

WASHINGTON STATE COMMUNITY COLLEGE
ANNUAL REPORT
71084-77-3580-00
SOUTHEAST REGION, WASHINGTON COUNTY
SINGLE AUDIT
JULY 1, 1999 THROUGH JUNE 30, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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

We have reviewed the Independent Auditor's Report of the Washington State Community College, Washington County, prepared by Crowe, Chizek and Company LLP, for the audit period July 1, 1999 to June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

December 30, 2000

WASHINGTON STATE COMMUNITY COLLEGE
Washington County

ANNUAL REPORT
June 30, 2000

CONTENTS

| | |
|--|----|
| REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS | 1 |
| FINANCIAL STATEMENTS | |
| BALANCE SHEET | 3 |
| STATEMENT OF CHANGES IN FUND BALANCES | 5 |
| STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES | 6 |
| NOTES TO FINANCIAL STATEMENTS | 7 |
| SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 19 |
| REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS | 21 |
| REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 | 23 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS..... | 25 |
| APPOINTED OFFICIALS..... | 26 |
| ADMINISTRATIVE PERSONNEL..... | 27 |



REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS

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

We have audited the accompanying general-purpose financial statements of Washington State Community College (the College), a component unit of the State of Ohio, as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the College, as of June 30, 2000, and the changes in its fund balances and the current fund revenues, expenditures and other changes for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2000, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in cursive script that reads "Crowe, Chizek and Company LLP".

Crowe, Chizek and Company LLP

Columbus, Ohio
November 7, 2000

WASHINGTON STATE COMMUNITY COLLEGE
BALANCE SHEET
June 30, 2000

| | <u>Unrestricted</u> | | | <u>Restricted</u> | | Loan Fund | Endowment Fund | Plant Fund | Agency Fund |
|---|--|----------------------------------|-------------------------------|--|------------------------------------|-----------------|-------------------|----------------------|----------------|
| | <u>Educational and General</u> | <u>Auxiliary Enterprises</u> | <u>Total Unrestricted</u> | <u>Educational and General</u> | <u>Total Current Funds</u> | | | | |
| ASSETS | | | | | | | | | |
| Cash and cash equivalents | \$ 107,979 | \$ 206,533 | \$ 314,512 | \$ 696,896 | \$ 1,011,408 | \$ 6,150 | | \$ 600,000 | \$ 318 |
| Investments | | | | | | | \$ 111,615 | | |
| Accounts receivable (net of allowance for doubtful accounts, \$40,000) | 1,119,297 | 183,498 | 1,302,795 | 624,116 | 1,926,911 | | | | |
| Prepaid expenses | 26,078 | | 26,078 | 7,702 | 33,780 | | | | |
| Inventory, at cost | | 153,278 | 153,278 | | 153,278 | | | | |
| Due from other funds | 750,441 | | 750,441 | 199,266 | 949,707 | | | | |
| Land | | | | | | | | 980,000 | |
| Improvements other than buildings | | | | | | | | 2,872,115 | |
| Buildings | | | | | | | | 16,778,591 | |
| Equipment, furniture and library books | | | | | | | | 3,256,010 | |
| Total assets | <u>\$ 2,003,795</u> | <u>\$ 543,309</u> | <u>\$ 2,547,104</u> | <u>\$ 1,527,980</u> | <u>\$ 4,075,084</u> | <u>\$ 6,150</u> | <u>\$ 111,615</u> | <u>\$ 24,486,716</u> | <u>\$ 318</u> |

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
BALANCE SHEET
June 30, 2000

