

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014



Dave Yost • Auditor of State

Board of Trustees
Northwest State Community College
22600 State Route 34
Archbold, Ohio 43502

We have reviewed the *Independent Auditor's Report* of the Northwest State Community College, Henry County, prepared by Weber O'Brien Ltd., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 17, 2015

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**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Northwest State Community College
Henry County, Ohio
22600 State Route 34
Archbold, Ohio 43502

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Northwest State Community College (the "College"), a component unit of the State of Ohio, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of Northwest State Community College, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 16 to the financial statements, beginning net assets of the discretely presented component unit were restated to correct misstatements in previously issued financial statements. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2015, on our consideration of Northwest State Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwest State Community College's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "Robert O'Brien".

February 5, 2015

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

The following discussion and analysis reflects the financial health of Northwest State Community College and its Foundation. The management of the college has prepared this discussion and analysis and is responsible for the completeness and fairness of the information presented. This paper should be read in conjunction with the accompanying financial statements.

Structure of the Annual Report

This report consists of three financial statements and notes that accompany the statements. The three statements are: Statement of Net Position, Statement of Revenues, Expenditures and Changes in Net Position, and the Statement of Cash Flow. Together these statements provide information on the College as a whole. This report addresses all the programs and services generally associated with a College which includes but not limited to such things as instruction, public service and support services. The college Foundation activities are focused on fundraising to benefit the college's programs and students.

Financial Highlights

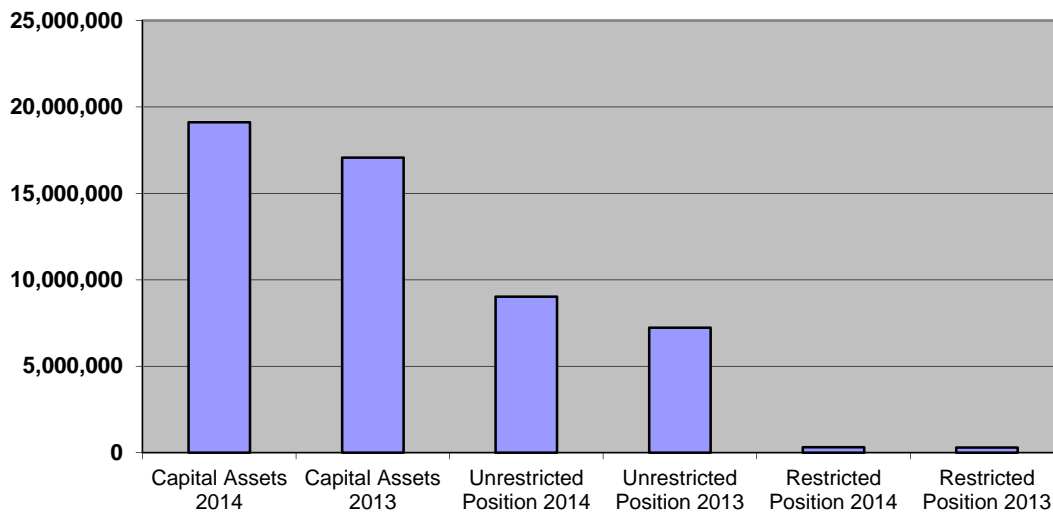
The Statement of Net Position

Condensed Financial Information		
Statement of Net Position		
	2014	2013
Assets:		
Current & Other Assets	\$13,635,112	\$12,117,276
Capital Assets	<u>19,116,420</u>	<u>17,071,538</u>
Total Assets	<u>32,751,532</u>	<u>29,188,814</u>
 Liabilities		
Current Liabilities	3,482,778	3,927,755
Non-current Liabilities	<u>810,619</u>	<u>657,839</u>
Total Liabilities	<u>4,293,397</u>	<u>4,585,594</u>
 Net Position		
Net Investment in Capital Assets	19,116,420	17,071,538
Restricted	314,747	302,955
Unrestricted	<u>9,026,968</u>	<u>7,228,727</u>
Total Net Position	<u>\$28,458,135</u>	<u>\$24,603,220</u>

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2014

This statement contains the College's assets, liabilities and net position for the fiscal years 2013 and 2014. The assets and the liabilities are reported using the accrual basis of accounting. The accrual basis allows the College to report the current year's revenues and expenses regardless of when the cash was received or paid out. This method of accounting is similar to the accounting methods used by the private business sector.

The net position of a governmental entity represents the entity's ownership in the assets. This graph presents the net position for the 2014 and 2013 fiscal years. From this presentation, the increases and decreases in the net position during the fiscal year of 2014 can be observed.



During fiscal year 2014 the College's net position in total increased \$3,854,915 from \$24,603,220 to \$28,458,135 (15.67 percent). The net investment in capital assets increased by \$2,044,882 (11.98 percent) to a total of \$19,116,420; the restricted net position increased by \$11,792 (3.89 percent) to a total of \$314,747; the unrestricted net position increased by \$1,798,241 (24.88 percent) to a total of \$9,026,968.

The assets in the Statement of Net Position of a governmental entity represent the book value of the items employed by the College in its operations. The current assets increased by \$2,260,171 (22.65 percent) for a total of \$12,239,305. Included in this total is a \$1,349,914 increase in cash and cash equivalents, \$788,333 increase in investments, \$28,969 increase in accounts receivable, \$88,701 increase in inventories and \$4,254 increase in prepaid expenses.

The non-current assets increased by \$1,302,547 (6.78 percent) for a total of \$20,512,227. Included in this total is a \$742,335 (34.72 percent) decrease in investments, and \$2,044,882 (11.98 percent)

increase in capital assets. The decrease in non-current investments is countered by an equivalent increase in current investments.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
 June 30, 2014

As of June 30, 2014 the College’s investment with Huntington National Bank was fully vested and carrying a \$3,921,573 investment in money markets and various other investments.

