

**WASHINGTON STATE COMMUNITY COLLEGE
ANNUAL REPORT
SOUTHEAST REGION, WASHINGTON COUNTY
SINGLE AUDIT
JULY 1, 2003 THROUGH JUNE 30, 2004**



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of Washington State Community College, Washington County, prepared by Crowe Chizek and Company LLC, for the audit period July 1, 2003 through June 30, 2004. 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. Washington State Community College is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

December 14, 2004

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WASHINGTON STATE COMMUNITY COLLEGE
Washington County

ANNUAL REPORT
June 30, 2004

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WASHINGTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004 and 2003

Washington State Community College (the College) Management Discussion and Analysis (MD&A) of its financial condition provides an overview of the financial performance of the College for the year ended June 30, 2004. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes.

Financial Highlights

The College's financial statements for FY 2003-2004 reported net assets of \$20.3 million at June 30, 2004. This represented an increase of \$835,000 from the previous fiscal year, primarily a result of completion of the Center for Business and Technology construction project and its addition to capital assets.

A 5.8% increase in enrollment from the previous year and a tuition freeze at the start of the academic year resulted in a tuition and fees increase of \$471,000. State appropriations, however, decreased by \$16,000 from the previous fiscal year.

Using the Annual Report

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

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

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

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

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

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004 and 2003

Condensed Financial Information

Statements of Net Assets (in thousands)

	2004	2003	2002
ASSETS			
Current assets	\$ 4,195	\$ 3,929	\$ 4,113
Capital assets, net	18,413	17,615	16,653
Other non-current assets	112	107	76
Total assets	22,720	21,651	20,842
LIABILITIES			
Current liabilities	2,003	1,864	1,831
Non-current liabilities	367	273	318
Total liabilities	2,370	2,137	2,149
NET ASSETS			
Invested in capital assets, net of related debt	18,413	17,615	16,653
Restricted			
Nonexpendable	112	107	76
Expendable	494	494	494
Unrestricted	1,330	1,298	1,470
Total net assets	\$ 20,349	\$ 19,514	\$ 18,693

A review of the College's statements of net assets at June 30, 2004 shows that the College continues to build a strong financial foundation.

Assets As of June 30, 2004, the College's total assets amount to approximately \$22.7 million. Investment in capital assets, net of depreciation, represented the College's largest asset, totaling \$18.4 million or 81 percent of total assets. Net capital assets increased by \$798 thousand due, in part, to the completion of the Center for Business and Technology in August 2003. Accounts receivable, net of allowances for doubtful accounts, totaling \$2.1 million or 9 percent of total assets, were the College's next largest asset. Accounts receivable decreased by approximately \$538 thousand, primarily a result of federal and state grant projects reimbursements received during 2004 that were outstanding at June 30, 2003.

Liabilities At June 30, 2004, the College's liabilities totaled approximately \$2.4 million. Accounts payable, accrued liabilities, and deferred revenue represented \$2.0 million or 84 percent, of total liabilities.

Net Assets Net assets at June 30, 2004 totaled approximately \$20.3 million, or 90 percent, of total assets. Net assets invested in capital totaled \$18.4 million or 90 percent, of total net assets. Restricted and unrestricted net assets represented 2.9 percent and 6.5 percent of total net assets, respectively.

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WASHINGTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004 and 2003

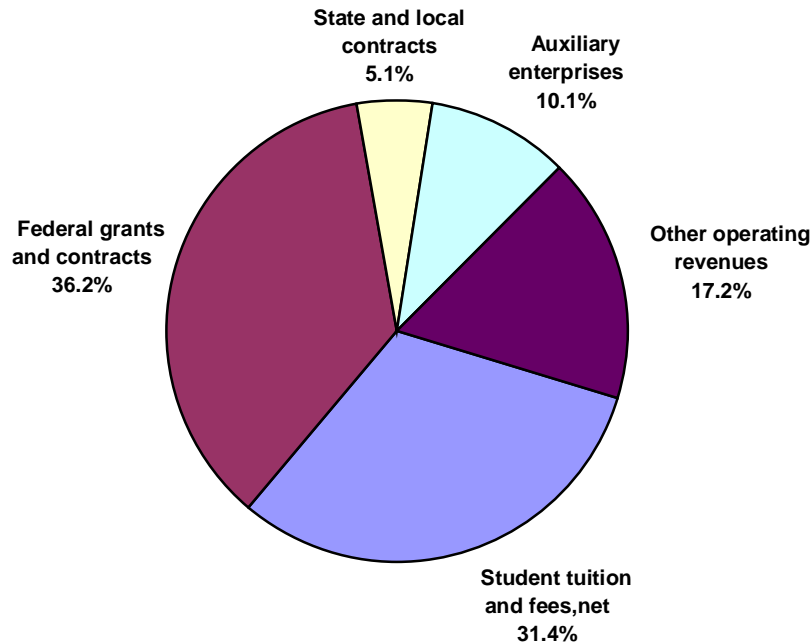
Statements of Revenues, Expenses and Changes in Net Assets (in thousands)