| | -----Unrestricted----- | | | Restricted | | Loan Fund | Endowment Fund | Plant Fund | Agency Fund |
|--|-------------------------------|--------------------------|-----------------------|-------------------------------|---------------------------|-----------------|-------------------|----------------------|----------------|
| | Educational and General | Auxiliary Enterprises | Total Unrestricted | Educational and General | Total Current Funds | | | | |
| LIABILITIES | | | | | | | | | |
| Accounts payable | \$ 230,561 | \$ 3,241 | \$ 233,802 | \$ 83,343 | \$ 317,145 | | | | |
| Accrued salaries payable | 397,432 | 1,126 | 398,558 | 29,695 | 428,253 | | | | |
| Accrued liabilities | 140,316 | | 140,316 | | 140,316 | | | | |
| Deferred income | 347,931 | | 347,931 | 458,615 | 806,546 | | | | |
| Compensated absence payable | 223,255 | | 223,255 | 6,620 | 229,875 | | | | |
| Sales tax payable | | 12,026 | 12,026 | | 12,026 | | | | |
| Deposits held for others | | | | | | | | | \$ 318 |
| Due to other funds | | | | 949,707 | 949,707 | | | | |
| Total liabilities | <u>1,339,495</u> | <u>16,393</u> | <u>1,355,888</u> | <u>1,527,980</u> | <u>2,883,868</u> | | | | <u>318</u> |
| Fund balances | | | | | | | | | |
| Unallocated - unrestricted | 437,800 | 526,916 | 964,716 | | 964,716 | | | | |
| Allocated - unrestricted | 226,500 | | 226,500 | | 226,500 | | | | |
| Endowment Unexpended | | | | | | | \$ 111,615 | | |
| Investment in plant | | | | | | \$ 6,150 | | \$ 600,000 | |
| Total fund balances | <u>664,300</u> | <u>526,916</u> | <u>1,191,216</u> | | <u>1,191,216</u> | <u>6,150</u> | <u>111,615</u> | <u>24,486,716</u> | |
| Total liabilities and fund balances | <u>\$ 2,003,795</u> | <u>\$ 543,309</u> | <u>\$ 2,547,104</u> | <u>\$ 1,527,980</u> | <u>\$ 4,075,084</u> | <u>\$ 6,150</u> | <u>\$ 111,615</u> | <u>\$ 24,486,716</u> | <u>\$ 318</u> |

See accompanying notes to financial statements.

WASHINGTON STATE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
Year ended June 30, 2000

| | -----Unrestricted----- | | Restricted | | | | | |
|--|-------------------------------|--------------------------|-----------------------|-------------------------------|---------------------------|-----------------|-------------------|----------------------|
| | Educational and General | Auxiliary Enterprises | Total Unrestricted | Educational and General | Total Current Funds | Loan Fund | Endowment Fund | Plant Fund |
| REVENUES AND OTHER ADDITIONS | | | | | | | | |
| Unrestricted current | \$ 10,042,065 | \$ 796,612 | \$ 10,838,677 | | \$ 10,838,677 | | | |
| Federal grants – restricted | | | | \$ 2,546,030 | 2,546,030 | | | |
| State grants – restricted | | | | 742,728 | 742,728 | | \$ 100,000 | |
| Endowment income – net gains | | | | | | | 11,615 | |
| Private gifts and grants | | | | | | \$ 18 | | |
| Expended for plant facilities | | | | | | | | \$ 255,442 |
| Total revenues and other additions | <u>10,042,065</u> | <u>796,612</u> | <u>10,838,677</u> | <u>3,288,758</u> | <u>14,127,435</u> | <u>18</u> | <u>111,615</u> | <u>255,442</u> |
| EXPENDITURES AND OTHER DEDUCTIONS | | | | | | | | |
| Educational and general expenditures | 10,016,384 | | 10,016,384 | 3,288,758 | 13,305,142 | | | |
| Auxiliary enterprises | | 794,778 | 794,778 | | 794,778 | | | |
| Loan write-offs | | | | | | | | |
| Disposal and write-off of equipment, furniture, and books | | | | | | | | 50,848 |
| Total expenditures and other deductions | <u>10,016,384</u> | <u>794,778</u> | <u>10,811,162</u> | <u>3,288,758</u> | <u>14,099,920</u> | | | <u>50,848</u> |
| Excess of revenues and other additions over expenditures and other deductions | 25,681 | 1,834 | 27,515 | | 27,515 | 18 | 111,615 | 204,594 |
| FUND BALANCES-BEGINNING OF YEAR | <u>638,619</u> | <u>525,082</u> | <u>1,163,701</u> | | <u>1,163,701</u> | <u>6,132</u> | | <u>24,282,122</u> |
| FUND BALANCES-END OF YEAR | <u>\$ 664,300</u> | <u>\$ 526,916</u> | <u>\$ 1,191,216</u> | <u>\$</u> | <u>\$ 1,191,216</u> | <u>\$ 6,150</u> | <u>\$ 111,615</u> | <u>\$ 24,486,716</u> |

See accompanying notes to financial statements.

