

Northwest State Community College

Single Audit

July 1, 2004 through June 30, 2005

Fiscal Year Audited Under GAGAS: 2005

**BALESTRA, HARR & SCHERER, CPAs, INC.**

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**Auditor of State  
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Northwest State Community College, Henry County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

November 14, 2005

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NORTHWEST STATE COMMUNITY COLLEGE

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**REPORT OF INDEPENDENT ACCOUNTANTS**

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Northwest State Community College (the College), as of and for the year ended June 30, 2005, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2005 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Board of Trustees  
Northwest State Community College  
REPORT OF INDEPENDENT ACCOUNTANTS  
Page 2

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

As described in Note 3 to the basic financial statements, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

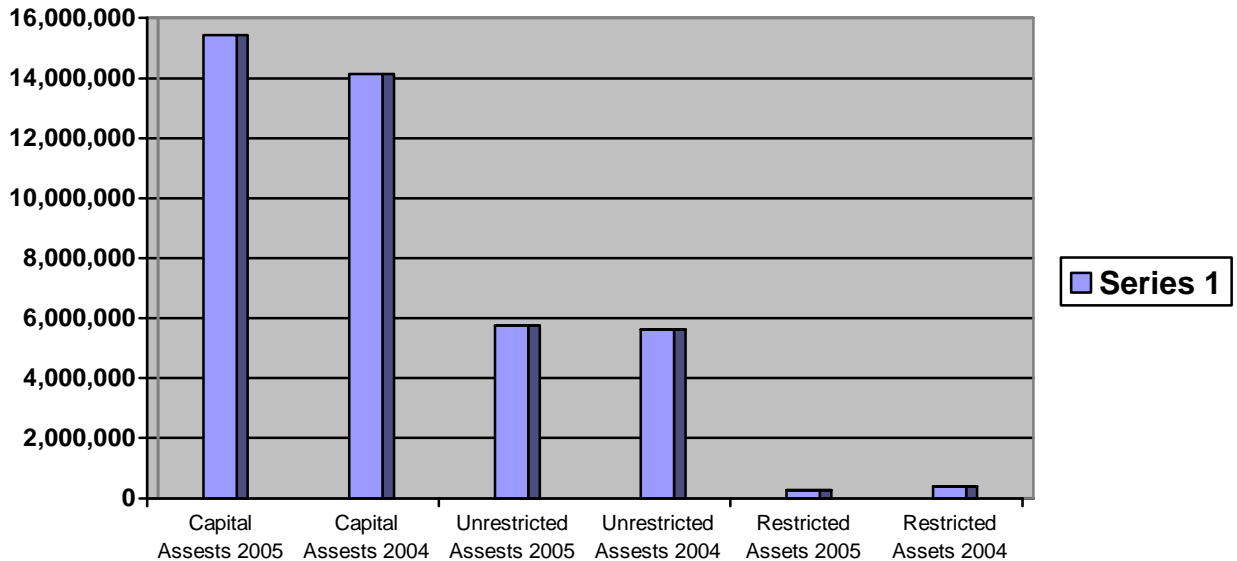
Balestra, Harr & Scherer, CPAs, Inc.  
October 11, 2005

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005**

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

**Financial Highlights**

The net assets of a governmental entity represent the entity's ownership in the assets. The graph presents the increases and decreases in the net assets during fiscal years 2004 and 2005.



During 2005 the College's net assets increase from \$20,208,209 to \$21,442,402 creating a 6.1% increase. The Net Assets Invested in Capital Assets increased by \$1,283,279. The Restricted Net Assets decreased by \$144,472 to a total of \$258,238 and the Unrestricted Net Assets increased by \$95,386 to a total of \$5,756,351.

On the asset side of the Statement of Net Assets, the Current Assets increased by \$519,596 or 10.4%. Of this total, \$52,883 was in cash, cash equivalents, and/or investments. Accounts Receivable increased by \$470,610. Inventories and Prepaid Expenses decrease by \$3,897.

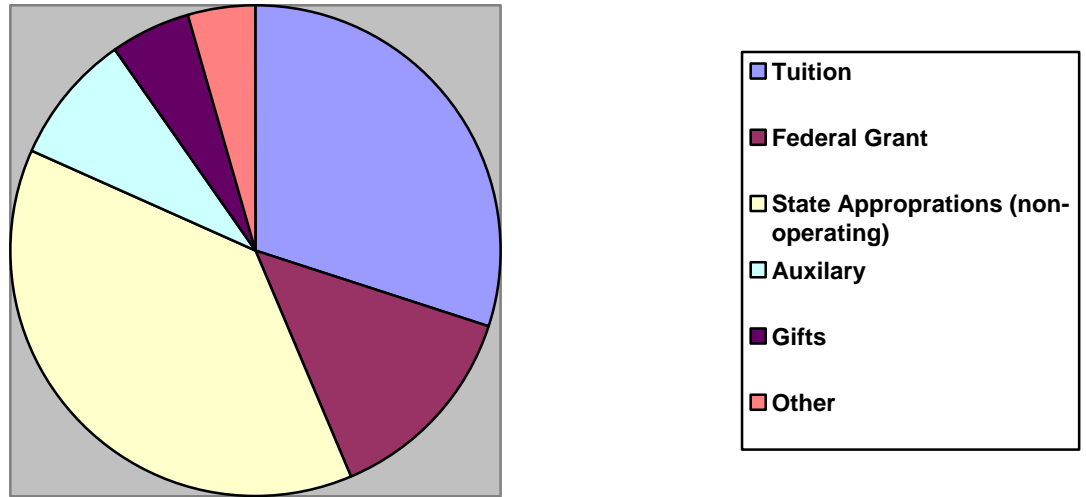
The Non-Current Assets increased by \$859,958 or 5.2%. This change is reflected in the Capital Assets account which increased because of the renovation of the second floor of the "A" building and the workforce development area in the "C" building.

