Washington State Community College

Audited Financial Statements

June 30, 2008

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Washington State Community College, Washington County, prepared by Rea & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 10, 2008

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WASHINGTON STATE COMMUNITY COLLEGE
MARIETTA, OHIO

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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

October 10, 2008

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

Independent Auditor's Report

We have audited the accompanying financial statements of Washington State Community College (the College), a component unit of the State of Ohio, and the aggregate discretely presented component unit, as of and for the years ended June 30, 2008 and 2007, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and the discretely presented component unit, as of June 30, 2008 and 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 10, 2008, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Rea & Associates, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2008. 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 2007-2008 report net assets of $20.1 million at June 30, 2008. This represents a decrease of $578 thousand from the previous fiscal year, primarily a result of no new construction and all other assets being depreciated as they have been in prior years.

The College's enrollment in fiscal year 07/08 declined approximately 3.2% in FTE from the previous year. Total FTE for fiscal year 07/08, as reported to the Ohio Board of Regents, was 1,579, down from 1,632 reported for fiscal year 06/07.

Using the Annual Report

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

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

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

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or 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.

Condensed Financial Information

Statement of Net Assets (in thousands)

ASSETS	2008	2007	2006
Current assets	$ 6,462	$ 6,506	$ 6,650
Capital assets, net	17,085	17,587	18,023
Other non-current assets	0	0	117
Total assets	23,547	24,093	24,790
LIABILITIES			
Current liabilities	2,999	2,969	3,044
Non-current liabilities	432	430	398
Total liabilities	3,431	3,399	3,442
NET ASSETS			
Invested in capital assets, net of related debt	17,085	17,587	18,023
Restricted			
Nonexpendable	0	0	100
Expendable	758	685	885
Unrestricted	2,273	2,422	2,340
Total net assets	$ 20,116	$ 20,694	$ 21,348

A review of the College's statement of net assets at June 30, 2008 shows that the College continues to build a strong financial foundation.

Assets As of June 30, 2008, the College's total assets amount to approximately $23.5 million. Investment in capital assets, net of depreciation, represented the College's largest asset, totaling $17.1 million or 73 percent of total assets. Cash and cash equivalents represented the next largest asset, totaling $3.5 million or 14.9 percent of total assets.

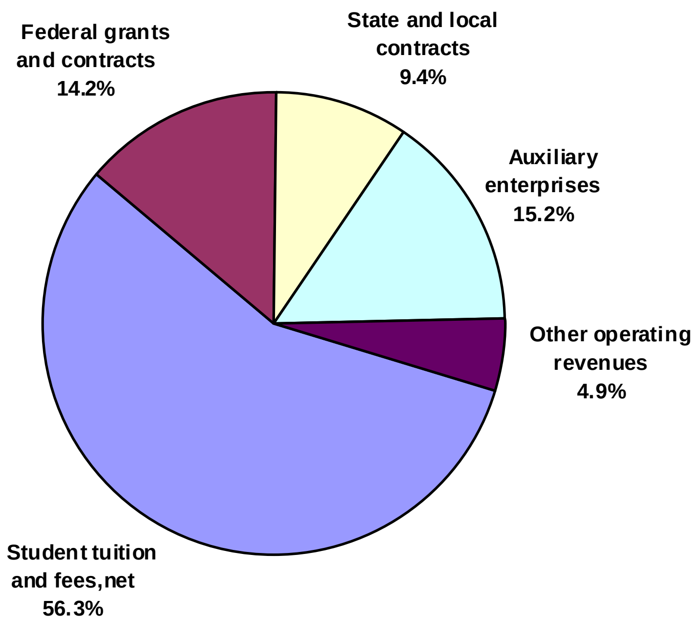
Liabilities At June 30, 2008, the College's liabilities totaled approximately $3.4 million. Current liabilities including accounts payable, accrued liabilities, and deferred revenue represented $3.0 million or 88 percent, of total liabilities.

Net Assets Net assets at June 30, 2008 totaled approximately $20.1 million, or 86 percent, of total assets. Net assets invested in capital totaled $17.1 million or 85 percent, of total net assets. Restricted and unrestricted net assets represented 3.8 percent and 11.3 percent of total net assets, respectively.