WASHINGTON STATE COMMUNITY COLLEGE
STATEMENT OF CURRENT FUNDS REVENUES,
EXPENDITURES AND OTHER CHANGES
Year ended June 30, 2000

| | ----- <u>Unrestricted</u> ----- | | <u>Restricted</u> | | Total Current Funds |
|---|--------------------------------------|---------------------------------|------------------------------|--------------------------------------|---------------------------|
| | Educational and <u>General</u> | Auxiliary <u>Enterprises</u> | Total <u>Unrestricted</u> | Educational and <u>General</u> | |
| REVENUES | | | | | |
| Tuition, fees and other student charges | \$ 4,504,869 | | \$ 4,504,869 | | \$ 4,504,869 |
| State appropriation | 4,716,423 | | 4,716,423 | | 4,716,423 |
| Federal grants and contracts | | | | \$ 2,546,030 | 2,546,030 |
| State grants and contracts | 503,321 | | 503,321 | 742,728 | 1,246,049 |
| Sales and service | 97,262 | \$ 795,086 | 892,348 | | 892,348 |
| Other sources | <u>220,190</u> | <u>1,526</u> | <u>221,716</u> | | <u>221,716</u> |
| Total revenues | 10,042,065 | 796,612 | 10,838,677 | 3,288,758 | 14,127,435 |
| EXPENDITURES AND MANDATORY TRANSFERS | | | | | |
| Educational and general | | | | | |
| Instructional and departmental research | 4,008,166 | | 4,008,166 | 304,317 | 4,312,483 |
| Academic support | 1,469,867 | | 1,469,867 | 42,015 | 1,511,882 |
| Student services | 1,284,963 | | 1,284,963 | 187,549 | 1,472,512 |
| Institutional support | 2,034,709 | | 2,034,709 | 706,313 | 2,741,022 |
| Operation and maintenance of plant | 837,398 | | 837,398 | | 837,398 |
| Scholarships and fellowships | <u>381,281</u> | | <u>381,281</u> | <u>2,048,564</u> | <u>2,429,845</u> |
| | 10,016,384 | | 10,016,384 | 3,288,758 | 13,305,142 |
| Auxiliary enterprises | | <u>794,778</u> | <u>794,778</u> | | <u>794,778</u> |
| Total expenditures | <u>10,016,384</u> | <u>794,778</u> | <u>10,811,162</u> | <u>3,288,758</u> | <u>14,099,920</u> |
| Excess of revenues over expenditures and transfers | <u>\$ 25,681</u> | <u>\$ 1,834</u> | <u>\$ 27,515</u> | <u>\$ --</u> | <u>\$ 27,515</u> |

See accompanying notes to financial statements.

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

NOTE 1 - DESCRIPTION OF THE ENTITY

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

The College is fully accredited by the North Central Association of Colleges and Schools.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The financial reporting entity consists of a primary government. No component units that are legally separate organizations are fiscally dependent on the College nor is the College financially accountable for them. No separate governmental units meet the criteria for inclusion as a component unit.

Basis of Accounting: The financial statements of the College have been prepared on the accrual basis and in accordance with generally accepted accounting principles for governmental colleges and universities.

Fund Accounting: Fund accounting is a concept in which legal and other restraints require the recording of specific receipts and disbursements in separate funds according to those restrictions. Under this accounting method, resources for various purposes are classified into funds. For reporting purposes, funds with similar characteristics are combined into fund groups and financial transactions are recorded and reported by such fund groups.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from internally designated and unrestricted funds. Restricted funds may only be utilized in accordance with the purpose established by the source of such funds. Internally designated funds are unrestricted funds that, at the discretion of the board of trustees, have been designated for specific purposes.

Unrestricted and internally designated funds are accounted for initially in the unrestricted current fund group and then in the fund group designated by the board of trustees. Restricted revenues are accounted for in the appropriate restricted fund and are reported as revenues when utilized for current

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WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

operating purposes. All gains and losses arising from the sale, collection or other disposition of investments and noncash assets are accounted for in the fund that owned such assets. Ordinary income derived from investments and receivables is accounted for in the fund owning such assets.