Current Liabilities increased by \$144,156 creating a 13.4% change. These dollars are reflected in the Accounts Payable, Compensated Absences, Capital Lease Obligations and Deferred Revenues. The Non-Current Liabilities increased by \$1,205.

The following chart is a breakdown of the College's revenues divided into major categories. This information does not include the Foundation.



**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005**



In the fiscal year ending June 30, 2005, Northwest State ended the year with an increase in the Net Assets of \$1,234,193. At the September 30, 2004 Board meeting a resolution was passed to purchase SCT Banner (\$2,206,229) from the unallocated reserves. During fiscal year 2005-06, \$773,673 and during fiscal year 2006-07, \$457,556 is needed to fund this expense. If this year's increase is used to fund the 2005-06 SCT Banner costs, the increase will be only \$460,520.

**Structure of the Annual Report**

This report consists of three financial statements and notes to accompany the statements. The Statement of Net Assets, the Statement of Revenues, Expenditures and Changes in Net Assets, and the Statement of Cash Flows provide information on the College as a whole and the Foundation as a component unit. This report includes all of the programs and services generally associated with a College including instruction, public service and support services. The College Foundation activities are focused on fundraising to benefit the College.

**The Statement of Net Assets**

Here a person will find the College's assets, liabilities and net assets for 2005 and 2004 fiscal years. A third column states the changes in the various line items. This statement includes all the assets and liabilities using the accrual basis of accounting. This means that all the current year's revenues and expenses are accounted for regardless of when the cash was received or paid. This method of accounting is similar to the accounting methods used by most private-sector institutions.

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005**

**Statement of Net Assets**

	<u>6/30/2004*</u>	<u>6/30/2005</u>	<u>Change</u>
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 3,102,732	\$ 1,449,505	\$(1,653,227)
Investments	747,600	2,453,710	1,706,110
Accounts receivable, net	940,756	1,411,366	470,610
Inventories	219,511	217,866	(1,645)
Prepaid expenses	5,982	3,730	(2,252)
Total current assets	<u>5,016,581</u>	<u>5,536,177</u>	519,596
Noncurrent Assets			
Restricted cash and cash equivalents	264,119	-	(264,119)
Investments	1,988,651	1,835,333	(153,318)
Accounts receivable (from NSCC FDA)	70,896	56,716	(14,180)
Capital assets, net	14,218,239	15,509,814	1,291,575
Total noncurrent assets	<u>16,541,905</u>	<u>17,401,863</u>	859,958
Total assets	<u>\$ 21,558,486</u>	<u>\$ 22,938,040</u>	<u>\$ 1,379,554</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and liabilities	118,994	174,162	55,168
Capital lease obligation	40,414	51,614	11,200
Compensated absences	446,999	503,407	56,408
Deferred revenue	470,875	492,255	21,380
Total current liabilities	<u>1,077,282</u>	<u>1,221,438</u>	144,156
Noncurrent Liabilities			
Capital lease obligation	33,291	30,387	(2,904)
Compensated absences	239,704	243,813	4,109
Total noncurrent liabilities	<u>272,995</u>	<u>274,200</u>	1,205
Total liabilities	<u>\$ 1,350,277</u>	<u>\$ 1,495,638</u>	<u>\$ 145,361</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	14,144,534	15,427,813	1,283,279
Restricted for Expendable			-
Scholarships and grants	153,082	4,076	(149,006)
Capital projects	249,628	254,162	4,534
Unrestricted	5,660,965	5,756,351	95,386
Total net assets	<u>\$ 20,208,209</u>	<u>\$ 21,442,402</u>	<u>\$ 1,234,193</u>

\*Restated-See Note 3

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005**

- **The Statement of Revenues, Expenditures and Changes in Net Assets**

The significant changes in the revenues between 2004 and 2005 are given below along with rationale for the changes. These changes included both the restricted and unrestricted accounts:

- Tuition and fees (net of scholarships) increased from \$5,795,612 to \$6,294,097 which is an 8.6% increase. There are three reasons for this increase. 1) The College gave out \$246,703 fewer dollars in scholarships in 2005 which is a 9.0% decrease. (\$2,737,582 in 2004; \$2,490,880 in 2005) 2) Tuition was increase by Board action from \$112 to \$118 per semester hour, effective summer 2004. 3) An additional 1,746 credit hours were paid for in 2005.
- Because of the College's sustained growth over the past 3 years, the Ohio Board of Regents subsidy amount increased from \$7,177,478 to \$7,991,827 which is an 11.1% increase.
- The College received \$1,046,837 more in capital grants and gifts in the current year. This amount is primarily represented by the art collection gift.
- The bookstore revenues increased by \$182,420 which is an 14.2% increase.
- The investment trust account with SkyBank had a slow start but the income from investments increase by \$98,158 to a total of \$163,828 this year. This new investment account was opened March 2004.
- Summary: the revenues increased by \$2,564,629 during the fiscal year 2005

The significant changes in the expenses between 2004 and 2005 are stated below along with the rationale for the changes:

- There was a 4.4 percentage increase in instructional expense. The driver of this increase was a 3.0% increase in the base salary and a 28.0% increase in the health insurance costs.
- Public service increased from \$936,140 to \$1,357,141 which is 30.9 % increase. The additional expenses (\$470,575) were a "pass-through" account used to record the additional expense of the GM/UAW against an income of \$657,700.
- Academic support increased from \$584,768 to \$1,200,161 which is 105.0% increase. The additional dollars were used to fund additional scholarship dollars of \$453,000 or 77.5%. In prior years this amount was booked to the student services.
- Student services decreased from \$1,488,471 to \$1,048,220 which is 29.6% decrease. This change came about because the scholarship dollars were booked via academic support.
- Institutional support increased from \$3,096,868 to \$4,082,276 which is 31.8% increase these additional dollars were used to purchase SCT Banner.
- Summary: with depreciation and auxiliary enterprises added into the expense numbers, the totals expenses for 2005 were \$20,096,063 compared to \$17,907,695 which is an 12.2% increase.