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

OPERATING REVENUES	2008	2007	2006
Student tuition and fees, net	$ 4,913	$ 5,144	$ 4,349
Grants and contracts	2,060	2,251	2,296
Auxiliary enterprises	1,326	1,243	1,270
Other operating revenues	425	401	478
Total operating revenues	8,724	9,039	8,393
OPERATING EXPENSES			
Educational and General	16,154	16,355	14,293
Depreciation	773	759	740
Auxiliary enterprises	1,647	1,592	1,556
Total operating expenses	18,574	18,706	16,589
Operating income (loss)	(9,850)	(9,667)	(8,196)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	6,112	5,727	5,404
Federal Pell Grant (Non Exchange)	2,825	2,891	2,990
Investment income	128	179	113
Other non-operating income (expenses)	134	21	98
Net non-operating revenues	9,201	8,818	8,605
Income before other revenues, expenses, gains, or losses	(649)	(849)	409
Capital appropriations	72	197	602
Capital grants and gifts	0	0	0
Total other revenues	72	197	602
Increase in net assets	(579)	(652)	1,011
Net assets-beginning of year	20,695	21,347	20,336
Net assets-end of year	$ 20,116	$ 20,695	$ 21,347

OPERATING REVENUES

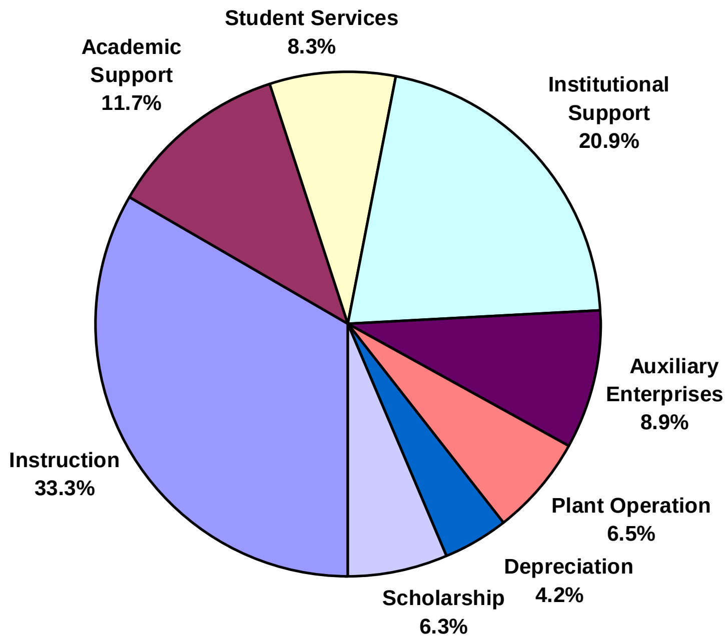


Total operating revenues were approximately $8.7 million for the year ended June 30, 2008. The most significant sources of operating revenue for the College are grants and contracts (23.6 percent), net student tuition and fees (56.3 percent), and auxiliary enterprises, which include the Bookstore and Child Development Center (15.2 percent).

There are other significant recurring sources of revenues essential to the operation of the College, including state appropriations and investment income, which are considered nonoperating revenues as defined by GASB 35. The College's state appropriations for the year ended June 30, 2008, amounted to $6.1 million. This represents an increase of $385 thousand from the College's appropriations for the prior year.

For fiscal year beginning July 1, 2007, the Federal Pell Grant revenue is classified as Non Operating Revenue-Federal Grant which represents $2.8 million. In prior years the amount was reported as Operating Revenues – Grants and Contracts. For comparison purposes these grants have been reclassified for 2007 and 2006.

OPERATING EXPENSES



Operating expenses, including $773 thousand of depreciation, totaled approximately $18.5 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 (33.3 percent), institutional support (20.9 percent), and academic support (11.7 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, 2008, student financial aid related to tuition and fees totaled $2.7 million, including student aid expenses of $1.2 million and scholarship allowances of $1.5 million.

Statement of Cash Flows (in thousands)

Net cash provided (used) by:	2008	2007	2006
Operating activities	$ (8,509)	$ (9,140)	$ (7,396)
Noncapital financing activities	9,071	8,756	8,492
Capital financing activities	(200)	(127)	(344)
Investing activities	128	179	109
Net increase in cash	490	(332)	861
Cash-beginning of year	3,006	3,338	2,477
Cash-end of year	$ 3,496	$ 3,006	$ 3,338

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

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

Major sources of funds included in operating activities are student tuition and fees ($3.9 million) and grants and contracts ($2.5 million). The largest cash payments for operating activities were to employees, for wages and benefits, ($11.7 million) and to suppliers and related services ($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 $17.0 million at June 30, 2008, a net decrease of $502 thousand over the prior year-end due in part to the annual depreciation expense and no construction projects occurring during the fiscal year.

FACTORS IMPACTING FUTURE PERIODS

Committed to providing access to high quality, affordable education to all residents of the Mid-Ohio Valley, the college's annual tuition and fees of $3,555 remains low among Ohio two-year colleges. There was no increase in the tuition rate from the previous year.

