

NORTHWEST STATE COMMUNITY COLLEGE

HENRY COUNTY

FINANCIAL STATEMENTS

Year Ended June 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Columbus, Ohio 43215
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Board of Trustees
Northwest State Community College
Archbold, Ohio

We have reviewed the Independent Auditor's Report of Northwest State Community College, Henry County, prepared by Steyer & Co., for the audit period July 1, 2000 to June 30, 2001. 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. Northwest State Community College is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

November 21, 2001

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NORTHWEST STATE COMMUNITY COLLEGE

HENRY COUNTY

APPOINTED OFFICIALS

AS OF JUNE 30, 2001

<u>OFFICIAL</u>	<u>TERM ENDING</u>
<u>BOARD OF TRUSTEES</u>	
Chair: Darrell W. Handy 248 Harding Street Defiance, OH 43512	June 30, 2003
Vice Chair: Phillip R. McCartney	June 30, 2005
Secretary: Peter C. Beck	June 30, 2002
Members:	
Dr. Jon A. Bisher	June 30, 2003
Michael J. Faber	June 30, 2005
Elizabeth Stotzer Leupp	June 30, 2002
Bryan B. Keller	June 30, 2005
Gina R. Short	June 30, 2002
Georgia A. Kohart	June 30, 2003
	(resigned August 6, 2001)

NORTHWEST STATE COMMUNITY COLLEGE

HENRY COUNTY

ADMINISTRATIVE PERSONNEL

AS OF JUNE 30, 2001

<u>NAME</u>	<u>POSITION</u>
Dr. Larry G. McDougale 600 Rohm Drive Napoleon, Ohio 43545	President
Kenneth A. Esterline	Executive Assistant to the President
Dr. Thomas L. Stuckey	Executive Vice President

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY**

INDEX OF FUNDS

CURRENT FUNDS

Unrestricted Funds

General and Educational Fund

Auxiliary Enterprise Fund

Restricted General and Educational Fund

PLANT FUNDS

Unexpended Plant Fund

Investment in Plant Fund

AGENCY FUNDS

Agency Fund

STEYER & CO.

Certified Public Accountants

2000 NORTH CLINTON STREET
DEFIANCE, OHIO 43512
PHONE (419) 782-1030
FAX (419) 782-5298

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Northwest State Community College
Archbold, Ohio

We have audited the accompanying general purpose financial statements of the Northwest State Community College, a component unit of the State of Ohio, for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with 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 general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Northwest State Community College as of June 30, 2001 and the changes in fund balance 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 September 27, 2001 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Northwest State Community 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 of Northwest State Community College. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

STEYER & CO.
Certified Public Accountants

Defiance, Ohio
September 27, 2001

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
BALANCE SHEET
June 30, 2001

	CURRENT FUNDS		PLANT FUNDS	AGENCY FUNDS
	Unrestricted	Restricted		
ASSETS				
Cash (Note 3)	\$ 4,594,697	\$ 115,210	\$ 17,539	\$12,096
Accounts receivable	164,169	127,616	-	-
Accounts receivable - other governments	144,163	895,080	-	-
Pledge receivable	194,796	-	-	-
Inventories	154,096	-	-	-
Construction in progress	-	-	351,958	-
Land	-	-	176,657	-
Buildings	-	-	15,061,520	-
Parking lots	-	-	1,184,298	-
Water tower	-	-	422,756	-
Moveable equipment	-	-	3,890,198	-
Furniture and fixtures	-	-	1,680,182	-
Library books	-	-	601,514	-
Motor vehicles	-	-	66,784	-
TOTAL ASSETS	<u>\$ 5,251,921</u>	<u>\$ 1,137,906</u>	<u>\$23,453,406</u>	<u>\$12,096</u>
LIABILITIES				
Accounts payable	\$ 115,909	\$ 420,420	\$ 1,250	\$ -
Accrued liabilities	588,844	-	-	-
Funds held in custody for	-	-	-	12,096
Deferred income	239,699	38,615	-	-
TOTAL LIABILITIES	944,452	459,035	1,250	12,096
FUND BALANCES				
Unrestricted				
Allocated	2,667,560	-	-	-
Unallocated	1,323,019	-	23,452,156	-
Unallocated auxiliary	316,890	-	-	-
Restricted - unallocated	-	678,871	-	-
TOTAL FUND BALANCES	<u>4,307,469</u>	<u>678,871</u>	<u>23,452,156</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,251,921</u>	<u>\$ 1,137,906</u>	<u>\$23,453,406</u>	<u>\$12,096</u>

The notes to the financial statements are an integral part of this statement.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
STATEMENT OF CURRENT FUNDS - REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
For the Year Ended June 30, 2001