The liabilities in the Statement of Net Position of a governmental entity represent the difference between the assets and the net position. These amounts represent the obligations that the College owed to others. The College’s total liabilities decreased by \$292,197 (6.37 percent) to a total of \$4,293,397. Included in this total is a \$82,569 decrease in accounts payable, \$242,071 decrease in accrued liabilities, \$58,998 (netted) increase in compensated absence and a \$26,555 decrease in unearned revenues.

The Statement of Revenues, Expenditures, and Changes in Net Position

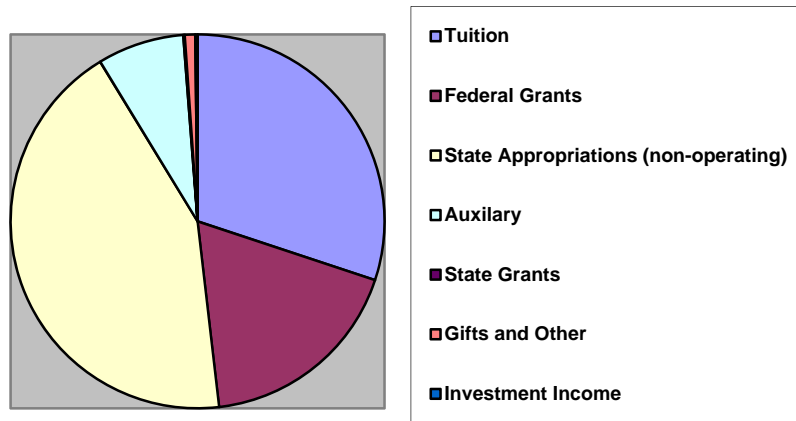
Condensed Financial Information		
Statement of Revenues, Expenses and Changes in Net Position		
	2014	2013
Total Operating Revenue	\$12,597,503	\$13,281,432
Total Operating Expense	<u>26,865,569</u>	<u>28,116,310</u>
Operating Loss	(14,268,066)	(14,834,878)
Non-Operating Revenues/Expenses	<u>15,046,391</u>	<u>15,153,713</u>
Income Before Other Revenues, Gains and Losses	778,325	318,835
Total Other Revenue, Expenses, Gains or Losses	<u>3,076,590</u>	<u>341,631</u>
Change in Net Position	3,854,915	660,466
Net Position, Beginning of Year	<u>\$24,603,220</u>	<u>\$23,942,754</u>
Net Position, End of Year	<u>\$28,458,135</u>	<u>\$24,603,220</u>

The statement reflects the various income and expense account balances for the 2013 and 2014 year.

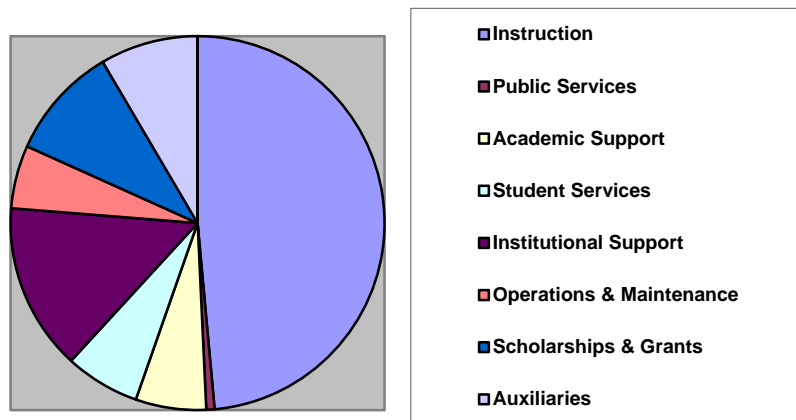
**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

The following charts present a visual breakdown of the College's revenues and expenses divided into major categories. These graphs do not include the College's Foundation.

Revenues:



Expenses:



The significant changes in the revenues between fiscal years 2013 and 2014 are stated below along with the rationale for the changes. These changes include both the restricted and the unrestricted accounts:

- * Total operating revenues decreased by \$683,929 (5.15 percent).
- * Tuition and fees (net of scholarships) decreased from \$9,760,239 to \$9,245,031 which represents a decrease of \$515,208, a decrease of 5.28 percent. The explanation for this decrease is an enrollment decrease of 5 percent.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

- * The investment income increased by \$74,027 (497.63 percent). This number reflects higher returns in the Huntington Investment account due to an improvement in the market conditions of the past year.
- * Federal grants and contracts decreased by \$683,856 (10.97 percent). This was due to the percentage of decrease in enrollment of financial aid eligible student.
- * The state grants and contracts decreased by \$7,520 (16.82 percent). This was the result of completion of the WinWin grant, State delays with the eTranscript grant, the completion of the QuickStart grant which were also offset by an increase to the Tech Prep NW Ohio grant.
- * Contributions and fund raising decreased by \$2,958 (14.20 percent). This reflects a decrease in donations by local businesses of in-kind donations of equipment and supplies that support our programs.
- * Other operating revenues increased by \$51,924 (31.86 percent). The college was paid for providing faculty and administration experts under the Secondary Career-Technical Alignment programs, and the Ohio Articulation and Transfer Network program. Offset expenses for those programs are included in the Instructional expenses of the college.

The significant changes in the expenses between fiscal years 2013 and 2014 are stated below along with the rationale for the changes. These changes include both the restricted and the unrestricted accounts.

- * The total operating expenses decreased by \$1,250,741 (4.45 percent).
- * The expenses for public service decreased by \$201,185 (52.66 percent). This was due to a restructuring and realignment of the College's Custom Training Solutions (CTS) workforce development and training to reflect the expenses as instruction costs for Business and Industry training instead of as public service costs for community service training.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

- * The expense for academic support increased by \$680,958 (76.91 percent). This was due to the JumpStart early admittance program facilities rental and outside service expenses.
- * The expense for institutional support decreased by \$107,677 (2.82 percent). This reflects a \$56,995 reduction in workers compensation costs due partially to the \$40,508 refund for premium surplus refunded by the Bureau of Worker Compensation along with reduced payroll for current year charges; \$148,173 less in yearend vacation and severance accruals due to a decrease severance liability accrual as the result of less retirements.
- * The decrease in scholarships and grants by \$1,158,526 (31.53 percent) reflects the decrease in federal grants awarded to our students.
- * Northwest State Community College ended the year with an increase in net assets of \$3,854,915.