Mandated by the State's budget bill to "hold the line" on tuition, the College will not increase tuition for fiscal year 08/09. Operational efficiencies and continued conservative spending are vital as we strive to increase enrollment during a time when new revenues won't be generated by tuition increases.

The major factor affecting the year's financial activity is the decline in enrollment. The President's Strategic Team has made enrollment the highest priority as we move forward to another academic year. New programs, additional course offerings, and more on-line sections are being considered.

Continuing to work toward improving the campus for our students and the community, the immediate needs include creating a second entry at the corner of Glendale Road and Colegate Drive, constructing a new parking lot, and progressing toward construction of a health sciences classroom building. Management is currently working with city officials to develop the entry, and with an architectural firm to design the classroom building.

Management will continue to search for ways to become more efficient and effective. Required by the State to identify at least $120,000 in operating efficiency savings in fiscal year 07/08, and $360,000 in 08/09, the challenge is to continue to provide exceptional facilities and services to our students, staff, and our community.

WASHINGTON STATE COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
JUNE 30, 2008 AND 2007

	2008		2007	
	Washington State Community College	Component Unit Washington State Foundation	Washington State Community College	Component Unit Washington State Foundation
ASSETS				
Current Assets				
Cash and cash equivalents	$ 3,496,604	$ 150,388	$ 3,006,171	$ 239,000
Accounts receivable (net of allowance for doubtful accounts, $34,843 in 2008 and $53,957 in 2007)	2,765,355		3,316,105	
Pledges receivable		600		4,050
Inventories	182,747		160,530	
Prepaid expenses	17,118		23,559	
Other assets				326
Total current assets	6,461,824	150,988	6,506,365	243,376
Noncurrent Assets				
Investments		481,786		394,264
Capital assets, net	17,085,344		17,587,116	
Total noncurrent assets	17,085,344	481,786	17,587,116	394,264
Total Assets	23,547,168	632,774	24,093,481	637,640
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	1,100,172	325	1,067,632	
Due to other governments				20,875
Deferred revenue	1,832,759		1,836,458	
Compensated absences - current portion	66,113		65,019	
Total current liabilities	2,999,044	325	2,969,109	20,875
Noncurrent Liabilities				
Deposits	4,862		4,862	
Deferred revenue	52,767		56,262	
Compensated absences	374,639		368,441	
Total noncurrent liabilities	432,268	0	429,565	0
Total liabilities	3,431,312	325	3,398,674	20,875
NET ASSETS				
Invested in capital assets, net of related debt	17,085,344		17,587,116	
Restricted for				
Nonexpendable				
Scholarship and fellowships		270,000		180,000
Expendable				
Scholarship and fellowships		129,396		127,364
Capital projects	757,500	202,857	685,771	260,334
Unrestricted	2,273,012	30,196	2,421,920	49,067
Total net assets	$ 20,115,856	$ 632,449	$ 20,694,807	$ 616,765

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

WASHINGTON STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008		2007	
	Washington State Community College	Component Unit Community College Foundation	Washington State Community College	Component Unit Community College Foundation
REVENUES				
Operating Revenues				
Student tuition and fees (net of scholarship allowances of $1,546,564 in 2008 and $1,644,218 in 2007)	$ 4,912,821		$ 5,144,389	
Federal grants and contracts	1,241,592		1,302,630	
State and local grants and contracts	818,372		948,558	
Private grants and contracts		$ 156,022		$ 517,294
Sales and service of educational departments	305,861		292,196	
Auxiliary enterprises:				
Bookstore	980,326		931,673	
Child Development Center	345,938		311,149	
Other operating revenue	119,468		108,549	
Total operating revenue	8,724,378	156,022	9,039,144	517,294
EXPENSES				
Operating Expenses				
Educational and general				
Instructional and departmental research	6,178,323	24,741	6,134,921	3,127
Academic support	2,166,087		2,228,585	
Student services	1,534,276		1,641,403	
Institutional support	3,889,526	81,644	3,581,976	28,066
Operation and maintenance of plant	1,215,616		1,506,420	
Depreciation	773,469		758,649	
Scholarships and fellowships	1,169,798	21,185	1,262,240	21,684
Auxiliary services				
Bookstore	1,191,442		1,178,337	
Child Care Center	455,699		413,273	
Other expenditures	361		200	
Total operating expenses	18,574,597	127,570	18,706,004	52,877
Operating Income (loss)	(9,850,219)	28,452	(9,666,860)	464,417
NONOPERATING REVENUES (EXPENSES)				
State appropriations (Subsidy)	6,111,777		5,727,238	
Gifts	134,510		138,125	
Investment income	128,597	(12,768)	178,555	24,400
Refund of grant				(35,000)
Pell grant awards	2,824,655		2,890,808	
Transfer of scholarship to component unit			(116,672)	
Net nonoperating revenues	9,199,539	(12,768)	8,818,054	(10,600)
Income before other revenues, expenses, gains, or loss	(650,680)	15,684	(848,806)	453,817
Capital appropriations	71,729		196,532	
Increase (decrease) in net assets	(578,951)	15,684	(652,274)	453,817
NET ASSETS				
Net assets - beginning of year	20,694,807	616,765	21,347,081	162,948
Net assets - end of year	$ 20,115,856	$ 632,449	$ 20,694,807	$ 616,765