The net assets for the College (including the Foundation) increase by \$1,234,193 for a total of \$21,442,402.

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005**

**Statement of Revenues, Expenditures, and Changes in Fund Balances**

	<u>2004*</u>	<u>2005</u>	<u>Change</u>
<b>REVENUES</b>			
Operating Revenues			
Tuition, fees, and other student charges (net of scholarship allowances)	\$ 5,795,612	\$ 6,294,097	\$ 498,485
Federal grants and contracts	2,902,666	2,896,243	(6,423)
State grants and contracts	761,903	713,247	(48,656)
Nongovernmental gifts and grants	47,241	34,445	(12,796)
Auxiliary enterprises	1,650,616	1,834,851	184,235
Other operating revenues	254,575	238,786	(15,789)
Total revenue	<u>\$ 11,412,613</u>	<u>\$12,011,669</u>	<u>599,056</u>
<b>EXPENSES</b>			
Operating Expenses			
Education and General			
Instruction	6,998,810	7,306,317	307,507
Public service	936,140	1,357,141	421,001
Academic support	584,768	1,200,161	615,393
Student services	1,488,471	1,048,220	(440,251)
Institutional support	3,096,868	4,082,276	985,408
Operation and maintenance of plant	1,185,738	1,158,435	(27,303)
Scholarships and grants	904,108	1,051,487	147,379
Total educational and general	<u>15,194,903</u>	<u>17,204,037</u>	<u>2,009,134</u>
Auxiliary enterprises	<u>1,861,499</u>	<u>1,984,103</u>	<u>122,604</u>
Depreciation	<u>851,293</u>	<u>907,923</u>	<u>56,630</u>
Total operating expenses	<u>\$ 17,907,695</u>	<u>\$20,096,063</u>	<u>2,188,368</u>
Operating gain (loss)	<u>\$ (6,495,082)</u>	<u>\$(8,084,394)</u>	<u>(1,589,312)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State appropriations	7,177,478	7,991,827	814,349
Investment Income (net of investment expense)	65,670	163,828	98,158
Interest of capital asset - related debt	(7,912)	(8,461)	(549)
Net non-operating revenue (expenses)	<u>\$ 7,235,236</u>	<u>\$ 8,147,194</u>	<u>911,958</u>
Income (loss) before other revenues, expenses, gains or losses	<u>\$ 740,154</u>	<u>\$ 62,800</u>	<u>(677,354)</u>
State capital appropriations	184,215	200,000	15,785
Capital grants and gifts	1,722	1,061,355	1,059,633
Capital grants and gifts (from Northwest State Foundation)	25,252	2,900	(22,352)
Loss on disposal of assets	(20,467)	(92,862)	(72,395)
Increase in net assets	<u>\$ 930,876</u>	<u>\$ 1,234,193</u>	<u>303,317</u>
<b>NET ASSETS</b>			
Net assets - beginning of year	19,277,333	20,208,209	930,876
Net assets - end of year	<u>\$ 20,208,209</u>	<u>\$21,442,402</u>	<u>1,234,193</u>

\*Restated-See Note 3

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005**

**The Statement of Cash Flows**

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

**The Statement of Cash Flows**

	<b>2003-04</b>	<b>2004-05</b>	<b>Change</b>
<b>Cash flows from operating activities</b>	\$(5,201,182)	\$( 7,518,670)	(2,317,488)
Net cash used by operating activities			
<b>Cash flows from non-capital financing</b>	7,177,478	7,991,827	814,349
State Appropriations			
<b>Cash flows from capital fin. activities</b>	(510,140)	(1,036,566)	(526,426)
Net cash used by capital fin. activities			
<b>Cash flows from investing activities</b>	(2,670,582)	(1,353,937)	1,316,645
<b>Net Change in Cash</b>	(1,204,426)	(1,917,346)	(712,920)
<b>Beginning Balance</b>	\$4,571,277	\$3,366,851	(1,204,426)
<b>Ending Balance</b>	\$3,366,851	\$1,449,505	(1,917,346)

The primary sources of cash were tuition and fees, grants and contracts, and federal financial aid. The other major source of income, although not considered cash from operations is the state subsidy amount. During 2005 the College received an increase in the subsidy over the prior year, unfortunately with the current conditions in the state of Ohio this funding source will decrease during the coming year. In response to this, the College must anticipate less funding per student from the state to support the continued growth of the institution. In April 2005, the Board approved an additional 2.9% tuition increase to help offset this lost state revenue. The primary use of cash was for the support of operating activities at the College. These activities consisted of faculty, staff and administrative salaries and benefits, payments to suppliers and operational expenses.

**Economic Factors that will affect the future:**

The College has completed the first year of the implementation of the new administrative software system. In the second and third year an additional \$1,231,229 will be spent for this project.

