There were 105,300 and 99,011 eligible benefit recipients at June 30, 2002 and 2001, respectively.

The Ohio Revised Code gives SERS the discretionary authority to provide post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. 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% of the premium.

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 7 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES (Continued)

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2002 (the date of the most recent information available) and 2001, the allocation rate was 8.45%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2002 (the date of the most recent information available) and 2001, the minimum pay was established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer-contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the date of the most recent information available) and 2001 were \$182,900,000 and \$161,400,000, respectively, and the target level was approximately \$274 million at June 30, 2002 and \$211 million at June 30, 2001. At June 30, 2002 (the date of the most recent information available) and 2001, the SERS' net assets available for payment of health care benefits was \$335.2 million and \$315.7 million, respectively.

The number of participants currently receiving health care benefits is approximately 60,000 at June 30, 2002 and 59,000 at June 30, 2001.

The employer contributions used to fund post-employment benefits can be determined by multiplying actual employer contributions by .450, then adding the surcharge due as of June 30, 2002 and 2001, as certified by SERS for our district.

NOTE 8 - OPERATING EXPENSES BY NATURAL CLASSIFICATION

The College's operating expenses by natural classification were as follows for the year ended June 30, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Salaries and wages	\$ 7,007,797	\$ 6,432,655
Employee benefits	3,271,351	2,829,276
Utilities	685,406	587,682
Supplies and other services	3,795,980	2,006,724
Depreciation	672,411	676,391
Student scholarships and financial aid	<u>728,629</u>	<u>351,122</u>
	<u>\$ 16,161,574</u>	<u>\$ 12,883,850</u>

NOTE 9 - 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 Continental Insurance Company for property and general liability insurance, including boiler and machinery coverage.

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 9 - RISK MANAGEMENT (Continued)

Vehicles are covered by Utica National Insurance Company and hold a \$250 deductible. Automobile liability coverage has a \$500,000 limit for collision and a \$500,000 limit for bodily injury. Settled claims have not exceeded any aforementioned commercial coverage in any of the past four years.

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

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

The College contracts with Anthem Blue Cross and Blue Shield Insurance for hospitalization and Delta Dental for dental insurance and Vision Service Plan for vision insurance. The College pays 90% of the total monthly premiums for this insurance coverage and the employee pays for the remaining 10%. The College pays 82% of the total monthly premiums for hospitalization and major medical and the employees pay the remaining 18%. Premiums are paid from the same funds that pay the employees' salaries.

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

SUPPLEMENTARY INFORMATION

WASHINGTON STATE COMMUNITY COLLEGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For fiscal year ended June 30, 2003

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass through Entity identifying Number	Expenditures
<u>U.S. Department of Education</u>			
Student Financial Aid Cluster			
Federal Pell Grant	84.063		\$ 2,418,018
Federal Work Study (Note 3)	84.033		40,473
Federal Family Education Loan (Note 2)	84.032		<u>1,921,950</u>
Total Student Financial Aid Cluster			4,380,441
TRIO Cluster			
Talent Search	84.044		302,916
Student Support Services	84.042		281,668
Upward Bound	84.047		<u>353,706</u>
Total TRIO Cluster			938,290
Vocational Education - Basic Grants to States	84.048		53,329
Child Care Access Means Parents in Schools Passed Through State Department of Education	84.335		30,104
Basic Grants to States			
Technical preparation education	84.243	0643453E-00	<u>160,487</u>
Total Basic Grants to States			1,182,210
Total U.S. Department of Education			5,562,651
<u>U.S. Department of Health and Human Services</u>			
Passed-Through State Department of Human Resources:			
Temporary Assistance for Needy Families	93.558		34,942
<u>U.S. Small Business Administration</u>			
Passed - Through Ohio University:			
Small Business Development Center	59.037	22000130	32,183
<u>Appalachian Area Development</u>			
Appalachian Regional Commission	23.002	OH-14029	300,000
<u>U.S. Department of Agriculture</u>			
Food Service	10.559		<u>1,698</u>
Total Federal Awards			<u>\$ 5,931,474</u>