To the extent current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures in the case of normal replacement of moveable equipment, library books and furniture and (2) nonmandatory transfers approved by the board of trustees, in the case of capital projects and for all other cases.

The following are descriptions of the College's fund groups:

Current Fund - Unrestricted: The Unrestricted Current Fund includes resources to be used for the primary operation of the College and have not been restricted by the board of trustees for other purposes. The fund is used to account for transactions relating to the primary and supporting objectives of the College. Included in this fund group is the Auxiliary Fund, which is used to account for transactions relating to the College's bookstore.

Current Fund - Restricted: The Restricted Current Fund accounts for resources that are available to finance current operations of the College but whose use has been restricted by donors and other external agencies to the specific activity for which they can be expended.

Loan Fund: The Loan Fund is used to account for resources that are available to students for loan purposes. Monies in the fund are loaned to students only on a temporary basis. Repayment of monies loaned is required.

Endowment Funds: The College classifies as endowment funds those that are subject too the restrictions of gift instruments requiring the principal to be invested for a specific term of in perpetuity with only the income used for current and future needs. Use of the income of restricted endowment funds is limited to purposes specified by donors.

Plant Fund: The Plant Fund is used to record transactions relating to the College's plant assets. The plant fund includes amounts invested in plant to account for resources expended, and thus invested, in the fixed assets of the College.

Agency Fund: The agency fund is custodial in nature and does not present results of operations or have a measurement focus. This fund is used to account for assets that the College holds for others in an agency capacity.

Investments: In accordance with the "Policies of the Board of Trustees of Washington State Community College," the types of investments that may be purchased by the College are restricted to certificates of deposit and repurchase agreements.

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WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

The College has adopted GASB Statement No. 31 (GASB 31), *Accounting and Financial Reporting for Certain Investments*. Under GASB 31, investments in marketable securities with readily-determinable fair values and all investments in debt securities are valued at their fair value in the balance sheet. Unrealized gains and losses are included in net gains in the statement of changes in fund balances. Securities received as gifts are recorded at fair market value at the date of the gift.

For financial statement presentation purposes, cash in banks has been combined with the College's temporary cash management investments in certificates of deposit.

Budgetary Process: The budget is an annual plan for the financial operations of the College that establishes a basis of control and evaluation of activities financed through the current funds of the College. Formal adoption of the budget into the accounting records is not legally mandated; therefore, the College does not integrate the budget into its accounts.

Appropriations: To provide control over expenditures, an appropriation measure is prepared by the Vice President/Treasurer with input from other administrative Vice Presidents and Deans and presented to Board of Trustees at the first board meeting in May for approval. An amended appropriation measure is prepared and presented for approval to the Board by January 1 in the same fiscal year.

Encumbrances: The College utilizes an encumbrance system of accounting to record outstanding purchase orders and other commitments for materials or services as a measure of budgetary control over appropriations. At the end of the reporting period, amounts encumbered are reported as an allocation of fund balance.

Property, Plant and Equipment: Property, plant and equipment are recorded at cost or, if acquired by gift, at appraisal value at the date of gift. The College, a public entity, follows the governmental practice of not providing for depreciation.

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

A summary of the changes in property, plant and equipment is as follows:

| | <u>Balance</u> <u>July 1, 1999</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2000</u> |
|---|---------------------------------------|-------------------|------------------|--|
| Land | \$ 980,000 | | | \$ 980,000 |
| Improvements other than buildings | 2,872,115 | | | 2,872,115 |
| Buildings | 16,778,591 | | | 16,778,591 |
| Movable equipment, furniture, and other furniture | 2,697,936 | \$ 239,066 | | 2,937,002 |
| Library books | <u>353,480</u> | <u>16,376</u> | <u>\$ 50,848</u> | <u>319,008</u> |
| Total | <u>\$ 23,682,122</u> | <u>\$ 255,442</u> | <u>\$ 50,848</u> | <u>\$ 23,886,716</u> |

Compensated Absences: The College records a liability for accumulated unused vacation time when earned for all eligible employees who have completed their probationary period.

Financial Statements: The Statements of Current Funds Revenue, Expenditures and Other Changes are statements of financial activity of current funds related to current reporting periods. These statements are presented in two sections to separately account for unrestricted funds over which the board has full control as to the use in achieving any of its institutional purposes, in contrast to restricted current funds, whose use is limited to specific activities or objectives. Unrestricted revenues reported in these statements represent funds available for current operating needs, while restricted revenues represent only those funds utilized to meet current-year expenditures. Certain other current-fund expendable resources received during the year will be reported as revenues when expended in future periods in accordance with their terms.