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

WASHINGTON STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008		2007	
	Washington State Community College	Component Unit Community College Foundation	Washington State Community College	Component Unit Community College Foundation
CASH FLOWS FROM OPERATING ACTIVITES:				
Tuition and fees	$ 3,918,209		$ 4,104,082	
Grants and contracts	2,504,394	$ 159,798	1,879,174	$ 517,744
Payments to suppliers and utilities	(3,354,878)	(126,935)	(3,869,537)	(10,351)
Payments to employees and benefits	(11,753,715)		(11,298,145)	
Payments for scholarships and fellowships	(1,169,798)	(21,185)	(1,262,240)	(21,684)
Loans issued to students and employees	(360)		(200)	
Collection of loans to students and employees	74		218	
Auxiliary enterprises	915,159		908,028	
Other receipts	431,770		398,282	
Net cash provided (used) by operating activities	(8,509,145)	11,678	(9,140,338)	485,709
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State appropriations	6,111,777		5,727,238	
Pell grant awards	2,824,655		2,890,808	
Gifts and grants for other than capital purposes	134,510		138,127	
Repayment of grant funds				(35,000)
Net cash provided (used) by noncapital financing activities	9,070,942	0	8,756,173	(35,000)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Capital appropriations	71,729		196,532	
Purchases of capital assets	(271,690)		(323,098)	
Net cash used by capital financing activities	(199,961)	0	(126,566)	0
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	128,597	(12,768)	178,555	24,400
Purchase of investments		(87,522)		(394,264)
Net cash provided (used) by investing activites	128,597	(100,290)	178,555	(369,864)
NET INCREASE IN CASH:	490,433	(88,612)	(332,176)	80,845
Cash and Cash Equivalents - beginning of year	3,006,171	239,000	3,338,347	158,155
Cash and Cash Equivalents - end of year	$ 3,496,604	$ 150,388	$ 3,006,171	$ 239,000
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	$ (9,850,219)	$ 28,452	$ (9,666,860)	$ 464,417
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	773,469		758,649	
Changes in assets and liabilites:				
Receivables, net	550,750		(163,260)	
Pledges receivable		3,450		(2,399)
Inventories	(22,217)		(24,720)	
Other assets	6,441	326	(491)	2,849
Due to other governments		(20,875)		20,875
Accounts payable	32,540	325	2,162	(33)
Deferred revenue	(7,194)		(86,468)	
Deposits held for others			(73)	
Compensated absences	7,285		40,723	
Net cash provided (used) by operating activities:	$ (8,509,145)	$ 11,678	$ (9,140,338)	$ 485,709

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

NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY

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

The Washington State Foundation (Foundation) is a legally separate, tax-exempt organization supporting the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, are restricted to the activities of the College by donors. Based upon the provisions in *Governmental Accounting Standards Board* (GASB) *Statement No. 14 – Reporting Entity* and subsequent amendments in GASB Statement No. 39, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

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

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

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- **Restricted:**
  Nonexpendable — Net assets subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the College's permanent endowment funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

b. Accrual Basis

The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The College reports as a Business Type Activity (BTA) as defined by GASB 35. BTAs are those activities that are financed in whole or part by fees charged to external parties for goods and services.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities That Uses Proprietary Fund Accounting*, the College is required to follow all applicable GASB pronouncements. In addition, the College should apply all applicable Financial Accounting Standards Board (the "FASB") Statements and Interpretations, Accounting Principles Board (the "APB" Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The College had elected to not apply FASB statements and interpretations issued after November 30, 1989.

c. Cash and Cash Equivalents

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

For purposes of the statement of cash flows and for presentation of the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the College are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Capital Assets