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2003

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - OUTSTANDING LOANS

The College does not make Federal Family Education Loans (FFELs). The amount presented represents the value of new FFELs awarded during the year as follows:

Federal Stafford Loans	\$ 1,164,167
Federal Unsubsidized Stafford Loans	<u>757,783</u>
Total FFELs	<u>\$ 1,921,950</u>

NOTE 3 - AMOUNTS REQUIRED FOR MATCHING

To comply with program requirement, amounts required to be expended from non-Federal sources have been excluded from reported expenditures. For June 30, 2003 the College's required portion of expenditures was as follows:

	<u>Federal CFDA Number</u>	<u>Amount Provided for Matching</u>
Federal Work-Study Program	84.003	\$ 13,491



Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS 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
Washington State Community College
Washington County
Marietta, Ohio

We have audited the financial statements of Washington State Community College (the College) as of and for the year ended June 30, 2003, and have issued our report thereon dated September 19, 2003. 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 the College's 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 is required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to management of Washington State Community College in a separate letter dated September 19, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the College in a separate letter dated September 19, 2003.

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



Crowe Chizek and Company LLC

Columbus, Ohio
September 19, 2003



Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Washington State Community College
Washington County
Marietta, Ohio

Compliance

We have audited the compliance of Washington State Community College (the College) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

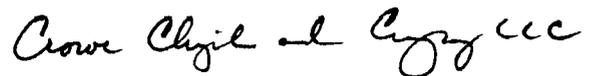
In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

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

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 material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the College in a separate letter dated September 19, 2003.

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



Crowe Chizek and Company LLC

Columbus, Ohio
September 19, 2003

WASHINGTON STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2003

1. Summary of Auditor's Results

- a. An unqualified opinion was issued on the financial statements of Washington State Community College for the year ended June 30, 2003.
- b. An unqualified opinion was issued to Washington State Community College for compliance with major programs.
- c. The audit did not disclose any noncompliance that is material to the financial statements.
- d. There were no audit findings required to be disclosed under OMB Circular A-133 Section 510(a).

e. Major Programs Identified:

- Student financial aid cluster
 - Federal Pell Grant program
 - Federal Work Study program
 - Federal Family Education Loan program

TRIO Cluster

- Student Support Services
- Talent Search
- Upward Bound

Appalachian Regional Commission

- f. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- g. The auditee was considered a low-risk auditee.

2. Findings related to financial statements that are required to be reported in accordance with GAGAS:

None.

3. Findings and questioned costs for federal awards including audit findings as described in OMB Circular A-133 Section 510(a):

None.

PRIOR YEAR FINDINGS

No findings or questioned costs for federal awards including audit findings as defined in OMB Circular A-133 Section 510(a) were reported in the prior audit period.

WASHINGTON STATE COMMUNITY COLLEGE
APPOINTED OFFICIALS
June 30, 2003

Board of Trustees:

<u>Title/Name</u>	<u>Term of Office or Contract Period</u>	<u>Surety</u>	<u>Amount of Coverage</u>
<u>Chairperson</u>			
Harry M. Cogswell	02/19/97-02/18/03	(A)	\$ 1,000,000
<u>Vice-Chairman</u>			
John. R. Hendricks	02/19/97-02/18/03	(A)	\$ 1,000,000
<u>Members</u>			
John F. Greacen, Jr	02/26/99-02/18/05	(A)	\$ 1,000,000
Jean Glenn	02/19/02-02/18/08	(A)	\$ 1,000,000
Patricia S. Marvin	02/26/99-02/18/05	(A)	\$ 1,000,000
Wen-Yu Cheng	02/19/97-02/18/03	(A)	\$ 1,000,000
William A. Fields	02/19/02-02/18/08	(A)	\$ 1,000,000
Mike Iadeorsa	07/01/02-02/16/08	(A)	\$ 1,000,000

(A) Republic Franklin Insurance Company for the period July 1, 2002 through June 30, 2003.

WASHINGTON STATE COMMUNITY COLLEGE
ADMINISTRATIVE PERSONNEL
June 30, 2003

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

(A) Republic Franklin Insurance Company for the period July 1, 2002 through June 30, 2003.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
JANUARY 15, 2004**