The Statement of Cash Flows

The statement of Cash Flows provides another way to assess the financial health of the institution by studying the sources and uses of cash during the fiscal year. These sources and uses of cash are divided into four areas: operations, non-capital financing, capital financing and investing.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

The Statement of Cash Flows

	2013-14	2012-13	Change
Cash flows from operating activities	\$(13,486,252)	\$(12,480,503)	\$(1,005,749)
Net cash used by operating activities			
Cash flows from non-capital financing	14,987,240	15,168,589	(181,349)
Net cash provided by noncapital financing activities			
Cash flows from capital fin. activities	(164,227)	(514,344)	350,117
Net cash used by capital financing activities			
Cash flows from investing activities	13,153	12,376	777
Net cash provided by investing activities			
Net increase (decrease) in cash	1,349,914	2,186,118	(836,204)
Cash, Beginning of Year	\$4,073,423	\$1,887,305	\$2,186,118
Cash, End of Year	\$5,423,337	\$4,073,423	\$1,349,914

The primary sources of cash were tuition and fees, grants and contracts and federal financial aid. The other major source of income, although not considered cash from operations is the state subsidy amount. During 2014 enrollment decreased by 5 percent.

The primary use of cash was for the support of the operating activities of the College. These activities consist of paying salary and benefits for faculty, staff and administration, payments to suppliers and operational expenses. During 2014 there was construction of an addition to the engineering building and renovation of the existing engineering plastic lab and engineering offices for the Advanced Manufacturing training and Engineering program of the College. State of Ohio capital funds were used to fund this project.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Capital Assets

Capital assets, net of accumulated depreciation, totaled \$19,116,420 at June 30, 2014, a net increase of \$2,044,882 from the prior year-end. Additions to capital assets during the year totaled \$3,473,631 and disposals totaled \$204,678 primarily attributed to out dated library book disposal. Depreciation expense for the year ended June 30, 2014 amounted to \$1,195,935. More detailed information about the College's capital assets is presented in note 7 to the financials statements.

Debt

As of June 30, 2014, the College's only long-term liabilities was compensated absences payable. The College has no debt outstanding at fiscal year end 2014. More detailed information about the College's long-term liabilities is presented in note 8 to the financial statements.

Economic factors that will affect the future:

The College's faculty contract expired 8/15/2014 and is currently being negotiated.

The College's support contract will be open for negotiations as it expires 6/30/2015.

The College is expanding its partnership with Vantage Career Center to include Truck Driving. Enrollments into this program started in Summer 2014.

The College is expanding its Toledo Scott Park campus offerings to include, Building Automation (HVAC), Industrial Automation Maintenance, and Plastics.

The College was allocated \$1.4 million in State of Ohio capital funding for the renovation of Building C to centrally locate on campus all student service functions of the college and to house an advising center.

In October 2014, the College was award a \$2.5 million U.S. Department of Labor, Trade Adjustment Assistance Community College and Career Training (TAACCCT) grant. The grant submitted by the College will blend advanced technology with enhanced learning through new and online courses, online interactive simulations and virtual environments.

**Northwest State Community College
Henry County
Statement of Net Position
June 30, 2014**

	<u>Primary Institution</u>	<u>Component Unit</u>
	<u>Northwest State CC</u>	<u>Northwest State Foundation</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 5,423,337	\$ 94,245
Investments	2,525,766	-
Accounts Receivable, Net	3,652,630	24,855
Inventories	594,206	-
Prepaid Expenses	43,366	-
Total Current Assets	<u>12,239,305</u>	<u>119,100</u>
Noncurrent Assets		
Restricted Cash and Cash Equivalents	-	-
Investments	1,395,807	5,627,745
Accounts Receivable	-	19,147
Capital Assets, Net	19,116,420	-
Total Noncurrent Assets	<u>20,512,227</u>	<u>5,646,892</u>
Total Assets	<u>\$ 32,751,532</u>	<u>\$ 5,765,992</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 2,484,455	\$ -
Accrued Liabilities	182,707	-
Compensated Absences	268,421	-
Unearned Revenue	547,195	-
Total Current Liabilities	<u>3,482,778</u>	<u>-</u>
Noncurrent Liabilities		
Compensated Absences	810,619	-
Total Noncurrent Liabilities	<u>810,619</u>	<u>-</u>
Total Liabilities	<u>\$ 4,293,397</u>	<u>\$ -</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	\$ 19,116,420	\$ -
Restricted for		
Nonexpendable		
Scholarships and Grants	-	860,498
Expendable		
Scholarships and Grants	13,841	4,468,754
Departmental Use	-	103
Loans	-	156,288
Capital Projects	300,906	57,435
Other	-	738
Unrestricted	9,026,968	222,176
Total Net Position	<u>\$ 28,458,135</u>	<u>\$ 5,765,992</u>

See accompanying notes to the financial statements

Northwest State Community College
Henry County
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