Capital assets are stated at cost at date of acquisition or, in the case of gifts, at fair market value at date of gift. Equipment with a unit cost of $3,000 or more and having an estimated useful life of greater than one year is capitalized. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the respective assets, generally 20 years for land improvements, 10—40 years for buildings and fixed equipment, 15 years for library books and 4—10 years for equipment.

e. Inventories

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

f. Investments

Investments are stated at fair value.

g. Deferred Revenue

Deferred revenue consists primarily of summer school fees. The College has deferred amounts received for tuition and fees prior to June 30, 2008 and 2007 but relate to the subsequent accounting period.

h. Accounts Receivable

Accounts receivable represents the balance of unpaid student tuition charges, federal and state grants receivable, and miscellaneous receivables owed to the College. To implement a system which allows for on-line payment of tuition and fees a change in accounting for receivables was necessary, creating the receivables at the time of registration rather than at the time of payment on account. That change resulted in a one-time significant increase in accounts receivable from the prior year to the current.

i. Allowance for Doubtful Accounts

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, PELL grants, gifts and investment income, are recorded as non-operating revenues, in accordance with GASB Statement No. 35.

In addition, the GASB Implementation Guide has indicated PELL grants should be considered non-operating revenues beginning in fiscal year 2008. The PELL grants for fiscal year 2007 have been reclassified for consistency in statement presentation.

l. Use of Estimates

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

m. Non-current Long-Term Liabilities

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

n. Compensated Absences

The College has adopted GASB No. 16.

Vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of these conditions are met:

a. The employee's right to receive compensation is attributable to services already rendered.
b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For vacation leave the College posts a liability for 100% of accumulated vacation time.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A liability for sick leave and other compensated absences with similar characteristics (hereinafter referred to as “sick leave”) should be accrued using one of the following termination approaches:

a. The sick leave liability generally would be an estimate based on governmental entity’s past experience of making termination payments for sick leave, adjusted for the effects of changes in its termination payment policy and other current factors. This approach is known as the termination payment method.

b. The sick leave liability would be an accrual for those employees expected to become eligible in the near future based on assumptions concerning the probability that individual employees or classes or groups of employees will become eligible to receive termination benefits. This accumulation should be reduced to the maximum amount allowed as a termination benefit. This approach is known as the vesting method.

For sick leave liability, the College uses the vesting method. The College posts a liability for any employee with tens years of service in the retirement system. These accumulations are reduced to the maximum amount allowed as a termination payment.

o. Scholarship Allowances

Student tuition and fees revenue and certain other revenues from College charges are reported net of scholarship allowances in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship allowance is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students’ behalf. Student financial assistance grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship allowance discount.

p. Budgetary Process

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

q. Income Taxes

Income taxes have not been provided on the general operations of the College because, as a state institution, its income is exempt from Federal income taxes under Section 115 of the Internal Revenue Code.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For the year ended 2008, the College has implemented GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*", GASB Statement No. 48, "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*", GASB Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations*", and GASB Statement No. 50, *"Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27."*

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, "*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*" , and GASB Statement *No. 27, "Accounting for Pensions by State and Local Governmental Employers"* , to conform with requirements of GASB Statement *No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*" , and GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*".

Implementation of these GASB Statements did not affect the presentation of the financial statements of the College.

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

State statutes classify monies held by the College into three categories.

Active deposits are public deposits necessary to meet current demand on the treasury. Such monies must be maintained either as cash in the College treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bond and other obligations of the State of Ohio.

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

Cash on Hand

The College maintained cash on hand in the amount of $1,350 at year end.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the College.

At fiscal year-end, the carrying amount of the College's deposits was $3,495,254. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2008, $3,575,763 of the College's bank balance of $3,780,642 was exposed to custodial credit risk as discussed above, while $204,879 was covered by Federal Deposit Insurance Corporation.

Investments

As of June 30, 2008, the College did not have any investments.

NOTE 5 - NOTES, LOANS AND ACCOUNTS RECEIVABLE

Notes, loans and accounts receivable as of June 30, 2008 and 2007 are as follows:

	2008			2007		
	Gross Receivable	Allowance	Net Receivable	Gross Receivable	Allowance	Net Receivable
Students	$ 1,519,834	$ 34,843	$ 1,484,991	$ 1,627,197	$ 53,957	$ 1,573,240
Reimbursement receivable-grant and contracts	991,249	0	991,249	1,515,682	0	1,515,682
Other	289,115	0	289,115	227,183	0	227,183
Total	$ 2,800,198	$ 34,843	$ 2,765,355	$ 3,370,062	$ 53,957	$ 3,316,105

NOTE 6 - CAPITAL ASSETS, NET

Capital assets as of June 30, 2008 and 2007 are summarized as follows:

	2008			
	Balance 2007	Additions	Reductions	Balance 2008
Assets:				
Land	$ 980,000	$ 0	$ 0	$ 980,000
Buildings	20,704,680	138,108	0	20,842,788
Land improvements	3,013,855	0	0	3,013,855
Library books	421,782	7,447	0	429,229
Moveable equipemnt	1,574,525	126,142	6,322	1,694,345
	26,694,842	271,697	6,322	26,960,217
Accumulated Depreciation:				
Buildings	5,670,272	519,170	0	6,189,442
Land improvements	2,016,410	150,693	0	2,167,103
Library books	347,774	17,705	0	365,479
Moveable equipment	1,073,270	85,901	6,322	1,152,849
	9,107,726	773,469	6,322	9,874,873
Capital Assets, net	$ 17,587,116	$ (501,772)	$ 0	$ 17,085,344

	2007			
	Balance 2006	Additions	Reductions	Balance 2007
Assets:				
Land	$ 980,000	$ 0	$ 0	$ 980,000
Buildings	20,584,161	120,519	0	20,704,680
Land improvements	2,974,064	39,791	0	3,013,855
Library books	413,775	8,007	0	421,782
Moveable equipemnt	1,639,430	154,781	219,686	1,574,525
	26,591,430	323,098	219,686	26,694,842
Accumulated Depreciation:				
Buildings	5,154,251	516,021	0	5,670,272
Land improvements	1,866,983	149,427	0	2,016,410
Library books	329,000	18,774	0	347,774
Moveable equipment	1,218,529	74,427	219,686	1,073,270
	8,568,763	758,649	219,686	9,107,726
Capital Assets, net	$ 18,022,667	$ (435,551)	$ 0	$ 17,587,116

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2008 and 2007 are as follows:

	2008	2007
Payable to vendors and contractors	$ 192,638	$ 222,122
Accrued wages	574,571	483,457
Other accrued liabilities	332,963	362,053
	$ 1,100,172	$ 1,067,632

NOTE 8 – LONG-TERM OBLIGATIONS

The changes in the College's long-term obligations during fiscal year 2008 and 2007 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Deferred revenue	$ 1,892,720	$ 1,851,738	$(1,858,932)	$ 1,885,526	$ 1,832,759
Compensated absences	433,467	26,036	(18,751)	440,752	66,113
Deposits	4,862	0	0	4,862	0
Total long-term liabilities	$ 2,331,049	$ 1,877,774	$(1,877,683)	$ 2,331,140	$ 1,898,872

	2007				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Deferred revenue	$ 1,979,188	$ 1,969,512	$(2,055,980)	$ 1,892,720	$ 1,836,458
Compensated absences	392,735	49,992	(9,260)	433,467	65,019
Deposits	4,935	144	(217)	4,862	0
Total long-term liabilities	$ 2,376,858	$ 2,019,648	$(2,065,457)	$ 2,331,049	$ 1,901,477

NOTE 9 - PENSION PLANS

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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications.*

Plan members were required to contribute 10% of their annual covered salary and the College is required to contribute at an actuarially determined rate. The June 30, 2007 (date of most recent information available) 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, 2008, 2007 and 2006 were $456,099, $423,973 and $376,483, respectively, equal to the required contributions for each year.

b. State Teachers' Retirement System

The State Teachers Retirement System of Ohio (STRS) is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution, or other agency wholly controlled, managed, and supported in whole, or in part, by the state or any political subdivision thereof.

New members have a choice of three retirement plans, In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC and Combined Plans are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

NOTE 9 - PENSION PLANS (Continued)

DB Plan Benefits – Plan benefits are established by Chapter 3307 of the Ohio Revised Code. Any member may retire who has (1) five years of service credit and attained age 60, (2) 25 years of service credit and attained age 55, or (3) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest years' salaries. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual-retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public college and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS or other Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

NOTE 9 - PENSION PLANS (Continued)

Benefits are increased annually by the 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit of Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage of up to $2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2007 (date of most recent information available), were 10% of covered payroll for members and 14% for employers. Employer contributions by the College were $678,135, $664,274, and $651,433 for the years ended June 30, 2008, 2007 and 2006, respectively; 100% of required amounts have been paid for all years.

STRS Ohio issues a stand-alone financial report. That report may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

c. Alternative Retirement Plan

The State of Ohio requires public institutions of higher education to offer an alternative retirement plan to those participating in the State Teachers Retirement System. The alternative retirement plan shall be a defined-contribution plan, with the Ohio employer contribution rate of 5.76%. The College has implemented the alternative retirement plan. In fiscal years 2008, 2007 and 2006, the employer match was $17,033, $16,180, and $17,024, respectively.