	2004	2003	2002
OPERATING REVENUES			
Student tuition and fees, net	\$ 3,425	\$ 3,638	\$ 2,843
Grants and contracts	4,495	4,415	3,130
Auxiliary enterprises	1,097	985	731
Other operating revenues	1,877	1,912	354
Total operating revenues	10,894	10,950	7,058
OPERATING EXPENSES			
Educational and general	13,403	14,339	11,315
Depreciation	673	661	676
Auxiliary enterprises	1,396	1,162	892
Total operating expenses	15,472	16,162	12,883
Operating loss	(4,578)	(5,212)	(5,825)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	4,623	4,639	4,771
Investment return	12	4	(25)
Other non-operating expenses	30	81	--
Net non-operating revenues	4,665	4,724	4,746
Income (loss) before capital appropriations	87	(488)	(1,079)
Capital appropriations	748	1,309	541
Increase/(decrease) in net assets	835	821	(538)
NET ASSETS			
Net assets-beginning of year	19,514	18,693	19,231
Net assets-end of year	\$ 20,349	\$ 19,514	\$ 18,693

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004 and 2003

OPERATING REVENUES



Total operating revenues were approximately \$10.9 million for the year ended June 30, 2004. The most significant sources of operating revenue for the College are federal grants and contracts (36.2 percent), net student tuition and fees (31.4 percent), and other operating revenues (17.2 percent).

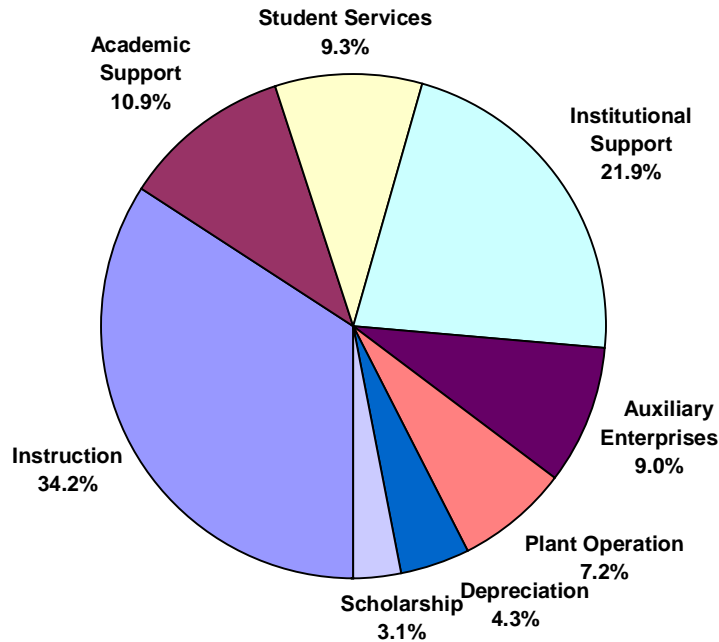
Tuition and fees continued to be one of the largest sources of operating revenues for the College. Income from student tuition and fees increased slightly because of a 5.8 percent increase in full-time enrollment equivalent during the academic year. Other operating revenues in 2004 and 2003 reflect the completion of the Center for Business and Technology and the Evergreen Child Development Center, respectively. Both projects were completed during fiscal years 2004 and 2003, respectively and added to capital assets in those years.