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS

The College maintains a cash and investment pool used by all funds except the student club fund. Each fund group's portion of this pool is displayed on the balance sheet as Cash and Cash Equivalents. The deposits of student club funds are held separately from those of other College funds.

Legal Requirements: Statutes require the classification of monies held by the College into three categories:

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

Category 1 consists of active monies, those monies required to be kept in a cash, or near-cash, status for immediate use by the College. Such monies must be maintained either as cash in depository accounts payable or have the ability to withdraw on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of inactive monies, those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of interim monies, those monies that are not needed for immediate use but will be needed before the end of the current period of depositories. Interim monies may be invested or deposited in the following securities:

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington;
3. Repurchase agreements in the securities enumerated above;
4. Interim deposits in the eligible institutions applying for interim monies;
5. Bonds and other obligations of the State of Ohio; and
6. The State Treasurer's investment pool.

Deposits: At fiscal year end, the carrying amount of the College's deposits was \$1,243,770 and the bank balance was \$2,287,280. All but \$274,106 of the College's deposits were entirely covered by federal depository insurance or by collateral held by a qualified third party trustee in the name of the College. The remaining \$274,106 was classified as category 2 as defined below.

Investments: The College's investments are categorized below to give an indication of the level of risk assumed by the College at June 30, 2000. The college's endowment fund at June 30, 2000 was invested in an equity mutual fund.

Category 1 includes investments that are insured or registered or for which the securities are held by the College.

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000

Category 2 includes uninsured and unregistered investments that are held by the broker or dealer trust department or agent in the College's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the College's name.

| | ----- Category ----- | | Carrying | Market |
|----------------------|----------------------|------------|------------|--------------|
| | <u>1</u> | <u>2</u> | <u>3</u> | <u>Value</u> |
| Repurchase Agreement | | \$ 374,106 | \$ 374,106 | \$ 374,106 |
| Equity Mutual Fund | \$ 111,615 | | 111,615 | 111,615 |

The classification of cash and cash equivalents on the financial statement is based on criteria set forth in GASB Statement No. 9. Cash and cash equivalents are defined to include investments with original maturities of three months or less. Reconciliation between the classification of cash and investments on the balance sheet and the classifications per GASB No. 3 is as follows:

| | <u>Cash and Deposits</u> | <u>Investments</u> |
|--|--------------------------|--------------------|
| GASB Statement 9 | \$ 1,617,876 | |
| Investments that are part of a cash management pool: | | |
| Repurchase Agreement | <u>(374,106)</u> | <u>\$ 374,106</u> |
| GASB Statement 3 | <u>\$ 1,243,770</u> | <u>\$ 374,106</u> |

NOTE 4 - STATE SUPPORT

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

In addition to student subsidies, the State of Ohio provides the funding for and construction of major plant facilities on the College's campus. The funding is obtained from the issuance of special obligation bonds by the Ohio Public Facilities Commission (OPFC), which in turn causes the construction and subsequent lease of the facility by the Ohio Board of Regents. The College capitalizes the cost thereof as construction in progress.

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

Neither the obligation for special obligation bonds issued by OPFC, nor the annual debt-service charges for principal and interest on the bonds are reflected in the College's financial statements. These costs are currently being funded through appropriations to the Board of Regents by the General Assembly.

The facilities are not pledged as collateral for the special obligation bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available for this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the state.

As a result of the above-described financial assistance provided by the State of Ohio to the College, outstanding debt issued by OPFC is not included on the College's balance sheet. In addition, appropriations by the General Assembly to the Ohio Board of Regents for payment of debt service are not reflected in the appropriations received by the College, and the related debt service payments are not recorded in the College's accounts.

NOTE 5 - RETIREMENT COMMITMENTS

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

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

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

Plan members were required to contribute 9% at June 30, 1999 (date of most recent information available) of their annual covered salary and the College is required to contribute at an actuarially determined rate. The June 30, 1999 (date of most recent information available) rate was 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The College's

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

contributions to SERS for the years ended June 30, 2000, 1999 and 1998 were \$296,853, \$292,476, and \$257,671, respectively. The 1999 and 1998 amounts equaled the required contribution each year.