NOTE 10 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to the pension benefits described in Note 9, the College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers' Retirement System and to retired non-certified employees and their dependents through the School Employees' Retirement System.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participate in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The 14% employer contribution rate is the maximum rate established under Ohio law. The College's contributions for fiscal years ended June 30, 2008, 2007 and 2006 were $48,438, $47,448 and $46,540, respectively.

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

Medicare Part B Plan
The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 was $93.50; SERS' reimbursement to retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007 (the latest information available), the actuarially required allocation was .68%. The College's contributions for the year ended June 30, 2008 were $22,153, which equaled the required contributions for the year.

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

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2007, the health care allocation was 3.32%. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation, was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The College's contributions for the years ended June 30, 2008, 2007, and 2006 were $153,829, $164,441, and $132,428, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2007 (the latest information available), the minimum compensation level was established at $35,800.

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

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

NOTE 11 - OPERATING EXPENSES BY NATURAL CLASSIFICATION

The College's operating expenses by natural classification were as follows for the years ended June 30, 2008 and 2007:

	2008	2007
Salaries and wages	$ 8,056,087	$ 7,667,438
Employee benefits	3,697,628	3,630,707
Utilities	353,365	308,790
Supplies and other services	4,524,250	5,078,180
Depreciation	773,469	758,649
Student scholarships and financial aid	1,169,798	1,262,240
	$ 18,574,597	$ 18,706,004

NOTE 12 - RISK MANAGEMENT

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

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

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

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

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

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

NOTE 13 – COMPONENT UNIT DISCLOSURES

Washington State Community College Foundation (Foundation) is a legally separate, tax-exempt component unit of Washington State Community College (College). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The assets of the Foundation have been given by donors/grantors independent from the College and are governed by a Board of Directors. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

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

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

<u>Equity in Pooled Cash and Cash Equivalents and Investments:</u>

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

As of June 30, 2008, the carrying amount of the Foundation's deposits was $150,388. The bank balance of $150,388 was covered by federal depository insurance.

Investments – Foundation investments are stated at fair value, with changes in market value being recognized as gains and losses during the period in which they occur. The following summarizes the fair value of investments of the Foundation as of June 30, 2008 and 2007:

NOTE 13 – COMPONENT UNIT DISCLOSURES (continued)

Investment Type	2008 Fair Value	2007 Fair Value
Money Market Funds	$ 122,796	$ 110,300
US Agency Obligations	520	1,831
Equities	32,594	0
Fixed Income	162,891	99,926
Mutual Funds	162,985	182,207
	$ 481,786	$ 394,264

Support Provided to the College:

During the years ended June 30, 2008 and 2007 the Foundation provided resources of $123,063 and $48,406 to or on behalf of the College for scholarships and other purposes.

Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

October 10, 2008

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

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited the basic financial statements of the business-type activities and the discretely presented component unit of Washington State Community College, a component unit of the State of Ohio, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Washington State Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the College in a separate letter dated October 10, 2008.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Washington 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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

Rea & Associates, Inc.

Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

October 10, 2008

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

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of Washington State Community College 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, 2008. Washington 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 Washington State Community College's management. Our responsibility is to express an opinion on Washington 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 Circulars 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 Washington 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 Washington State Community College's compliance with those requirements.

In our opinion, Washington 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, 2008.

Internal Control Over Compliance

The management of Washington 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 Washington 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 but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Washington State Community College's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2008-001 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control. We did not consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

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

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

Rea & Associates, Inc.

WASHINGTON STATE COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2008

	Federal CFDA Number	Pass through Entity Identifying Number	Expenditures
U.S. Department of Education			
Direct Awards			
Student Financial Aid Cluster			
Federal Pell Grant	84.063		$ 2,824,655
Federal Work Study	84.033		38,256
Federal Academic Competitiveness Grant	84.375		6,300
Federal Family Education Loan (Note 2)	84.032		3,544,912
Total Student Financial Aid Cluster			6,414,123
TRIO Cluster			
Educational Talent Search	84.044		306,010
Student Support Services	84.042		295,816
Upward Bound	84.047		261,117
Total TRIO Cluster			862,943
Child Care Access Means Parents in Schools	84.335		28,216
Passed Through Ohio Department of Education			
Vocational Education - Basic Grants to States	84.048	064345-20C3-2008	75,663
Basic Grants to States			
Technical preparation education	84.243	064345 3ETC 2008	168,747
Total U.S. Department of Education			7,549,692
U.S. Department of Health and Human Services			
Direct Award			
Scholarship for Disadvantaged Students (SDS)	93.925		27,491
U.S. Small Business Administration			
Passed - Through Ohio University:			
Small Business Development Center	59.037	22000130	55,625
U.S. Department of Agriculture			
Passed Through Ohio Department of Education			
Food Service	10.558	N/A	15,817
Total Federal Awards			$ 7,648,625

The accompanying notes are an integral part of this statement.