There are other significant recurring sources of revenues essential to the operation of the College, including state appropriations and investment income, which are considered nonoperating revenues as defined by GASB 35. The College's state appropriations for the year ended June 30, 2004, amounted to \$4.6 million. This represents a decrease of \$16 thousand over the College's appropriations for the prior year. The decrease in 2003 was even greater at \$132 thousand as compared to 2002.

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WASHINGTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004 and 2003

OPERATING EXPENSES



Operating expenses, including \$673 thousand of depreciation, totaled approximately \$15.5 million. As depicted in the chart above, the majority of the College's operating funds are expended directly for the primary mission of the College - instruction (34.2 percent), institutional support (21.9 percent), and academic support (10.9 percent). One of the College's core values is to provide students access to the College with the opportunity to succeed. The College's continued investment in student financial aid programs and student support services reflects this commitment.

For the year ended June 30, 2004, student financial aid related to tuition and fees totaled \$2.8 million, including student aid expenses of \$479 thousand and scholarship allowances of \$2.4 million. This represents a 10 percent increase in the amount expended for financial aid related to tuition and fees as compared to the approximately \$2.6 million expended in the prior year.

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WASHINGTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004 and 2003

Statements of Cash Flows (in thousands)

	2004	2003	2002
Net cash provided (used) by:			
Operating activities	\$ (3,132)	\$ (5,587)	\$ (4,869)
Noncapital financing activities	4,653	4,691	4,772
Capital financing activities	(723)	(326)	476
Investing activities	7	0	0
Net increase (decrease) in cash	805	(1,222)	379
Cash-beginning of year	1,182	2,404	2,025
Cash-end of year	\$ 1,987	\$ 1,182	\$ 2,404

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

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

Major sources of funds included in operating activities are gross student tuition and fees (\$3.4 million) and net grants and contracts (\$4.5 million). The largest cash payments for operating activities were to employees, for wages and benefits, (\$10.6 million) and to suppliers (\$1.3 million).

The largest cash receipt in the noncapital financing activities group is the operating appropriation from the State of Ohio. Cash used by capital and related financing activities is primarily expended on the construction and acquisition of capital assets. Cash provided by investing activities reflects the investment return on investments.

Capital Assets

Capital assets, net of accumulated depreciation, totaled approximately \$18.4 million at June 30, 2004, a net increase of \$798 thousand over the prior year-end. Additions to capital assets during the year totaled \$1.5 million, including \$1.4 million in construction projects with the completion of the Center for Business and Technology, which operates a computer training facility for local business and industry.

Factors Impacting Future Periods

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

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WASHINGTON STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004 and 2003

There is a direct relationship between the level of state support and the College's ability to control tuition growth. Declining state appropriations often result in increased tuition rates. Aware of the fact that the College's tuition rate is among the highest for Ohio two-year colleges and that the College is located in an economically depressed region, a conscious effort is being made to proceed through Fiscal Year 2004-2005 with a below average increase in tuition.

Economic pressures affecting the State of Ohio are projected to result in a significant shortfall in revenue for the fiscal year starting July 1, 2005. This projected shortfall prompted the College to remain very fiscally conservative and not to plan any major expenditures. Further reductions in state support will be difficult to absorb in the College's operating budget for future fiscal years. The economic condition of the College is closely tied to the economic condition of the State of Ohio, as nearly 43% of total revenues are from the State.

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

A campus master plan has recently been updated to include a framework for growth and development over the next decade. As capital funds become available, this plan will allow the College to provide those facilities which will be productive not only for the College but also for the Marietta community and the Mid-Ohio Valley region.

While this continues to be an exciting time in the evolution of Washington State Community College, the uncertainty of our support from the State toward our general operating budget is our primary concern. Rapidly rising costs of health and liability insurance, the increasing cost of gas and electricity, and the continuing demand to keep technology current (both in the offices and in the classrooms) are driving forces in our operating budget. Reductions in state support, coupled with state-implemented caps on tuition increases, have prompted us to focus more on the "expense" side of the budget than on the "revenue" side, as it may be that only through cost-efficiencies and major changes in "how we've been doing things" will we be able to continue to provide a quality education at an affordable price.



Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS

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

We have audited the accompanying statements of net assets of Washington State Community College (the College), a component unit of the State of Ohio, as of June 30, 2004 and 2003 and the statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

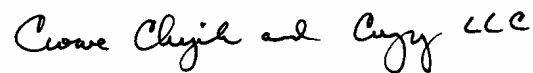
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College, as of June 30, 2004 and 2003, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2004, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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



Crowe Chizek and Company LLC

Columbus, Ohio
September 17, 2004

WASHINGTON STATE COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
June 30, 2004 and 2003

	2004		2003	
	Washington State Community College	Component Unit Washington State Foundation	Washington State Community College	Component Unit Washington State Foundation
ASSETS				
Current Assets				
Cash and cash equivalents (Note 2)	\$ 1,987,095	\$ 62,194	\$ 1,181,813	\$ 23,200
Accounts receivable (net of allowance for doubtful accounts, \$39,392 in 2004 and 2003, respectively (Note 3)	2,082,305		2,620,346	
Inventory	111,075		115,282	
Prepaid expenses	<u>14,024</u>		<u>11,193</u>	
Total current assets	4,194,499	62,194	3,928,634	23,200
Noncurrent Assets				
Investments	111,628		107,307	
Capital assets, net (Note 4)	<u>18,413,444</u>		<u>17,615,124</u>	
Total noncurrent assets	<u>18,525,072</u>	--	<u>17,722,431</u>	--
Total assets	<u>22,719,571</u>	<u>62,194</u>	<u>21,651,065</u>	<u>23,200</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities (Note 5)	1,184,867	24,350	914,848	
Compensated absences, current portion	56,806		47,891	
Deferred revenue	<u>761,677</u>		<u>901,542</u>	
Total current liabilities	2,003,350	24,350	1,864,281	
Noncurrent Liabilities				
Deferred revenue	44,846		1,000	
Deposits held for others	--		384	
Compensated absences	<u>321,902</u>		<u>271,384</u>	
Total noncurrent liabilities	<u>366,748</u>	--	<u>272,768</u>	--
Total liabilities	<u>2,370,098</u>	<u>24,350</u>	<u>2,137,049</u>	<u>--</u>
NET ASSETS				
Invested in capital assets	18,413,444		17,615,124	
Restricted for				
Nonexpendable				
Scholarships and fellowships	111,628		107,307	
Expendable				
Capital projects	488,673		488,673	
Loans	5,153		5,053	
Unrestricted	<u>1,330,575</u>	<u>37,844</u>	<u>1,297,859</u>	<u>23,200</u>
Total net assets	<u>\$ 20,349,473</u>	<u>\$ 37,844</u>	<u>\$ 19,514,016</u>	<u>\$ 23,200</u>

See accompanying notes to the financial statements

WASHINGTON STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ended June 30, 2004 and 2003

	2004		2003	
	Washington State Community College	Component Unit Washington State Foundation	Washington State Community College	Component Unit Washington State Foundation
REVENUES				
Operating revenues				
Tuition and fees, (net of scholarship allowances of \$2,477,445 in 2004 and \$1,909,110 in 2003)	\$ 3,424,969		\$ 3,637,786	
Federal grants and contracts	3,939,055		4,154,994	
State grants and contracts	556,133		260,343	
Private grants and contracts		\$ 41,378		\$ 23,187
Sales and service of educational departments	153,813		129,802	
Auxiliary enterprises				
Bookstore	846,587		811,107	
Child care center	250,080		174,389	
Other operating revenues	<u>1,723,573</u>		<u>1,781,917</u>	<u>19</u>
Total operating revenues	<u>10,894,210</u>	<u>41,378</u>	<u>10,950,338</u>	<u>23,206</u>
EXPENSES				
Operating expenses				
Education and general				
Instruction	5,291,371	2,471	5,433,935	
Academic support	1,685,794		2,133,635	
Student services	1,441,208		1,418,489	
Institutional support	3,385,783	24,350	3,594,502	
Operation and maintenance of plant	1,120,405		1,029,574	
Depreciation	672,630		660,899	
Student aid	479,074		728,629	
Auxiliary enterprises				
Bookstore	1,013,162		944,006	
Child care center	382,676		217,905	
Other expenditures		--		<u>6</u>
Total operating expenses	<u>15,472,103</u>	<u>26,821</u>	<u>16,161,574</u>	<u>6</u>
Operating income/loss	<u>(4,577,893)</u>	<u>14,557</u>	<u>(5,211,236)</u>	<u>23,200</u>
NON-OPERATING REVENUES (EXPENSES)				
State appropriations subsidy	4,622,575		4,639,022	
Private gifts and grants	30,787		81,044	
Investment return	<u>11,691</u>	<u>87</u>	<u>3,635</u>	
Net non-operating revenues	<u>4,665,053</u>	<u>87</u>	<u>4,723,701</u>	
Income/(loss) before other revenues	87,160	14,644	(487,535)	23,200
Capital appropriations	<u>748,297</u>		<u>1,308,606</u>	
Increase in net assets	835,457	14,644	821,071	23,200
NET ASSETS				
Net assets-beginning of year	<u>19,514,016</u>	<u>23,200</u>	<u>18,692,945</u>	<u>--</u>
Net assets-end of year	<u>\$ 20,349,473</u>	<u>\$ 37,844</u>	<u>\$ 19,514,016</u>	<u>\$ 23,200</u>