The payroll for employees covered by SERS for the fiscal year ended June 30, 2000, 1999 and 1998 was approximately \$2,270,000, \$2,089,000 and \$1,922,000, respectively; the total payroll for Washington State Community College was \$6,021,640 for the fiscal year ended June 30, 2000.

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

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

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

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

Retirement benefits are annually increased by the greater of the change in the Consumer Price Index (CPI) or the cumulative CPI increases since retirement, less previous cost of living increases, up to a maximum of 3% of the original benefit. The plan offers comprehensive health care benefits to retirees

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums.

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

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 1999 (date of most recent information available) and 1998, were 9.3% of covered payroll for members and 14% for employers. Employer contributions by the College were \$566,481, \$550,142, and \$542,189 for the years ended June 30, 2000, 1999 and 1998, respectively. The 1999 and 1998 amounts equaled the required contribution each year.

The amount of the employer's covered payroll for the years ended June 30, 2000, 1999 and 1998 was approximately \$4,070,000, \$3,930,000 and \$3,873,000, respectively.

STRS issues a stand-alone financial report. That report may be obtained after January 1, 2000 by writing to STRS, 275 E. Broad Street, Columbus, Ohio 43215 or by calling (614) 227-4090.

Alternative Retirement Plan: The State of Ohio requires public institutions of higher education to offer an alternative retirement plan. This option is an alternate to participating in the State Teachers Retirement System. The alternative retirement plan shall be a defined-contribution plan, with the Ohio employer contribution rate of 5.76%. The College has implemented the alternative retirement plan. In fiscal 2000, the employer match was \$19,718.

NOTE 6 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION

In addition to the pension benefits described in Note 5, the College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers' Retirement System and to retired noncertified employees and their dependents through the School Employees' Retirement System.

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

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

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

The board currently allocates employer contributions equal to 3.5% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are made. The balance in the Health Care Reserve Fund was \$2,156 million at June 30, 1998 (the date of the most recent information available). The net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 1999 (the date of the most recent information available), the allocation rate was 6.30%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1999 (the date of the most recent information available), the minimum pay was established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer-contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 1999 (the date of the most recent information available) were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999 (the date of the most recent information available), the SERS' net assets available for payment of health care benefits was \$188 million.

The number of participants currently receiving health care benefits is approximately 51,000.

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

The employer contributions used to fund post-employment benefits can be determined by multiplying actual employer contributions by .450, then adding the surcharge due as of June 30, 1999, as certified by SERS for our district.

NOTE 7 - STUDENT FINANCIAL ASSISTANCE PROGRAMS

Pell Grant monies received are distributed between tuition and instructional fees to the College and payments to the students. Monies are reported in the Restricted Educational and General Fund when received. These monies are then paid to the Unrestricted Educational and General Fund when applied as tuition and instructional fee income.

NOTE 8 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The College contracts with Continental Insurance Company for property and general liability insurance, including boiler and machinery coverage.

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

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

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

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

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

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

WASHINGTON STATE COMMUNITY COLLEGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For fiscal year ended June 30, 2000

| Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass through Entity identifying Number</u> | <u>Expenditures</u> |
|---|------------------------------------|---|---------------------|
| <u>U.S. Department of Education</u> | | | |
| Federal Pell Grant | 84.063 | | \$ 1,505,208 |
| Federal Work Study (Note 2) | | 84.033 | 42,951 |
| Federal Family Education Loan (Note 3) | 84.032 | | <u>1,536,021</u> |
| | | | 3,084,180 |
| Total Student Financial Aid Cluster | | | |
| Talent Search | 84.044 | | 204,792 |
| Student Support Services | 84.042 | | 162,059 |
| Upward Bound | 84.047 | | 140,640 |
| Passed Through State Department of Education | | | |
| Basic Grants to States | | | |
| Vocational Education | 84.048 | 06434520-A4/CZ | 57,166 |
| Technical preparation education | 84.243 | 0643453E-00 | <u>182,274</u> |
| Total Basic Grants to States | | | 746,931 |
| Total U.S. Department of Education | | | 3,831,111 |
| <u>Appalachian Regional Commission</u> | | | |
| Appalachian Vocational and other | | | |
| Education Facilities and Operations | 23.012 | | 100,792 |
| <u>U.S. Department of Health and Human Services</u> | | | |
| Passed-Through State Department | | | |
| of Human Resources: | | | |
| Jobs Student Retention Program | 93.021 | Not available | <u>92,677</u> |
| Total Federal Awards | | | <u>\$ 4,024,580</u> |