The College Board approved the expansion of the College to Metamora, Ohio by purchasing the Metamora School for \$1.00. In the next 12 months the first phase of this campus renovation will be completed at an anticipated cost of \$1,400,000. Of this amount the state will be contributing \$400,000 and remaining amount will be lent to the Metamora campus to be repaid to the main campus at an interest rate comparable to the return received on our investment portfolio.

**Northwest State Community College  
Henry County  
Statement of Net Assets  
June 30, 2005**

	<b>Primary Institution</b>	<b>Component Unit</b>
	<b>Northwest State CC</b>	<b>Northwest State Foundation</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 1,449,505	\$ 179,836
Investments	2,453,710	-
Accounts receivable, net	1,411,366	5,454
Inventories	217,866	-
Prepaid expenses	3,730	-
Total current assets	<u>5,536,177</u>	<u>185,290</u>
Noncurrent Assets		
Restricted cash and cash equivalents	-	574,093
Investments	1,835,333	13,617
Accounts receivable (from NSCC FDA)	56,716	-
Capital assets, net	15,509,814	-
Total noncurrent assets	<u>17,401,863</u>	<u>587,710</u>
Total assets	<u>\$ 22,938,040</u>	<u>\$ 773,000</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	169,518	14,480
Accrued liabilities	4,644	-
Capital lease obligation	51,614	-
Compensated absences	503,407	-
Deferred revenue	492,255	-
Total current liabilities	<u>1,221,438</u>	<u>14,480</u>
Noncurrent Liabilities		
Accounts payable (from NSCC FDA)	-	56,716
Capital lease obligation	30,387	-
Compensated absences	243,813	-
Total noncurrent liabilities	<u>274,200</u>	<u>56,716</u>
Total liabilities	<u>\$ 1,495,638</u>	<u>\$ 71,196</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	15,427,813	-
Restricted for		
Nonexpendable		
Scholarships and grants	-	533,077
Expendable		
Scholarships and grants	4,076	43,266
Departmental use	-	20,936
Loans	-	100,804
Capital projects	254,162	7,495
Other	-	4,549
Unrestricted	5,756,351	(8,323)
Total net assets	<u>\$ 21,442,402</u>	<u>\$ 701,804</u>

See accompanying notes to the financial statements.

**Northwest State Community College  
Henry County  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the Year Ended June 30, 2005**

	<b>Primary Institution</b>	<b>Component Unit</b>
	<b>Northwest State CC</b>	<b>Northwest State Foundation</b>
<b>REVENUES</b>		
Operating Revenues		
Tuition, fees, and other student charges (net of scholarship allowances of \$2,490,880)	\$ 6,294,097	\$ -
Federal grants and contracts	2,896,243	-
State grants and contracts	713,247	-
Nongovernmental gifts and grants	34,445	-
Contributions and fund raising	-	50,697
Auxiliary enterprises		
Food service	364,580	-
Bookstore (net of scholarship allowances of \$346,167)	1,470,271	-
Other operating revenues	238,786	-
Total revenue	<u>\$ 12,011,669</u>	<u>\$ 50,697</u>
<b>EXPENSES</b>		
Operating Expenses		
Education and General		
Instruction	\$ 7,306,317	\$ -
Public service	1,357,141	-
Academic support	1,200,161	-
Student services	1,048,220	-
Institutional support	4,082,276	25,720
Operation and maintenance of plant	1,158,435	-
Scholarships and grants	1,051,487	9,934
Total educational and general	<u>17,204,037</u>	<u>35,654</u>
Auxiliary enterprises	1,984,103	-
Depreciation	907,923	-
Total operating expenses	<u>\$ 20,096,063</u>	<u>\$ 35,654</u>
Operating gain (loss)	<u>\$ (8,084,394)</u>	<u>\$ 15,043</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	7,991,827	-
Investment Income (net of investment expense)	163,828	8,425
Interest of capital asset - related debt	(8,461)	-
Payments to Northwest State Community College	-	(2,900)
Net nonoperating revenue (expenses)	<u>\$ 8,147,194</u>	<u>\$ 5,525</u>
Income (loss) before other revenues, expenses, gains or losses	<u>\$ 62,800</u>	<u>\$ 20,568</u>
State capital appropriations	200,000	-
Capital grants and gifts	1,061,355	-
Capital grants and gifts (from Northwest State Foundation)	2,900	-
Loss on disposal of assets	(92,862)	-
Increase in net assets	<u>\$ 1,234,193</u>	<u>\$ 20,568</u>
<b>NET ASSETS</b>		
Net assets - beginning of year (Restated-See Note 3)	20,208,209	681,236
Net assets - end of year	<u>\$ 21,442,402</u>	<u>\$ 701,804</u>

See accompanying notes to the basic financial statements.

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
STATEMENT OF CASH FLOWS  
June 30, 2005**

	<b>Primary Institution</b>
	<b>Northwest State CC</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and fees	\$ 6,283,949
Grants and contracts	3,147,026
Payments to suppliers	(5,450,007)
Payments for utilities	(368,955)
Payments to employees	(9,137,966)
Payments for benefits	(3,004,760)
Payments for scholarships and grants	(1,043,173)
Auxiliary enterprise	
Food service	364,580
Bookstore	1,468,007
Other receipts (payments)	222,629
Net cash used by operating activities	(7,518,670)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State appropriations	7,991,827
Net cash provided by noncapital financing activities	7,991,827
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Capital grants and gifts	1,064,255
Capital appropriations	200,000
Purchases of capital assets	(2,292,360)
Interest paid on capital leases	(8,461)
Net cash used by capital financing activities	(1,036,566)
<b>CASH FLOWS FROM CAPITAL INVESTING ACTIVITIES</b>	
Purchase of investments	(1,517,765)
Interest on investments	163,828
Net cash provided by investing activities	(1,353,937)
Net decrease in cash and cash equivalents	(1,917,346)
Cash - beginning of year	3,366,851
Cash - end of year	\$ 1,449,505
Reconciliation of net operating revenue (expenses) to net cash used by operating activities:	
Operating loss	\$ (8,084,394)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	907,923
Change in assets and liabilities	
Receivables, net	(491,456)
Inventories	1,645
Prepaid expenses	2,252
Accounts payable	63,463
Compensated absences	60,517
Deferred revenue	21,380
Net cash used by operating activities	\$ (7,518,670)

See accompanying notes to the basic financial statements.