See accompanying notes to financial statements.

WASHINGTON STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2004 and 2003

	2004		2003	
	Washington State Community College	Component Unit Washington State Foundation	Washington State Community College	Component Unit Washington State Foundation
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	\$ 2,613,041		\$ 2,658,106	
Grants and contracts	5,017,517	\$ 41,378	3,653,342	\$ 23,187
Payments to suppliers and utilities	(1,319,332)		(3,341,015)	
Payments to employees and benefits	(10,643,490)		(10,279,148)	
Auxiliary enterprise	855,944		700,563	
Other receipts	<u>343,522</u>	<u>(2,471)</u>	<u>1,020,700</u>	<u>13</u>
Net cash provided by (used by) operating activities	(3,132,798)	38,907	(5,587,452)	23,200
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	4,622,575		4,639,022	
Gifts and grants for other than capital purposes	30,787		53,044	
Other activity	<u>59,673</u>		<u>(1,409)</u>	
Net cash provided by noncapital financing activities	4,713,035	--	4,690,657	--
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital appropriations	748,297		1,308,606	
Purchases of capital assets	<u>(1,530,623)</u>		<u>(1,634,160)</u>	
Net cash used by financing activities	<u>(782,326)</u>	--	<u>(325,554)</u>	--
CASH FLOWS FROM INVESTING ACTIVITIES				
Income on investments	<u>7,371</u>	<u>87</u>		
Net cash provided by investing activities	<u>7,371</u>	<u>87</u>	--	--
Net change in cash	805,282	38,994	(1,222,349)	23,200
Cash - beginning of year	<u>1,181,813</u>	<u>23,200</u>	<u>2,404,162</u>	<u>--</u>
Cash - end of year	<u>\$ 1,987,095</u>	<u>\$ 62,194</u>	<u>\$ 1,181,813</u>	<u>\$ 23,200</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (4,577,893)	\$ 14,557	\$ (5,211,236)	\$ 23,200
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation expense	672,630		660,899	
Changes in assets and liabilities				
Receivables, net	538,041		(1,056,344)	
Inventories	4,207		5,447	
Other assets	(2,832)		24,682	
Accounts payable	270,019	24,350	(36,953)	
Deferred revenue	(96,019)		5,984	
Deposits held for others	(384)		(1,409)	
Compensated absences	<u>59,433</u>		<u>21,478</u>	
Net cash used by operating activities	<u>\$ (3,132,798)</u>	<u>\$ 38,907</u>	<u>\$ (5,587,452)</u>	<u>\$ 23,200</u>

See accompanying financial statements.

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

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

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

b. Basis of Presentation

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

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

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted:**
Nonexpendable - Net assets subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the College's permanent endowment funds.