	<u>Primary Institution</u>	<u>Component Unit</u>
	<u>Northwest State CC</u>	<u>Northwest State Foundation</u>
REVENUES		
Operating Revenues		
Tuition, Fees, and Other Student Charges (Net of Scholarship Allowances of \$2,621,208)	\$ 9,245,031	\$ -
Federal Grants and Contracts	759,283	-
State Grants and Contracts	37,200	-
Nongovernmental Gifts and Grants	19,461	-
Contributions and Fund Raising	17,877	531,003
Auxiliary Enterprises		
Food Service	348,659	-
Bookstore (Net of Scholarship Allowances of \$568,771)	1,955,080	-
Other Operating Revenues	214,912	-
Total Revenue	<u>12,597,503</u>	<u>531,003</u>
EXPENSES		
Operating Expenses		
Education and General		
Instruction	12,462,992	165,000
Public Service	180,852	-
Academic Support	1,566,362	-
Student Services	1,658,989	-
Institutional Support	3,709,521	177,298
Operation and Maintenance of Plant	1,400,528	-
Scholarships and Grants	2,516,085	200,487
Total Educational and General	<u>23,495,329</u>	<u>542,785</u>
Auxiliary Enterprises	2,174,305	-
Depreciation	1,195,935	-
Total Operating Expenses	<u>26,865,569</u>	<u>542,785</u>
Operating Gain (Loss)	<u>(14,268,066)</u>	<u>(11,782)</u>
NONOPERATING REVENUES (EXPENSES)		
Federal Grants and Contracts	4,790,054	-
State Appropriations	10,197,186	-
Investment Income (Net of Investment Expense)	59,151	642,467
Net Nonoperating Revenue (Expenses)	<u>15,046,391</u>	<u>642,467</u>
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	<u>778,325</u>	<u>630,685</u>
State Capital Appropriations	3,051,238	-
Capital Grants and Gifts (From Northwest State Foundation)	165,000	-
Loss on Disposal of Assets	(139,648)	-
Change in Net Position	<u>3,854,915</u>	<u>630,685</u>
NET POSITION		
Net Position - Beginning of Year	<u>24,603,220</u>	<u>5,135,307</u>
Prior Period Adjustment	-	-
Net Position - End of Year	<u>\$ 28,458,135</u>	<u>\$ 5,765,992</u>

See accompanying notes to the financial statements

**Northwest State Community College
Hentry County
Statement of Cash Flows
June 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$ 8,714,652
Grants and Contracts	1,375,441
Contributions and Fund Raising	17,877
Payments to Suppliers	(9,880,768)
Payments for Utilities	(371,673)
Payments to Employees	(3,391,772)
Payments for Benefits	(9,886,387)
Payments for Scholarships and Grants	(2,552,273)
Auxiliary Enterprises	
Food Service	406,052
Bookstore	1,869,662
Other Receipts (Payments)	212,937
Net Cash Used by Operating Activities	<u>(13,486,252)</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Federal Grants and Contracts	4,790,054
State Appropriations	10,197,186
Net Cash Provided by Noncapital Financing Activities	<u>14,987,240</u>

**CASH FLOWS FROM CAPITAL
FINANCING ACTIVITIES**

Capital Grants and Gifts	-
NSCC Foundation Payments to NSCC	165,000
Capital Appropriations	3,051,238
Purchases of Capital Assets	(3,380,465)
Interest Paid on Capital Debt and Leases	-
Net Cash Used by Capital Financing Activities	<u>(164,227)</u>

**CASH FLOWS FROM CAPITAL
INVESTING ACTIVITIES**

Purchase of Investments	(45,998)
Interest on Investments	59,151
Net Cash Provided by Investing Activities	<u>13,153</u>

Net Increase in Cash and Cash Equivalents	1,349,914
Cash - Beginning of Year	4,073,423
Cash - End of Year	<u>\$ 5,423,337</u>

Reconciliation of Net Operating Revenue (Expenses) to Net Cash

Used By Operating Activities:	
Operating Loss	\$ (14,268,066)
Adjustments to Reconcile Operating Loss to Net Cash	
Used By Operating Activities	
Depreciation Expense	1,195,935
Change in Assets and Liabilities	
Receivables, Net	(28,969)
Inventories	(88,701)
Prepaid Expenses	(4,254)
Accounts Payable	(82,569)
Accrued Liabilities	(242,071)
Compensated Absences	58,998
Deferred Revenue	(26,555)
Net Cash Provided By Operating Activities	<u>\$ (13,486,252)</u>

See accompanying notes to the financial statements

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 1 – REPORTING ENTITY

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

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

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

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

Northwest State Community College Foundation (Foundation) is a legally separate, tax-exempt organization supporting Northwest State Community 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 board of the Foundation is self-perpetuating and consists of graduates, community members and friends of the College. The majority of resources, or income thereon that 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.

During the year ended June 30, 2014, the Foundation made distributions of \$165,000 to or on behalf of the College for both temporarily restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Business Office at 22600 State Route, Archbold, Ohio 43502. Specific disclosures relating to the component unit can be found in Note 16.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

Fiduciary funds are reported in the accompanying financial statements as accrued liabilities. The College's only fiduciary fund is the agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Northwest State maintains an agency fund for multiple NSCC Student Body Organizations, the Ohio Chief Student Affairs Officers and Black Swamp Safety Council. At June 30, 2014, the amounts held for the NSCC Student Body Organizations, the Ohio Chief Student Affairs, and Black Swamp Safety Council are \$44,940, \$899, and \$8,803 respectively.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Foundation is a nonprofit organization that reports under the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of the necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the College's financial report for these differences.

B. Basis of Accounting

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

C. Cash and Cash Equivalents

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

D. Investments

Investments are recorded at market value, and, if received through gift, at market value at the date of gift if a market value is available; otherwise, they are stated at an appraisal or nominal value.

E. Receivables

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

F. Inventories

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

G. Capital Assets

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

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

H. Restricted Assets

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

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Noncurrent Long-Term Liabilities

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

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the College will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is based on the College's past experience of making termination payments.

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

K. Unearned Revenue

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

L. Net Position

The College's net position are classified as follows:

Net Investment in Capital Assets – This represents the College's total investment in capital assets, net of accumulated depreciation.

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

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the department management system in place at the College. Of the \$314,747 of restricted net position, none is restricted by enabling legislation.

M. Scholarship Allowances

Student tuition and fees revenue and certain other revenues from College charges are reported net of scholarship allowances in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship allowance is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the student's behalf. Student financial assistance grants, such as Pell grants, and other federal, state or non-governmental programs, are recorded as either operating or non-operating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. 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.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Revenue and Expense Recognition

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

O. Budgetary Process

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

P. Income Taxes

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

Q. Use of Estimates

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

R. Component Unit Reporting

The College includes the Northwest State Community College Foundation as a discretely presented component unit in the College's financial statements as a result of the implementation of GASB Statement No. 39 for the fiscal year ended June 30, 2004.