**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
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**NOTE 1 – REPORTING ENTITY**

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

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

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

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

Northwest State Community College Foundation (Foundation) is a legally separate, tax-exempt organization supporting Northwest State Community College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The board of the Foundation is self-perpetuating and consists of graduates, community members and friends of the college. The majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

During the year ended June 30, 2005, the Foundation made distributions of \$2,900 to or on behalf of the College for both temporarily restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Business Office at 22600 State Route, Archbold, Ohio 43502. Specific disclosures relating to the component unit can be found in Note 17.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

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

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – For Public Colleges and Universities* effective for the College's year ended June 30, 2005, the full scope of the College's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

Fiduciary funds, however, are not included in the accompanying financial statements. The College's only fiduciary fund is the agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Northwest State maintains an agency fund for the NSCC Student Body Organization & the NSCC Alumni. At June 30, 2005, the amounts held for the NSCC Student Body Organization & the NSCC Alumni are \$7,313.61 and \$881.23, respectively.

**NORTHWEST STATE COMMUNITY COLLEGE**  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Foundation is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of the necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the College's financial report for these differences.

**B. Basis of Accounting**

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

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

**C. Cash and Cash Equivalents**

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

**D. Investments**

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

**E. Receivables**

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

**F. Inventories**

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

**G. Capital Assets**

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

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

**NORTHWEST STATE COMMUNITY COLLEGE**  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Restricted Assets**

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

**I. Noncurrent Long-Term Liabilities**

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

**J. Compensated Absences**

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

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

**K. Deferred Revenue**

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

**L. Net Assets**

The College's net assets are classified as follows:

**Invested in Capital Assets, Net of Related Debt** – This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

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

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the department management system in place at the College.

**NORTHWEST STATE COMMUNITY COLLEGE**  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. Scholarship Allowances**

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

**N. Revenue and Expense Recognition**

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

**O. Budgetary Process**

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

**P. Income Taxes**

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

**Q. Use of Estimates**

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

**R. Component Unit Reporting**

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

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE/RESTATEMENT OF NET ASSETS**

**Change in Accounting Principle**

The College implemented Governmental Accounting Standard Number 40, *Deposit and Investment Risk Disclosures*. As a result of the implementation of GASB Statement No. 40, the College has disclosed in Note 5 additional credit risk, maturity and investment rate information.

**NORTHWEST STATE COMMUNITY COLLEGE**  
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**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE/RESTATEMENT OF NET ASSETS (CONTINUED)**

Restatement of Net Assets

Net assets were restated due to an accounting error in the prior year as well as the collection of receivables previously written off as uncollectible.

Net Assets, June 30, 2004	\$20,173,183
Restatement	<u>35,026</u>
Restated Net Assets, July 1, 2004	<u>\$20,208,209</u>

**NOTE 4 – STATE SUPPORT**

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

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

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

**NOTE 5 – DEPOSITS AND INVESTMENTS**

Legal Requirements

Statutes require the classification of moneys held by the College into three categories. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the College Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

**NORTHWEST STATE COMMUNITY COLLEGE**  
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**NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)**

Regulations permit interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligations or securities issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies of instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

At fiscal year end, the College had \$2,547 in undeposited cash on hand, which is included on the Statement of Net Assets of the College as part of cash.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*.

**NORTHWEST STATE COMMUNITY COLLEGE  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2005**

**NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**Cash and Investments**

In accordance with Statement No. 3 of the Government Accounting Standards Board, cash deposits are categorized to give an indication of the level of risk assumed by the College. The categories are as follows:

- Category 1 - Insured or collateralized with securities held by the College or by its agent 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 (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the College's name.)

As of June 30, 2005:

Carrying Amount	Bank Balance	Balance per Bank Risk Category		
		1	2	3
\$ 1,449,505	\$ 2,676,533	\$ 100,100	\$ 2,576,433	\$ 0

The difference between cash carrying amount and bank balance represents normal reconciling items (outstanding checks, cash on hand, and deposits in transit). Of the total cash in the bank accounts \$2,104,649 was held in demand accounts, \$568,117 was held in Federated US Treasury Cash #632.

Statement No. 3 of the Government Accounting Standards Board requires government entities to categorize investments to give an indication of the level of risk assumed by the entity at year-end. These categories are as follows:

- Category 1 - Investments that are insured or registered, or for which securities are held by the College or its agent in the name of the College.
- Category 2 - Investments that are uninsured and unregistered, with securities held by the broker's trust department or agent in the College's name.
- Category 3 - Investments that are uninsured and unregistered, with the securities held by the broker or dealer, or by its trust department or agent, but not in the College's name.