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
REVENUES			
Tuition, fees and other student	\$ 4,773,659	\$ -	\$ 4,773,659
State appropriations	5,672,904	-	5,672,904
Federal grants and contracts	18,436	1,341,413	1,359,849
State grants and contracts	-	1,937,741	1,937,741
Private gifts and grants	188,826	203,118	391,944
Investment income	266,365	13,333	279,698
Auxiliary enterprises:			
Bookstore	1,099,662	-	1,099,662
Food service	273,724	-	273,724
Other sources	191,262	1,500	192,762
TOTAL REVENUES	<u>12,484,838</u>	<u>3,497,105</u>	<u>15,981,943</u>
EXPENDITURES			
Educational and general			
General instruction	5,546,617	515,883	6,062,500
Non-credit public service	323,367	823,385	1,146,752
Academic support	415,561	-	415,561
Student services	1,298,908	-	1,298,908
Institutional support	1,959,537	152,351	2,111,888
Operation and maintenance of p.	923,282	52,850	976,132
Scholarships and grants	-	1,574,331	1,574,331
Total educational and general	10,467,272	3,118,800	13,586,072
Auxiliary enterprises:			
Bookstore	985,654	-	985,654
Food service	287,826	-	287,826
TOTAL EXPENDITURES	<u>11,740,752</u>	<u>3,118,800</u>	<u>14,859,552</u>
NET INCREASE IN FUND			
BALANCE	<u>\$ 744,086</u>	<u>\$ 378,305</u>	<u>\$ 1,122,391</u>

The notes to the financial statements are an integral part of this statement.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
STATEMENT OF CHANGES IN FUND BALANCES
Year Ended June 30, 2001

	CURRENT FUNDS	PLANT FUNDS
REVENUES		
Unrestricted current revenue	\$12,484,838	\$ -
Federal grants and contracts - restricted	1,341,413	-
State grants and contracts - restricted	1,937,741	-
Other sources - restricted	217,951	-
Expended for plant facilities	-	1,189,281
TOTAL REVENUES	15,981,943	1,189,281
EXPENDITURES		
Educational and general expenditures	13,586,072	-
Auxiliary enterprises expenditures	1,273,480	-
Equipment disposed	-	55,621
TOTAL EXPENDITURES	14,859,552	55,621
OTHER FINANCING SOURCES AND USES		
Net transfer to allocated fund balance	(383,260)	-
NET INCREASE FOR THE YEAR	739,131	1,133,660
UNALLOCATED FUND BALANCE - JULY 1, 2000	1,579,649	22,112,804
PRIOR PERIOD ADJUSTMENT	-	205,692
UNALLOCATED FUND BALANCE - JUNE 30, 2001	\$ 2,318,780	\$23,452,156

The notes to the financial statements are an integral part of this statement.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
STATEMENT OF CHANGES IN CURRENT ALLOCATED FUND BALANCES
For the Year Ended June 30, 2001

	<u>RESERVE FOR CONTINGENCIES</u>	<u>RESERVE FOR BUILDING MAINTENANCE AND REPAIR</u>	<u>RESERVE FOR REPLACEMENT OF INSTRUCTIONAL EQUIPMENT</u>	<u>RESERVE FOR MAINTENANCE OF PARKING LOT</u>	<u>TOTAL</u>
TRANSFERS FROM UNALLOCATED FUND BALANCE					
Transferred from the unallocated fund balance by action of the governing for purposes designated	\$ -	\$ 100,000	\$ 200,000	\$ 83,260	\$ 383,260
NET INCREASE FOR YEAR	-	100,000	200,000	83,260	383,260
BALANCE - JULY 1, 2000	<u>1,635,361</u>	<u>250,000</u>	<u>258,000</u>	<u>140,939</u>	<u>2,284,300</u>
BALANCE - JUNE 30, 2001	<u>\$ 1,635,361</u>	<u>\$ 350,000</u>	<u>\$ 458,000</u>	<u>\$ 224,199</u>	<u>\$ 2,667,560</u>

The notes to the financial statements are an integral part of this statement.

NORTHWEST STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ENTITY

Northwest State Community 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.

ACCRUAL AND FUND ACCOUNTING

The financial statements of Northwest State Community College have been prepared on the accrual basis of accounting except for the depreciation accounting as explained in Note 2 to the financial statements. The statement of changes in fund balances is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment, library books, and furniture, and (2) non-mandatory transfers approved by the Board of Trustees in the case of capital projects and for all other cases.

In order to insure observance of limitations and restrictions placed on the use of the resources available to the College, the accounts of the College are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the Board of Trustees. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the Board of Trustees retains full control to use in achieving any of its institutional purposes.