NOTE 3 – STATE SUPPORT

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

In addition to State share of instructional costs, the State of Ohio provides funds for basic renovations of the College facilities. In the past the State has provided funding for construction of major plant facilities on the College campus; however, a policy change at the State level has required the College to repay the State funds used from the College funds. Due to this policy change, the College is less able to rely on State funds to construct facilities. In the event that the State does contribute to a building project, the State's portion of the funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission, which in turn causes the construction and subsequent lease of the facility by the Ohio Board of Regents.

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

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 4 – DEPOSITS AND INVESTMENTS

It is the responsibility of the Business and Finance Department to deposit and invest the College's idle funds. The College's practice is to limit investments, insured and/or collateralized demand deposit accounts or obligations of other United States agencies for which the principal and interest is guaranteed by the United States Government. The College does not enter into reverse repurchase agreements. The investment and deposit of College monies is governed by the Ohio Revised Code. Investment of the College's monies is restricted to certificates of deposit, savings accounts, money market accounts and the State Treasurer's Investment Pool (STAR Ohio). Obligation to the United States Government or certain agencies thereof and certain industrial revenue bonds issued by other governmental entities.

The College may also enter into repurchase agreements with any eligible depositor for a period not exceeding thirty days. Public depositories must give security for all public funds on the deposit. These institutions may specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. State law does not require security for the public deposits and investments to be maintained in the College's name.

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.

At fiscal year end, the College had \$3,521 in undeposited cash on hand, which is included on the Statement of Net Position of the College as part of cash and cash equivalents.

Deposits: Custodial credit risk is the risk that in the event of bank failure, the College's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency of instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The College's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2014, the carrying balance of the College's deposits was \$5,419,817 and the bank balances were \$6,297,084. The bank balances were either covered by FDIC or collateralized by the financial institutions' public entity deposit pool in the manner described above.

The difference between cash carrying amount and bank balance represents normal reconciling items (outstanding checks, cash on hand, and deposits in transit). Of the total cash in the bank accounts \$6,297,084 was held in demand accounts.

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

The College's fair value and distribution of investments as of June 30, 2014 are as follows:

Investments- Category 2	Market Value	Maturity Date	Interest Rate
Huntington Treasury Money Mkt	\$ 523,241		0.03%
Huntington Conservative Deposit	250,000		0.05%
FNMA	202,934	09/28/16	1.23%
FNMA	250,368	09/27/14	1.07%
FFCB	252,820	03/24/15	1.65%
FFCB	251,435	11/19/14	1.62%
FHLB	200,588	06/09/17	1.00%
FHLMC	491,315	07/25/16	1.02%
FHLMC	500,970	09/04/15	0.45%
FHLMC	499,110	07/25/14	1.00%
FHLMC	248,695	08/07/14	1.01%
FHLMC	250,097	07/29/14	0.85%
Total	\$3,921,573		

The classification of cash and cash equivalents and investments on the Statement of Net Position is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Cash and cash equivalents are defined as investments with original maturities of three months or less and funds held as part of the College's cash management pool. No differences exist between classifications on the Statement of Net Position and the classification of deposits and investments presented per GASB Statement No. 3 and therefore, no reconciliation is presented.

Interest Rate Risk- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The College has a formal investment policy that authorizes to make investments of available monies in securities authorized by State law.

Credit Risk- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

At June 30, 2014, the College's investments in US Government Agency were rated AA+ by Standard & Poor's. Its investments in money market funds were rated AAAM, by Standard and Poor's. The College's investment policy does not address credit risk beyond the requirements of State law.

Concentration of Credit Risk- Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The investment policy places no limit on the amount the College may invest in any one issuer. The College held 11.56% of its investments in FNMA, 12.86% in FFCB, 5.11% in FHLB, 50.75% in FHLMC, and 19.72% in Money Market Funds.

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk- For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For deposits, custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it.

At June 30, 2014, none of the College’s deposits were exposed to custodial credit risk as deposits were either insured by the FDIC or were collateralized by the financial institution. The College’s policy does not address custodial credit risk beyond the requirements of State law.

NOTE 5 – RECEIVABLES

Receivables at June 30, 2014 were as follows:

	Gross Receivables	Allowance For Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 2,958,144	\$ (187,178)	\$ 2,770,966
Intergovernmental	474,514		474,514
Other	407,150		407,150
Total Current Receivables	<u>\$ 3,839,808</u>	<u>\$ (187,178)</u>	<u>\$ 3,652,630</u>

NOTE 6 – DONOR RESTRICTED ENDOWMENTS

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

At June 30, 2014, there was no net appreciation on donor restricted assets available to be spent.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 7 – CAPITAL ASSETS

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

	<u>Balance June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>
Capital Assets, Non-Depreciable:				
Land	\$ 181,657	\$ -	\$(5,000)	\$ 176,657
Construction in Progress	197,894	3,036,826	(28,166)	3,206,554
Library Books	764,329	38,769	(178,728)	624,370
Art/Collections	1,125,765	-	-	1,125,765
Total Non-Depreciable	<u>2,269,645</u>	<u>3,075,595</u>	<u>(211,894)</u>	<u>5,133,346</u>
Capital Assets, Depreciable:				
Buildings	25,690,850	194,888	-	25,885,738
General Infrastructure	2,444,361	-	-	2,444,361
Machinery and Equipment	4,033,964	179,031	(132,846)	4,080,149
Motor Vehicles	219,099	24,117	-	243,216
Totals	<u>32,388,274</u>	<u>398,036</u>	<u>(132,846)</u>	<u>32,653,464</u>
Less Accumulated Depreciation:				
Buildings	(12,852,649)	(841,645)	-	(13,694,294)
General Infrastructure	(1,531,550)	(87,939)	-	(1,619,489)
Machinery and Equipment	(2,998,253)	(256,840)	111,926	(3,143,167)
Motor Vehicles	(203,929)	(9,511)	-	(213,440)
Totals	<u>(17,586,381)</u>	<u>(1,195,935)</u>	<u>111,926</u>	<u>(18,670,390)</u>
Total Capital assets, depreciable, net	<u>14,801,893</u>	<u>(797,899)</u>	<u>(20,920)</u>	<u>13,983,074</u>
Capital Assets, net	<u>\$ 17,071,538</u>	<u>\$ 2,277,696</u>	<u>\$(232,814)</u>	<u>\$ 19,116,420</u>