**NORTHWEST STATE COMMUNITY COLLEGE**  
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**NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)**

The College's fair value and distribution of investments as of June 30, 2005 are as follows:

Investments- Category 2	Market Value	Maturity Date	Interest Rate
Federal Home Loan Mtge Corp.	\$ 298,221	11/25/05	2.375%
Federal Home Loan Mtge Corp.	248,327	05/26/06	3.000%
Federal Home Loan Mfge Corp.	197,642	09/29/06	4.300%
Federal Home Loan Bank	350,221	03/30/07	4.020%
Federal Home Loan Bank	298,314	10/14/05	1.500%
Federal Home Loan Bank	295,921	04/17/06	2.000%
Federal Home Loan Bank	297,470	11/13/06	3.160%
Federal National Mtge Assoc	297,796	06/02/06	3.010%
Federal National Mtge Assoc	248,634	06/28/06	3.250%
Federal National Mtge Assoc	372,246	06/30/06	3.150%
Federal National Mtge Assoc	247,618	12/29/06	3.125%
Federal National Mtge Assoc	394,250	03/30/06	1.750%
Federal National Mtge Assoc	247,540	11/24/06	3.050%
Federal National Mtge Assoc	247,812	10/27/06	3.110%
Federal National Mtge Assoc	<u>247,031</u>	11/09/06	2.875%
Total	<u>\$4,289,043</u>		

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

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

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



**NORTHWEST STATE COMMUNITY COLLEGE  
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**NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)**

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

At June 30, 2005, the college's investments in US Treasury Obligations were rated AAA by Standard & Poor's.

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

The investment policy places no limit on the amount the College may invest in any one issuer. The entire amount of the investment balance is in US Treasury Obligations.

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

At June 30, 2005, \$2,576,433 of the College's bank balances was exposed to custodial risk as follows:

	<u>June 30, 2005</u>
Uninsured and collateral held by the Pledging bank's trust department In the College's name	<u>\$ 2,576,433</u> <u>\$ 2,576,433</u>

**NOTE 6 – RECEIVABLES**

Receivables at June 30, 2005 were as follows:

	<u>Gross Receivables</u>	<u>Allowance For Doubtful Accounts</u>	<u>Net Receivables</u>
Current Receivables:			
Students	\$ 369,505	\$ (60,604)	\$ 308,901
Pledges	14,180		14,180
Intergovernmental	1,001,299		1,001,299
Other	86,986		86,986
Total Current Receivables	1,471,970	(60,604)	1,411,366
Non-current Receivables:			
Pledges	56,716		56,716
Total Accounts Receivable:	\$1,528,686	\$ (60,604)	\$ 1,468,082

**NOTE 7 – DONOR RESTRICTED ENDOWMENTS**

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

At June 30, 2005, there was no net appreciation on donor restricted assets available to be spent.

**NORTHWEST STATE COMMUNITY COLLEGE**  
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**NOTE 8 – CAPITAL ASSETS**

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

	<u>Balance June 30, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>
Capital Assets, Non-Depreciable:				
Land	\$ 176,657	\$ -	\$ -	\$ 176,657
Construction in Progress	3,881	60,731	(3,881)	60,731
Library Books	565,177	73,849	(29,295)	609,731
Art/Collections	66,000	1,061,355	-	1,127,355
Total Non-Depreciable	<u>811,715</u>	<u>1,195,935</u>	<u>( 33,176)</u>	<u>1,974,474</u>
Capital Assets, Depreciable:				
Buildings	18,324,680	590,607	-	18,915,287
General Infrastructure	1,607,054	-	-	1,607,054
Machinery and Equipment	2,238,088	497,904	(176,829)	2,559,163
Motor Vehicles	107,315	11,795	-	119,110
Totals	<u>22,277,137</u>	<u>1,100,306</u>	<u>(176,829)</u>	<u>23,200,614</u>
Less Accumulated Depreciation:				
Buildings	(6,483,284)	( 632,663)	-	( 7,115,947)
General Infrastructure	(901,089)	(45,618)	-	(946,707)
Machinery and Equipment	(1,402,062)	(211,485)	113,261	(1,500,286)
Motor Vehicles	(84,177)	(18,157)	-	(102,334)
Totals	<u>( 8,870,612)</u>	<u>(907,923)</u>	<u>113,261</u>	<u>(9,665,274)</u>
Total Capital assets, depreciable, net	<u>13,406,525</u>	<u>192,383</u>	<u>(63,568)</u>	<u>13,535,340</u>
Capital Assets, net	<u>\$14,218,240</u>	<u>\$1,388,318</u>	<u>\$ (96,744)</u>	<u>\$ 15,509,814</u>

**NOTE 9 – LONG-TERM LIABILITIES**

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

	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>	<u>Current Portion</u>
Capital Lease Payable	\$ 73,705	\$ 45,848	\$ (37,552)	\$ 82,001	\$ 51,614
Compensated Absences	686,703	60,517	-	747,220	503,407
Total Long-term Liabilities	<u>\$ 760,408</u>	<u>\$ 106,365</u>	<u>\$ (37,552)</u>	<u>\$ 829,221</u>	<u>\$555,021</u>

Additional information regarding capital lease obligations is included in Note 10.

**NORTHWEST STATE COMMUNITY COLLEGE**  
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**NOTE 10 – LEASE OBLIGATIONS**

**Capital Lease Obligations** – Capital lease obligations relating to various forms of equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2005:

Fiscal Year	Amount
Ending June 30, 2005	
2006	\$ 51,614
2007	12,864
2008	11,200
2009	11,200
2010	5,601
Total minimum lease payments	92,479
Amount representing interest	(10,478)
Present Value of Future Lease Payments	\$ 82,001

Leased assets amount to \$205,995 at June 30, 2005 all of which is movable equipment.