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2000

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – AMOUNTS REQUIRED FOR MATCHING

To comply with program requirement, amounts required to be expended from non-Federal sources have been excluded from reported expenditures. For June 30, 2000 the College's required portion of expenditures was as follows:

| Program Title | <u>Federal CFDA Number</u> | <u>Amount Provided for Matching</u> |
|----------------------------|------------------------------------|---|
| Federal Work-Study Program | 84.033 | \$ 12,527 |

NOTE 3 – OUTSTANDING LOANS

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

| | |
|-------------------------------------|---------------------|
| Federal Stafford Loans | \$ 920,002 |
| Federal Unsubsidized Stafford Loans | 611,019 |
| Federal PLUS Loans | <u>5,000</u> |
| Total FFELs | <u>\$ 1,536,021</u> |



REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

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

We have audited the financial statements of Washington State Community College (the College) as of and for the year ended June 30, 2000, and have issued our report thereon dated November 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all

matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the College in a separate letter dated November 7, 2000.

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

A handwritten signature in cursive script that reads "Crowe, Chizek and Company LLP".

Crowe, Chizek and Company LLP

Columbus, Ohio
November 7, 2000



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

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

Compliance

We have audited the compliance of Washington State Community College (the College) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the College in a separate letter dated November 7, 2000.

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



Crowe, Chizek and Company LLP

Columbus, Ohio
November 7, 2000

WASHINGTON STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2000

1. Summary of Auditor's Results

- a. An unqualified opinion was issued on the financial statements of Washington State Community College for the year ended June 30, 2000.
- b. An unqualified opinion was issued to Washington State Community College for compliance with major programs.
- c. The audit did not disclose any noncompliance that is material to the financial statements.
- d. There were no audit findings required to be disclosed under OMB Circular A-133 Section 510(a).
- e. Major Programs Identified:
 - Student financial aid cluster
 - Federal Pell Grant program
 - Federal Work Study program
 - Federal Family Education Loan program
- f. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- g. The auditee was considered a low-risk auditee.

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

None.

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

None.

PRIOR YEAR FINDINGS

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

WASHINGTON STATE COMMUNITY COLLEGE
APPOINTED OFFICIALS
as of June 30, 2000

Board of Trustees:

| <u>Title/Name</u> | <u>Term of Office or Contract Period</u> | <u>Surety</u> | <u>Amount of Coverage</u> |
|----------------------|--|---------------|---------------------------|
| <u>Chairperson</u> | | | |
| John F. Greacen, Jr. | 02/26/99-02/18/05 | (A) | \$1,000,000 |
| <u>Vice-Chairman</u> | | | |
| Ms. Janet Storms | 02/19/96-02/18/02 | (A) | \$1,000,000 |
| <u>Members</u> | | | |
| John R. Hendricks | 02/19/97-02/18/03 | (A) | \$1,000,000 |
| James D. McKinney | 02/26/99-02/18/05 | (A) | \$1,000,000 |
| Patricia S. Norris | 02/19/96-02/18/02 | (A) | \$1,000,000 |
| Harry M. Cogswell | 02/19/97-02/18/03 | (A) | \$1,000,000 |
| Patricia S. Marvin | 02/26/99-02/18/05 | (A) | \$1,000,000 |
| Wen-Yu Cheng | 02/19/97-02/18/03 | (A) | \$1,000,000 |
| William A. Fields | 02/09/96-02/18/02 | (A) | \$1,000,000 |

(A) Republic Franklin Insurance Company for the period July 1, 1999 through June 30, 2000.

WASHINGTON STATE COMMUNITY COLLEGE
ADMINISTRATIVE PERSONNEL
as of June 30, 2000

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

(A) Republic Franklin Insurance Company for the period July 1, 1999 through June 30, 2000.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

WASHINGTON STATE COMMUNITY COLLEGE

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 16, 2001**