NOTE 8 – LONG-TERM LIABILITIES

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

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Current Portion</u>
Compensated Absences	<u>\$1,020,042</u>	<u>-</u>	<u>\$ 58,998</u>	<u>\$ 1,079,040</u>	<u>\$ 268,421</u>
Total Long-term Liabilities	<u>\$1,020,042</u>	<u>\$ -</u>	<u>\$ 58,998</u>	<u>\$ 1,079,040</u>	<u>\$ 268,421</u>

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 9 – LEASE OBLIGATIONS

Operating Lease Obligations – Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2014

Fiscal Year Ending June 30, 2014	Amount
2015	\$ 15,579
2016	8,391
2017	5,815
2018	665
2019	222
	\$ 30,672

Rental expenses for all operating leases during the year were \$15,718.

NOTE 10 – OPERATING EXPENSES BY FUNCTION AND NATURAL CLASS

	Salaries And Benefits	Scholarships And Fellowships	Utilities	Supplies And other Services	Depreciation	Total
Instruction and departmental research	\$7,784,844	\$ -	\$ -	\$4,678,148	\$ -	\$12,462,992
Public service	121,264			59,588		180,852
Academic Support	641,728			924,634		1,566,362
Student Services	1,384,153			274,836		1,658,989
Institutional Support	2,148,535		29,180	1,531,806		3,709,521
Operations and Maintenance	547,591		342,493	510,444		1,400,528
Scholarships and grants		2,516,085				2,516,085
Auxiliary enterprises	412,331			1,761,974		2,174,305
Depreciation					1,195,935	1,195,935
Totals	\$13,040,446	\$2,516,085	\$ 371,673	\$ 9,741,430	\$ 1,195,935	\$26,865,569

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 11 – PENSION AND RETIREMENT PLANS

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

School Employees Retirement System

The College contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained on SERS' website at www.ohsers.org, under Employers/Audit Resources.

Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS's Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The College's contributions to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$521,705, \$537,534, and \$594,003, respectively, which equaled the required contributions each year.

State Teachers Retirement Fund

The College contributes to the State Teachers Retirement System Ohio (STRS), 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 in any school, community school, college, university, institution or other agency controlled, managed, and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. 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 9.5% 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 a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members may transfer to a different STRS Ohio retirement plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 11 – PENSION AND RETIREMENT PLANS (CONTINUED)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 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 salary years. 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) until 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 Section 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 9.5% 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 – For members who select the Combined Plan, 10% of the 11% member contribution rate is deposited into the member’s defined contribution account and the remaining amount is applied to the DB Plan. 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 with five years of service credit. 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 colleges 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 Ohio or another 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.

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.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 11 – PENSION AND RETIREMENT PLANS (CONTINUED)

A Defined Benefit or Combined Plan member with five or more years' 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 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 14% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The College's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$718,742, \$782,399, and \$832,150, respectively. Member and employer contributions actually made for Defined Contribution and Combined Plan participants will be provided upon written request.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's *Comprehensive Annual Financial Report* are available. Additional information or copies may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling 1-888-227-7877 or by visiting the STRS Ohio web site at www.strsoh.org.

Alternative Retirement Plan

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

Eligible employees (those who are full-time and salaried) have 120 days from their date of hire to make an irrevocable election to participate in the alternate retirement plan. Under this plan, employees who would have otherwise been required to be in SERS or STRS and who elect to participate in the alternate retirement plan must contribute the employee's share of retirement contributions (10% SERS, 11% STRS) to one of eight private providers approved by the State Department of Insurance. The legislation mandates that the employer must contribute 4.5% of the 14% employer contribution to the State Teachers Retirement System (STRS) with the remainder being sent to the ARP vendor selected by the employee and beginning August 1, 2005 6% of the 14% employer contribution will be sent to the School Employees Retirement Systems (SERS) with the remainder being sent to the ARP vendor selected by the employee. The College plan provides these employees with immediate plan vesting. The total employer contributions to the alternative retirement plan for the years ended June 30, 2014, 2013 and 2012 were \$62,921, \$83,435, and \$95,464, respectively.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 12 – POST-EMPLOYMENT BENEFITS

The College provides access to comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both Systems are on a pay-as-you-go basis.

State Teachers Retirement System (STRS)

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plans.

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 participated 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 State Teachers Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, 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, 2014, 2013 and 2012 were \$28,076, \$40,391, and \$54,439, respectively. Effective July 1, 2014, 0% of the covered payroll was allocated to post-employment health care. The 14% employer contribution rate is the maximum rate established under Ohio law.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

School Employees Retirement System (SERS)

The School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare Part 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 monthly premium for the calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if the participated in one of SERS' health care plans.

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 2014, the actuarially required allocation was .76%. The College contributions for the year ended June 30, 2014, 2013, and 2012 were \$31,321, \$28,412, and \$31,822, respectively, which equaled the required contributions each 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, Medicare Advantage, 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.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 12 – POST – EMPLOYMENT BENEFITS (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 105(e). 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. For the year ended June 30, 2014, the health care allocation is .14 percent. 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 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The College contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$24,801, \$64,916, and \$79,934, respectively.

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 on SERS' website at www.ohsers.org under Employers/Audit Resources.

NOTE 13– LEGAL COMPLIANCE

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

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 14 – RISK MANAGEMENT

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

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

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

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

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

NOTE 15 – GROUP PURCHASING POOLS

Northern Buckeye Health Plan (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the College to NBHP for employee insurance benefits during this fiscal year were \$1,841,172. Financial information can be obtained from Northern Buckeye Educational Council, Robin Pfund, who serves as treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

The College participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the College paid an administrative fee of \$2,500 to the NBEC to cover the costs of administering the program.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 16 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES – Northwest State Community College Foundation (the Organization) exists to provide financial assistance to the educational programs, services and facilities of Northwest State Community College. To that end, the Organization solicits inter vivos and testamentary gifts.