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expendable – Net assets whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

- **Unrestricted:** Net assets whose use by the College is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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

c. Accrual Basis

The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The College reports as a Business Type Activity (BTA) as defined by GASB 35. BTAs are those activities that are financed in whole or part by fees charged to external parties for goods and services. The College also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

d. Capital Assets

Capital assets are stated at cost at date of acquisition or, in the case of gifts, at fair market value at date of gift. Equipment with a unit cost of \$3,000 or more and having an estimated useful life of greater than one year is capitalized. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the respective assets, generally 20 years for land improvements, 10–40 years buildings and fixed equipment, 15 years for library books and 4–10 years for equipment.

e. Inventories

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

f. Investments

Investments are stated at fair value.

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Deferred Revenue

Deferred revenue consists primarily of summer school fees. The College has deferred amounts received for tuition and fees prior to June 30, 2004 and 2003 but relate to the subsequent accounting period.

h. Accounts Receivable

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

i. Allowance for Doubtful Accounts

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

j. Restricted Asset Spending Policy

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

k. Operating Activities

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

1. Use of Estimates

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

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The balance sheet classification “cash and cash equivalents” includes all readily available sources of cash such as petty cash, demand deposits, certificates of deposit and temporary investments in marketable securities with original maturities less than three months. The carrying amount of the College’s deposits was \$2,049,289 at June 30, 2004 and \$1,205,013 at June 30, 2003 with a corresponding total bank balance of \$2,279,767 at June 30, 2004 and \$1,425,761 at June 30, 2003. Of the bank balance, \$433,524 at June 30, 2004 and \$427,310 at June 30, 2003 was covered by federal depository insurance or by collateral held by a qualified third party trustee in the name of the College. The remaining \$1,846,243 at June 30, 2004 and \$998,450 at June 30, 2003 was classified as category 2 as defined below.

Category 1:

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

Category 2:

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

Category 3:

Uncollateralized.

The College’s investments as of June 30, 2004 and 2003 were all category 1 and have a carrying and market value of \$111,075 and \$107,307, respectively.

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

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

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

NOTE 3 - NOTES, LOANS AND ACCOUNTS RECEIVABLE

Notes, loans and accounts receivable as of June 30, 2004 and 2003 are as follows:

	2004			2003		
	Gross Receivable	Allowance	Net Receivable	Gross Receivable	Allowance	Net Receivable
Students	\$ 798,676	\$ 39,392	\$ 759,284	\$ 974,486	\$ 39,392	\$ 935,094
Reimbursement receivable – grant and contracts	1,082,151		1,082,151	1,459,916		1,459,916
Other	240,870		240,870	225,336		225,336
	\$ 2,121,697	\$ 39,392	\$2,082,305	\$2,659,738	\$ 39,392	\$2,620,346

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 4 - CAPITAL ASSETS, NET

Capital assets as of June 30, 2004 and 2003 are summarized as follows:

	<u>2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>2004</u>
<u>Assets</u>				
Land	\$ 980,000			\$ 980,000
Buildings	18,436,776	\$ 1,378,275		19,815,051
Land improvements	2,887,115	18,397		2,905,512
Library books	397,466	6,136		403,602
Moveable equipment	<u>2,961,972</u>	<u>127,815</u>	\$ 59,673	<u>3,030,114</u>
	25,663,329	1,530,623	59,673	27,134,279
<u>Accumulated depreciation</u>				
Buildings	3,666,817	491,930		4,158,747
Land improvements	1,426,086	144,969		1,571,055
Library books	274,214	26,498		300,712
Moveable equipment	<u>2,681,088</u>	<u>68,906</u>	59,673	<u>2,690,321</u>
	<u>8,048,205</u>	<u>732,303</u>	59,673	<u>8,720,835</u>
Capital assets, net	<u>\$ 17,615,124</u>	<u>\$ 798,320</u>	\$ --	<u>\$ 18,413,444</u>

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Payable to vendors and contractors	\$ 82,779	\$ 185,738
Accrued expenses, primarily payroll and vacation leave	630,668	530,957
Employee withholdings and deposits payable to third parties	<u>471,420</u>	<u>198,153</u>
	<u>\$ 1,184,867</u>	<u>\$ 914,848</u>