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore some amounts presented in this schedule 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). For the fiscal year 2007 - 2008, the College certified need for $3,544,912 in Guaranteed Student Loans and Supplemental Loans. The amount presented represents the value of new FFELs awarded during the fiscal year as follows:

Federal Stafford Loans	$ 2,143,303
Federal Unsubsidized Stafford Loans	1,401,609
Total FFELs	$ 3,544,912

WASHINGTON STATE COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, SECTON .505
JUNE 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	Yes
(d)(1)(vii)	Major Programs (list):	Student Financial Assistance Cluster: CFDA #'s 84.063, 84.033, 84.032 and 84.375
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	**2008-001**

Federal program information:
Federal Family Education Loan Program, CFDA No. 84.032
U.S. Department of Education

Criteria: 34 CFR 682.204 (k) - Maximum loan amounts. In no case may a Stafford loan amount exceed the student's estimated cost of attendance for the period of enrollment for which the loan is intended, less-- (1) The student's estimated financial assistance for that period; and (2) The borrower's expected family contribution for that period, in the case of a Stafford loan that is eligible for interest benefits. FSA Handbook: Volume 5, Chapter 1 - Overawards, Overpayments, & Withdrawal Calculations: If the University discovers there is going to be an overaward before Stafford (FFEL) funds are delivered to the student, the overaward must be eliminated. If the College has certified or originated the loan but has not received the funds, the College can have the lender cancel or reduce the loan.

Condition: The College over-awarded and over-disbursed subsidized loans to one student based on an incorrect calculation of need.

Questioned Costs: The incorrect calculation resulted in an over-award and over-disbursement of subsidized loans in the amount of $1,563.00.

Context: In a sample of fifty students receiving Title IV funds, one student was over-awarded and over-disbursed Title IV aid based on an incorrect calculation of need.

Recommendation: We recommend the College implement procedures to verify that the correct calculation of need is being used in packaging student aid.

Management's response: The College acknowledged the incorrect calculation that was documented in the student file. The manual calculation was preformed incorrectly by a past employee.

Corrective actions taken or to be taken: The Financial Aid Department contacted Herschel Wallace of the US Department of Education to identify the corrective action that needed to be taken. The calculation was corrected. The over-disbursement of $1,563.00 was returned to the lender by the college. A file review of a random sample of loan calculations was preformed to make sure that the incident was not indicative of a pattern. No additional incorrect calculations were found. A new control was put into place that each manual calculation will be reviewed by two personnel of the Financial Aid Office. The Financial Aid Office will explore the possibilities of automating the calculation process through the College's Datatel Colleague system.

WASHINGTON STATE COMMUNITY COLLEGE

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315(c)
FOR THE YEAR ENDED JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	The Foundation did not have an accounting system that reflected revenues and expenses by detail category and ensured accuracy at year-end close out and close of accounting periods.	Yes	

WASHINGTON STATE COMMUNITY COLLEGE
APPOINTED OFFICIALS
June 30, 2008

Board of Trustees:

Title/Name	Term of Office or Contract Period	Surety	Amount of Coverage
Chairperson/ Teri Ann Zide	01/02/07-02/18/09	(A)	$ 1,000,000
Vice-Chairperson/ Clifford "Mike" Oliver	05/09/05-2/18/11	(A)	1,000,000
Members			
Lorrie Bowman	05/15/08-02/18/14	(A)	1,000,000
Shoshanna M. Brooker	05/15/08-02/18/14	(A)	1,000,000
Harry M. Cosgwell	04/04/03-02/18/09	(A)	1,000,000
John F. Greacen, Jr.	05/09/05-02/18/11	(A)	1,000,000
Patricia S. Marvin	05/09/05-02/18/11	(A)	1,000,000
Ken Schilling	04/23/08-02/18/14	(A)	1,000,000
Larry Unroe	04/02/08-2/18/09	(A)	1,000,000

(A) Republic Franklin Insurance Company for the period July 1, 2007 through June 30, 2008.

Name and Address	Title	Surety	Amount of Coverage
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, 2007 through June 30, 2008.

Mary Taylor, CPA
Auditor of State

WASHINGTON STATE COMMUNITY COLLEGE

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 25, 2008

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