BASIS OF ACCOUNTING – The financial statements of Northwest State Community College Foundation have been prepared on the accrual basis and accordingly reflect all significant receivables, payables and other liabilities.

BASIS OF PRESENTATION – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

CASH AND CASH EQUIVALENTS – For purposes of the statement of cash flows, the Organization considers all unrestricted, temporarily and permanently restricted highly liquid investments with an initial maturity of 3 months or less as cash and cash equivalents.

DONATED SERVICE AND FACILITIES – The Organization has no employees or property (other than cash and investments). Substantially all clerical and management duties are presently performed by business office personnel who are employees of Northwest State Community College, utilizing equipment and facilities of Northwest State Community College.

For accounting purposes, the value of facilities is considered immaterial and it has not been recognized in the financial statements. However, the value of the services provided by the college personnel in the amount of \$92,774 have been recognized in the statement of activities as supporting revenue and as “In-Kind” supporting expense as required by ASC 958.

MANAGEMENT ESTIMATES – The preparation of financial statements in conformity with generally accepted accounting principles 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 and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RESTRICTED AND UNRESTRICTED REVENUE – Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

INCOME TAX STATUS – The Organization is a not-for-profit organization that the Internal Revenue Service has determined to be exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

INVESTMENTS – Investments are comprised of bonds and mutual funds and are carried at fair market value. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

EXPENSE ALLOCATION – Directly identifiable expenses are charges to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management estimates.

Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 16 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE OPTION – Management has elected the fair value option for pledges receivable. Management believes that the use of the fair value option for pledges receivable better reflects the value of the assets based on the anticipated investment return when the assets are realized in cash. Unrealized gains or losses on assets or liabilities for which the fair value option has been elected are reported in the statement of activities. The decision to elect the fair value option is determined on an instrument by instrument basis, and is irrevocable once elected. At this time, the Foundation has not elected to apply the fair value option to any other financial instrument.

SUBSEQUENT EVENTS - Management has evaluated events and transactions from June 30, 2014 through February 5, 2015, for possible recognition or disclosure in these financial statements. This date is the date these financials were available to be issued. Management concluded there were no subsequent events that required recognition or disclosure.

NOTE 2 – MARKETABLE SECURITIES

The Foundation determines the fair market values of its financial instruments based on the fair value hierarchy established in ASC 820-10, *Fair Value Measurements*, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the Foundation's own assumptions based on market data and on assumptions that market participants would use in pricing the asset or liability developed based on market data and on assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The Standard describes three levels within the hierarchy that may be used to measure fair value:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 Inputs: Significant other observable inputs other than Level 1 quoted prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Inputs: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 16 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)

NOTE 2 – MARKETABLE SECURITIES (CONTINUED)

The fair value of investments held by the Foundation as June 30, 2014 is summarized as follows:

	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observ- able Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bonds	\$ 811,970	\$-0-	\$-0-
Mutual Funds:			
DFA Emerging Markets (DFCEX)	231,642	-0-	-0-
DFA International Core (DFIEX)	559,258	-0-	-0-
DFA International Real Estate (DFITX)	151,466	-0-	-0-
DFA Large Cap International Portfolio (DFALX)	62,224	-0-	-0-
DFA Real Estate (DFREX)	137,924	-0-	-0-
DFA U.S. Core Equity 2 (DFQTX)	1,726,627	-0-	-0-
DFA Five Year Global Fixed (DFGBX)	345,563	-0-	-0-
DFA Short Term Extended (DFEQX)	444,818	-0-	-0-
DFA Selectively Hedged (DFSHX)	321,657	-0-	-0-
Vanguard Short Term Investment (VFSTX)	383,806	-0-	-0-
Vanguard Short Term BD (VBIRX)	450,790	-0-	-0-
Total	<u>\$5,627,745</u>	<u>\$-0-</u>	<u>\$-0-</u>

INVESTMENT RETURN

Cash and Cash Equivalents and Marketable Securities:

	<u>Total</u>
Interest and Dividend Income	\$ 108,327
Net unrealized gain	534,140
Total investment return	<u>\$ 642,467</u>

NOTE 3 – PLEDGES RECEIVABLE

Unconditional promises to give are valued at fair value based on the criteria in Note 2. Unconditional promises to give are discounted at 11.9% which is based on the Foundation's current total investment return on its investment portfolio. Total unamortized discount is \$11,291 as of June 30, 2014. No allowance for uncollectible promises to give is considered necessary.

The fair value of the Foundation's unconditional promises to give as of June 30, 2014 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Less than one year	\$ 0	\$ 24,855	\$ 0
One to five years	0	19,147	0
Total	<u>\$ 0</u>	<u>\$ 44,002</u>	<u>\$ 0</u>

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 16 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)

NOTE 4 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes after June 30, 2014:

Student scholarships	\$ 4,468,754
Loan funds	156,288
Technology programs	103
Capital Projects	57,435
Operating expenses	<u>738</u>
	<u>\$ 4,683,318</u>

Permanently restricted net assets consist of endowment funds to be held indefinitely, income from which is to be used for scholarships. At June 30, 2014 endowments totaled \$860,498.

NOTE 5 – SUPPORT OF NORTHWEST STATE COMMUNITY COLLEGE

Not included in these financial statements is the Northwest State Community College, a component unit of the State of Ohio. The College is organized for the principal purpose of offering educational programs beyond high school, normally not exceeding two years duration, and leading to the award of an associate degree.

The foundation contributes funds to the College for scholarships and other designated purposes. The contributions are subject to the approval by the Board of Directors of the Foundation. The College paid expenses related to the Foundation's scholarships which were then reimbursed.