**Operating Lease Obligations** – Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2005:

Fiscal Year	Amount
Ending June 30, 2005	
2006	\$ 35,211
2007	30,289
2008	12,141
	\$ 77,641

Rental expenses for all operating leases during the year was \$38,211.

**NOTE 11 – OPERATING EXPENSES BY FUNCTION AND NATURAL CLASS**

	Salaries And Benefits	Scholarships And Fellowships	Utilities	Supplies And other Services	Depreciation	Total
Instruction and departmental research	\$6,712,277	\$ -	\$ -	\$ 594,040	\$ -	\$7,306,317
Public service	1,221,348			135,793		1,357,141
Academic Support	396,487			803,674		1,200,161
Student Services	873,638			174,582		1,048,220
Institutional Support	2,071,328			2,010,948		4,082,276
Operations and Maintenance	480,809		368,955	308,671		1,158,435
Scholarships and grants		1,051,487				1,051,487
Auxiliary enterprises	410,596			1,573,507		1,984,103
Depreciation					907,923	907,923
Totals	\$12,166,483	\$1,051,487	\$ 368,955	\$5,601,215	\$ 907,923	20,096,063

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 12 – PENSION AND RETIREMENT PLANS**

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

**School Employees Retirement System**

The College contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement 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 Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (614)222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll for fiscal year 2005. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS's Retirement Board. The College's required contributions for the fiscal years ended June 30, 2005, 2004, and 2003 were \$414,900, \$401,928, and \$374,632, respectively.

**State Teachers Retirement Fund**

The College contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (614)227-4090 or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The College's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$729,743, \$696,881, and \$627,607, respectively.

**Alternative Retirement Plan**

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

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 12 – PENSION AND RETIREMENT PLANS (CONTINUED)**

Eligible employees (those who are full-time and salaried) have 90 days from their date of hire to make an irrevocable election to participate in the alternate retirement plan. Under this plan, employees who would have otherwise been required to be in SERS or STRS and who elect to participate in the alternate retirement program must contribute the employee's share of retirement contributions (10% SERS, 10% STRS) to one of eight private providers approved by the State Department of Insurance. The legislation mandates that the employer must contribute 3.5% to the State Teachers Retirement System to which the employee would have otherwise belonged. The College also contributes what would have been the employer's share of the appropriate retirement system, less the aforementioned 3.5%, to the private provider selected by the employee. The College plan provides these employees with immediate plan vesting. The total employer contributions to the alternative retirement plan for the years ended June 30, 2005, 2004 and 2003 were \$56,314, \$32,987 and \$23,576 respectively.

**NOTE 13 – POST-EMPLOYMENT BENEFITS**

The College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both Systems are on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the College, this amount equaled \$52,087 during the 2005 fiscal year. The balance in the Health Care Reserve Fund was \$3.1 billion at June 30, 2004. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000. There were 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2004, (the latest information available), the allocation rate was 4.91%. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the College, this amount to fund health care benefits, including surcharge, equaled \$189,453 during the 2005 fiscal year. For the fiscal year ended June 30, 2004, net health care costs paid by SERS were \$223,443,805 and the target level was \$335.2 million. The number of participants currently receiving health care benefits is approx. 62,000. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits were \$300.8 million.

**NOTE 14 – LEGAL COMPLIANCE**

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

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 15 – RISK MANAGEMENT**

The College maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90 percent coinsured.

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

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

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

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

**NOTE 16 – GROUP PURCHASING POOLS**

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the College to NBEC for employee insurance benefits during this fiscal year were \$1,122,043. Financial information can be obtained from Northern Buckeye Educational Council, Robin Pfund, who serves as treasurer, at 22900 State Route 34, Archbold, Ohio 43502.

The College participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the College paid a membership fee of \$250 to the WCGRP to cover the costs of administering the program.

**NOTE 17 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION**

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

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 17 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)**

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

**BASIS OF PRESENTATION** – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*.

With the exceptions of the necessary presentation adjustments to conform to the College's GASB reporting format, no modifications have been made to the Foundation's financial information in the College's financial report.

**CASH AND CASH EQUIVALENTS** – For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude donor restricted cash and cash equivalents.

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

For accounting purposes, the value of facilities is considered immaterial and it has not been recognized in the financial statements. However, the value of the services provided by the college personnel in the amount of \$21,969 have been recognized in the statement of activities as supporting revenue and as "In-Kind" supporting expense as required by SFAS 116.

**MANAGEMENT ESTIMATES** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

**INVESTMENTS** – Investments are comprised of bonds, stocks and marketable certificates of deposit and are carried at fair market value. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

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

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

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005**

**NOTE 17 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)**

**CASH AND MONEY MARKET FUNDS**

Balances as of June 30, 2005 are summarized as follows:

Savings accounts and certificates	<u>\$ 179,836</u>
Total of all cash accounts	<u>\$ 179,836</u> =====

**MARKETABLE SECURITIES**

Investments as of June 30, 2005 are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>
Restricted cash and cash equivalents	\$574,093	\$574,093
Bonds	12,469	12,267
Stocks	<u>14,625</u>	<u>1,350</u>
	<u>\$601,187</u>	<u>\$587,710</u>
	=====	=====

Investment return is summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest income	\$ 440	\$ 12,138	\$12,578
Amortization – bond discount	-	3	3
Amortization – bond premium	-	(12)	(12)
Net unrealized loss	<u>-</u>	<u>(4,144)</u>	<u>(4,144)</u>
Total investment return	<u>\$ 440</u>	<u>\$ 7,985</u>	<u>\$ 8,425</u>
	=====	=====	=====

**PLEDGE RECEIVABLE**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Less than one year	\$ 25	\$ 987	\$ 3,060	\$ 4,072
One to five years	<u>0</u>	<u>1,382</u>	<u>0</u>	<u>1,382</u>
	<u>\$ 25</u>	<u>\$ 2,369</u>	<u>\$ 3,060</u>	<u>\$ 5,454</u>
	=====	=====	=====	=====

Unconditional promises to give that are receivable in more than one year are discounted at 2.45% to recognize the present value of future cash flows. No allowance for uncollectible promises to give is considered necessary.