NOTE 6 - LONG-TERM OBLIGATIONS

The changes in the College's long-term obligations during fiscal year 2004 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Deferred revenue	\$ 902,542	\$ 564,105	\$ 660,124	\$ 806,523	\$ 761,677
Compensated absences	<u>319,275</u>	<u>78,753</u>	<u>19,320</u>	<u>378,708</u>	<u>56,806</u>
Total long-term liabilities	<u>\$ 1,221,817</u>	<u>\$ 642,858</u>	<u>\$ 679,444</u>	<u>\$ 1,185,231</u>	<u>\$ 818,483</u>

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 7 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES

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

a. School Employees' Retirement System

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

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

Plan members were required to contribute 10%, 9% and 9% at June 30, 2004, 2003 and 2002, respectively, of their annual covered salary and the College is required to contribute at an actuarially determined rate. The June 30, 2002 (date of most recent information available) and 2001 rate was 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The College's contributions to SERS for the years ended June 30, 2004, 2003 and 2002 were \$371,464, \$333,375 and \$311,522, respectively.

The payroll for employees covered by SERS for the years ended June 30, 2004, 2003 and 2002, was approximately \$2,415,910, \$2,378,418 and \$2,225,154, respectively; the total payroll for Washington State Community College was \$6,330,437, \$6,299,847 and \$5,936,219 for the fiscal years ended June 30, 2004, 2003 and 2002, respectively.

b. State Teachers' Retirement System

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

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

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

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

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

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

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

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

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2002 (date of most recent information available) and 2001 were 9.3% of covered payroll for members and 14% for employers. Employer contributions by the College were \$602,581, \$590,238 and \$516,644 for the years ended June 30, 2004, 2003 and 2002, respectively.

The amount of the employer's covered payroll for the years ended June 30, 2004, 2003 and 2002 was approximately \$4,304,150, \$4,215,986 and \$3,690,316, respectively.

STRS issues a stand-alone financial report. That report may be obtained after January 1, 2004 by writing to STRS, 275 E. Broad Street, Columbus, Ohio 43215 or by calling (614) 227-4090.

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

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

c. Alternative Retirement Plan

The State of Ohio requires public institutions of higher education to offer an alternative retirement plan to participating in the State Teachers Retirement System. The alternative retirement plan shall be a defined-contribution plan, with the Ohio employer contribution rate of 5.76%. The College has implemented the alternative retirement plan. In fiscal years 2004, 2003 and 2002, the employer match was \$5,397, \$7,657 and \$2,080, respectively.

NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

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

The board currently allocates employer contributions equal to 8.0% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are made. The balance in the Health Care Reserve Fund was \$2.8 billion at June 30, 2003 (the date of the most recent information available). The Health Care Reserve Fund allocation for the years ended June 30, 2002 and 2001 and after will be 4.5% of covered payroll. The net health care costs paid by STRS was \$ 456,214,000 at June 30, 2003 and \$438,000,000 at June 30, 2002. There were 108,294 and 105,300 eligible benefit recipients at June 30, 2003 and 2002, respectively.

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

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

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

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

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

NOTE 9 - OPERATING EXPENSES BY NATURAL CLASSIFICATION

The College's operating expenses by natural classification were as follows for the years ended June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Salaries and wages	\$ 7,067,140	\$ 7,007,797
Employee benefits	3,576,350	3,271,351
Utilities	971,107	685,406
Supplies and other services	2,705,802	3,795,980
Depreciation	672,630	672,411
Student scholarships and financial aid	479,074	728,629
	<u>\$ 15,472,103</u>	<u>\$ 16,161,574</u>

(Continued)

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 10 - RISK MANAGEMENT

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

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

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

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

The College contracts with Medical Mutual of Ohio for hospitalization and Delta Dental for dental insurance and Vision Service Plan for vision insurance. The College pays 90% of the total monthly premiums for dental and vision coverages and the employee pays for the remaining 10%. The College pays 82% of the total monthly premiums for hospitalization and major medical and the employees pay the remaining 18%. Premiums are paid from the same funds that pay the employees' salaries.

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

NOTE 11 - COMPONENT UNIT DISCLOSURE

During the year ended June 30, 2004 the Foundation provided resources of \$26,821 to or on behalf of the College for scholarships and other purposes. No resources were provided in 2003.