NOTE 6 – DONOR RESTRICTED ENDOWMENTS

The Northwest State Community College Foundation funds consists of donor restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Changes in foundation fund net assets for the fiscal year ended June 30, 2014 are as follows:

	Donor Restricted Endowment Fund		
	Temporarily Restricted <u>Net Assets</u>	Permanently Restricted <u>Net Assets</u>	<u>Total</u>
Foundation Fund Net Assets, Beginning of Year-Restated	\$ 134,452	\$ 679,268	\$ 813,720
Contributions	-0-	181,230	181,230
Net Unrealized Gain on Investments	88,790	-0-	88,790
Interest and Dividend Income	18,007	-0-	18,007
Investment Advisory Fees	(6,933)	-0-	(6,933)
Amounts Appropriated for Expenditure	(30,900)	-0-	(30,900)
Reclassification of Temporarily Restricted Funds to Cover Perpetual Endowment Deficiencies	-0-	-0-	-0-
Other Changes	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Change in Foundation Fund Net Assets	<u>68,964</u>	<u>181,230</u>	<u>250,194</u>
Foundation Fund Net Assets, End of Year	<u>\$ 203,416</u>	<u>\$ 860,498</u>	<u>\$ 1,063,914</u>

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 16 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)

NOTE 6 – DONOR RESTRICTED ENDOWMENTS (CONTINUED)

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or Uniform Prudent Management of Institutional Funds Act (Ohio Revised Code §§ 1715.51 to 1715.59, hereafter UPMIFA) requires the Foundation to retain as a fund of perpetual duration. There were no fund deficiencies as of June 30, 2014.

The Foundation has adopted investment and spending policies for foundation fund assets that attempt to provide a predictable stream of funding to programs supported by its foundation fund assets while seeking to maintain the purchasing power of the donor restricted endowment fund assets by not invading principal. The Foundation's spending and investment policies are designed to work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to exceed the rate of inflation (Consumer Price Index) by the average annual spending distribution percent, plus management fees over time on an annualized basis. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money to be distributed annually from the Foundation's temporarily restricted and unrestricted funds in support of its programs. The current spending policy for each fund is 4.5% of a three –year rolling average of the market value of the Endowed fund. Accordingly, over the long term, the Foundation expects the current spending policy to allow its donor restricted endowment assets to grow annually. This is consistent with the Foundation's objectives to maintain the purchasing power of donor restricted endowment assets as well as to provide additional real growth through new gifts and investment return.

Management has reviewed UPMIFA and recognizes the importance of the preservation of the donor restricted endowment funds absent explicit donor stipulations as well as the safeguarding of the original gifts to provide support to the Foundation in perpetuity. As a result, the Foundation classifies as permanently restricted net assets (a) the original gifts donated to the donor restricted endowment fund, (b) the original value of subsequent gifts to the donor restricted endowment fund, and (c) earnings of the permanent donor restricted endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the earnings are added to the fund. The remaining portion of the donor restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the donor restricted endowment fund
2. Purpose of the donor restricted endowment fund
3. General economic conditions
4. Possible effect of inflation or deflation
5. Expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. Investment policy of the Foundation

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 16 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)

NOTE 7 - PRIOR PERIOD RESTATEMENT

During the year ended June 30, 2014, the Foundation determined that their permanently restricted net assets were overstated and that their temporarily restricted and unrestricted net assets were understated. Accordingly, the Foundation recorded a prior period adjustment as of July 1, 2013, which decreased permanently restricted net assets by \$374,252, increased temporarily restricted net assets by \$281,220, and increased unrestricted net assets by \$93,032 from the amounts as previously reported at June 30, 2013. The net effect of these changes had no effect on the change in net assets as previously reported at June 30, 2013.

**Northwest State Community College
Henry County
Schedule of Expenditures of Federal Awards (Accrual Basis)
For the Year Ended June 30, 2014**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
United States Department of Education			
<i>Direct from the Federal Agency</i>			
<i>Student Financial Aid Cluster:</i>			
Federal Work Study Program	NA	84.033	\$ 69,882
Federal Supplemental Educational Opportunity Grants	NA	84.007	61,972
Federal Direct Student Loans	NA	84.268	5,858,257
Federal Pell Grant Program	NA	84.063	<u>4,658,200</u>
<i>Total Student Financial Aid Cluster</i>			<u>10,648,311</u>
 <i>Passed through the Ohio Department of Education</i>			
Vocational Education: Basic Grants to States	20-C3	84.048	<u>93,343</u>
Total United States Department of Education			<u>10,741,654</u>
 United States Department of Commerce			
<i>Passed through the Center for Innovative Food Technology</i>			
Measurement and Engineering Research and Standards - ARRA	NA	11.611	<u>94,471</u>
Total United States Department of Commerce			<u>94,471</u>
 United States Department of Labor			
<i>Direct from Federal Agency</i>			
H-1B Job Training Grants	NA	17.268	<u>571,469</u>
Total United States Department of Labor			<u>571,469</u>
Total Federal Financial Assistance			<u><u>\$ 11,407,594</u></u>

NA - Direct from the federal government or pass through another university.



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

Board of Trustees
Northwest State Community College
Henry County, Ohio
22600 State Route 34
Archbold, Ohio 43502

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Northwest State Community College (the "College") a component unit of the State of Ohio, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 5, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



February 5, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

Board of Trustees
Northwest State Community College
Henry County, Ohio
22600 State Route 34
Archbold, Ohio 43502

Report on Compliance for Each Major Federal Program

We have audited Northwest State Community College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Northwest State Community College's major federal programs for the year ended June 30, 2014. Northwest State Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



February 5, 2015

**NORTHWEST STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____yes X none reported
 Significant deficiency(ies) identified? _____yes X none reported

Noncompliance material to financial statements noted? _____yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? _____yes X no
 Significant deficiency(ies)? _____yes X none reported

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

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

Identification of major programs:

<u>CFDA Numbers(s)</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans

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

Auditee qualified as low risk auditee? X Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

**NORTHWEST STATE COMMUNITY COLLEGE
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014**

NONE

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Dave Yost • Auditor of State

NORTHWEST STATE COMMUNITY COLLEGE

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 3, 2015**