**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 17 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)**

**RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes after June 30, 2005:

Academic chair	\$ 1,700
Loan funds	100,804
Student scholarships	42,877
Technology programs	20,936
Capital Projects	7,495
Operating expenses	480
Memorials	<u>2,758</u>
	<u>\$ 177,050</u>
	=====

Permanently restricted net assets consist of endowment funds to be held indefinitely, income from which is to be used for scholarships. At June 30, 2005 endowments totaled \$ 533,077.

**RESTRICTIONS ON NET ASSETS**

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

The foundation contributes funds to the College for scholarships and other designated purposes. The contributions are subject to the approval by the Board of Trustees of the Foundation. The College paid expenses related to the Foundation’s capital campaign, loan fund and scholarships which will be reimbursed. At June 30, 2005 \$70,896 for the capital campaign is due to the College and is included in accounts payable.

Northwest State Community College  
Henry County, Ohio  
Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2005

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<b>United States Department of Education</b>				
<i>Direct from the Federal Agency</i>				
<i>Student Financial Aid Cluster:</i>				
Federal Work Study Program	NA	84.033	\$50,249	\$0
Federal Supplemental Educational Opportunity Grant Program	NA	84.007	47,629	0
Federal Pell Grant Program	NA	84.063	2,580,332	0
<i>Total Student Financial Aid Cluster</i>			<u>2,678,210</u>	<u>0</u>
Child Care Grant	NA	84.335A	<u>14,234</u>	<u>0</u>
<i>Passed through the Ohio Department of Education</i>				
Vocational Education: Basic Grants to States	20-C3	84.048	73,314	0
Tech Prep Education	3ETC	84.243	<u>120,737</u>	<u>0</u>
Subtotal			<u>194,051</u>	<u>0</u>
<b>Total United States Department of Education</b>			<u>2,886,495</u>	<u>0</u>
<b>United States Department of Agriculture</b>				
<i>Passed through the Ohio Department of Education</i>				
Child Care Food Program	115105-CCMN	10.558	<u>0</u>	<u>9,748</u>
<b>Total United States Department of Agriculture</b>			<u>0</u>	<u>9,748</u>
<b>Total Federal Financial Assistance</b>			<u>\$2,886,495</u>	<u>\$9,748</u>

NA - Direct from the federal government

See accompanying notes to the schedule of federal awards expenditures

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO THE SCHEDULE OF FEDERAL AWARD EXPENDITURES**  
June 30, 2005

**NOTE 1 – BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis. Amounts presented are total federal expenditures for each program.

**NOTE 2 – FEDERAL FAMILY EDUCATION LOANS**

While not listed in the accompanying schedules, the College also participates in the Federal Family Education Loan Program (CFDA No. 84.032), including Supplemental Loans for Students (SLS) and Parents' Loans for Undergraduate Students (PLUS). The dollar amounts are not listed in the Schedule of Federal Awards Expenditures, as the College is not the recipient of the funds. Such programs are considered as a component of the student financial assistance major program. New loans made to eligible students and families during the year ended June 30, 2005, totaled \$4,308,089.

**NOTE 3 – CHILD CARE FOOD SUBSIDY**

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2005, the College had no significant food commodities in inventory.

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
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Ohio Society of Certified Public Accountants

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

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

We have audited the financial statements of the business-type activities and the discretely presented component unit of Northwest State Community College (the College) as of and for the year ended June 30, 2005, and have issued our report thereon dated October 11, 2005, wherein we noted that the College adopted Governmental Accounting Standards Board Statement No. 40. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered 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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 to be material weaknesses.

**Compliance and Other Matters**

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

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



Balestra, Harr & Scherer, CPAs, Inc.  
October 11, 2005

# BALESTRA, HARR & SCHERER, CPAs, INC.

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

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

### **Compliance**

We have audited the compliance of Northwest 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 its major federal program for the year ended June 30, 2005. The College's major federal program is 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 its major federal program 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 of 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 its major federal program for the year ended June 30, 2005.

### **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 the internal control over compliance in accordance with OMB Circular A-133.

Board of Trustees

Northwest State Community College

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

Page 2

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 reportable 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 caused by error or fraud 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 to be material weaknesses.

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
October 11, 2005

**NORTHWEST STATE COMMUNITY COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 SECTION .505**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**1. SUMMARY OF AUDITOR S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Program s Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Aid Cluster: Federal SEOG Program CFDA #84.007, Federal Work- Study Program CFDA# 84.033, PELL Grant Program CFDA# 84.063; Federal Family Education Loan Program CFDA#84.032
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee ?	Yes

**NORTHWEST STATE COMMUNITY COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 SECTION .505**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED  
IN ACCORDANCE WITH GAGAS**

Finding Number	None
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**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	





**Auditor of State  
Betty Montgomery**

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**NORTHWEST STATE COMMUNITY COLLEGE**

**HENRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 29, 2005**