SUPPLEMENTARY INFORMATION

WASHINGTON STATE COMMUNITY COLLEGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For fiscal year ended June 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass through Entity identifying Number	Expenditures
<u>U.S. Department of Education</u>			
Student Financial Aid Cluster			
Federal Pell Grant	84.063		\$ 2,817,095
Federal Work Study (Note 3)	84.033		36,885
Federal Family Education Loan (Note 2)	84.032		<u>2,695,386</u>
Total Student Financial Aid Cluster			5,549,366
TRIO Cluster			
Talent Search	84.044		288,570
Student Support Services	84.042		267,270
Upward Bound	84.047		<u>212,102</u>
Total TRIO Cluster			767,942
Vocational Education – Basic Grants to States	84.048		61,218
Child Care Access Means Parents in Schools Passed Through State Department of Education Basic Grants to States	84.335		5,292
Technical preparation education	84.243	0643453E-00	<u>158,457</u>
Total Basic Grants to States			
Total U.S. Department of Education			6,542,275
<u>U.S. Small Business Administration</u>			
Passed – Through Ohio University: Small Business Development Center	59.037	22000130	61,976
<u>U.S. Department of Agriculture</u>			
Food Service	10.559		<u>1,945</u>
Total Federal Awards			<u>\$ 6,606,196</u>

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2004

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - OUTSTANDING LOANS

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

Federal Stafford Loans	\$ 1,522,233
Federal Unsubsidized Stafford Loans	<u>1,173,153</u>
Total FFELs	<u>\$ 2,695,386</u>

NOTE 3 - AMOUNTS REQUIRED FOR MATCHING

To comply with program requirement, amounts required to be expended from non-Federal sources have been excluded from reported expenditures. For June 30, 2004 the College's required portion of expenditures was as follows:

	<u>Federal CFDA Number</u>	<u>Amount Provided for Matching</u>
Federal Work-Study Program	84.003	\$ 12,295



Crowe Chizek and Company LLC
Member Horwath International

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

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

We have audited the financial statements of Washington State Community College (the College); a component unit of the State of Ohio, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

However, we noted certain immaterial instances of noncompliance that we have reported to management of Washington State Community College in a separate letter dated September 17, 2004.

Internal Control Over Financial Reporting

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

might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the College in a separate letter dated September 17, 2004.

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

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Columbus, Ohio
September 17, 2004



Crowe Chizek and Company LLC
Member Horwath International

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

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

Compliance

We have audited the compliance of Washington State Community College (the College) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

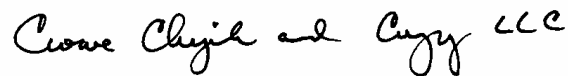
In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the College in a separate letter dated September 17, 2004.

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



Crowe Chizek and Company LLC

Columbus, Ohio
September 17, 2004

WASHINGTON STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2004

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, 2004.
- 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
June 30, 2004

Board of Trustees:

<u>Title/Name</u>	<u>Term of Office or Contract Period</u>	<u>Surety</u>	<u>Amount of Coverage</u>
<u>Chairperson</u> Harry M. Cogswell	02/19/03-02/18/09	(A)	\$ 1,000,000
<u>Vice-Chairman</u> John. R. Hendricks	02/19/03-02/18/09	(A)	\$ 1,000,000
<u>Members</u> John F. Greacen, Jr	02/26/99-02/18/05	(A)	\$ 1,000,000
Jean Glenn	02/19/02-02/18/08	(A)	\$ 1,000,000
Patricia S. Marvin	02/26/99-02/18/05	(A)	\$ 1,000,000
Wen-Yu Cheng	02/19/03-02/18/09	(A)	\$ 1,000,000
William A. Fields	02/19/02-02/18/08	(A)	\$ 1,000,000
Mike Iadeorsa	07/01/02-02/16/08	(A)	\$ 1,000,000
John Keirns	10/3/03-02/18/05	(A)	\$ 1,000,000

(A) Republic Franklin Insurance Company for the period July 1, 2003 through June 30, 2004.

WASHINGTON STATE COMMUNITY COLLEGE
ADMINISTRATIVE PERSONNEL
June 30, 2004

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

(A) Republic Franklin Insurance Company for the period July 1, 2003 through June 30, 2004.



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

WASHINGTON STATE COMMUNITY COLLEGE

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 28, 2004**