NORTHWEST STATE COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All gains and losses arising from the sale, collection, or other disposition of investments and other non-cash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds, which income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds. All other unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

NOTE 2 - PROPERTY, PLANT, AND EQUIPMENT

The College capitalizes all expenditures for property and equipment in excess of \$500 and other items for which administrative control is desired. Land, land improvements, buildings, and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. Depreciation on physical plant and equipment is not recorded. During the fiscal year ended June 30, 1999, the College obtained an independent appraisal company to determine the acquisition cost of the College's property and equipment. The costs were estimated by the use of computerized reverse-trending techniques applied against the estimate of current replacement cost. The College used actual invoice cost for subsequent acquisitions.

NOTE 3 - POOLED CASH AND INVESTMENTS

For financial statement presentation purposes, cash in banks has been combined with the College's temporary cash management investments in time deposits and amounts temporarily due between funds as a result of expenditures is included in pooled cash.

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.

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 which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book 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
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

NOTE 3 - POOLED CASH 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 or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 \$2,850 in undeposited cash on hand which is included on the balance sheet 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
NOTES TO FINANCIAL STATEMENTS**

June 30, 2001

NOTE 3 - POOLED CASH AND INVESTMENTS (continued)

Deposits

At fiscal year end, the carrying amount of the College's deposits was \$4,736,692 and the bank balance was \$5,303,452. \$200,000 of the bank balance was covered by federal depository insurance and \$5,103,452 was covered by collateral held by the bank in the College's name. Although the securities serving as collateral were held by the pledging institution and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the College to a successful claim by the FDIC.

Investments

Investments are categorized below to give an indication of the level of risk assumed by the College. Category 1 includes investments that are insured or registered or for which the securities are held by the College or its agent in the College's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the College's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the College's name. The College had no investments in these categories at June 30, 2001.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits
GASB Statement 9	\$ 4,739,542
Cash on Hand	<u>(2,850)</u>
GASB Statement 3	<u>\$ 4,736,692</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 the student subsidies, the State of Ohio provides the funding and constructs major plant facilities on the College's campus. 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. Costs incurred during construction are included in construction in progress. Upon completion of a facility, the Board of Regents turns over control to the College. College facilities are not pledged as collateral for these revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the state.

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

NORTHWEST STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

NOTE 5 - NORTHWEST STATE COMMUNITY COLLEGE EDUCATION FOUNDATION

Not included in these financial statements is the Northwest State Community College Foundation, Inc., a non-profit tax-exempt organization operated exclusively to provide support for the general educational needs of the college. Northwest State Community College Foundation was formed in 1975.

The college requests funds from the foundation for designated purposes. The request is subject to the approval by the Board of Trustees of the Foundation. The College paid expenses related to the Foundation's capital campaign which will be reimbursed. At June 30, 2001, \$127,616 due from the Foundation was included in unrestricted accounts receivable.

NOTE 6 - PENSION AND RETIREMENT PLANS

The employees of the Northwest State Community College are covered by either 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 administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Authority to establish and amend benefits is provided by 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 the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll for fiscal year 2001. 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, 2001, 2000, and 1999 were \$328,304, \$314,601 and \$297,488, respectively.

State Teachers Retirement System

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.

Plan members are required to contribute 9.3 percent of their annual covered salary and the College is required to contribute 14 percent; 12 percent was the portion used to fund pension obligations. 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, 2001, 2000, and 1999 were \$540,939, \$485,792 and \$451,351, respectively.

NORTHWEST STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

NOTE 6 - PENSION AND RETIREMENT PLANS

Alternative Retirement Plan

The College offers a defined contribution plan as an alternative to participation with State mandated defined benefit plans in accordance with state law. Non-elective employee contributions and employer contributions are made to the plan in amounts equivalent to the participant's compensation which would have otherwise been contributed to the State Retirement System that applies to the participant's position. The College's contributions to the plan for the fiscal year ended June 30, 2001 were \$12,201. No contributions were made for fiscal years ended June 30, 2000 and 1999.

NOTE 7 - 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 4.5% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the College, this amount equaled \$173,873 during the 2001 fiscal year. The balance in the Health Care Reserve Fund was \$3,419 million at June 30, 2000. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal 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 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2000, (the latest information available), the allocation rate was 8.45%. 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 2000, the minimum pay was established at \$12,400. For the College, the amount to fund health care benefits, including surcharge, equaled \$213,037 during the 2001 fiscal year. For the fiscal year ended June 30, 2000, net health care costs paid by SERS were \$140,696,340. The number of participants currently receiving health care benefits is 50,000.

At June 30, 2000, the Retirement System's net assets available for payment of health care benefits was \$252.3 million.

NOTE 8 - 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. Our tests disclosed no instances of non compliance, however recommendations are included in a separate letter to management. 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
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

NOTE 9 - LEASES

Operating Leases

The College has several non-cancelable operating leases, primarily for various forms of equipment, that expire at various dates through June 30, 2004. Those leases generally contain renewal options and require the College to pay all executory costs such as taxes, maintenance, and insurance. Rental expenses for those leases consisted of \$17,905 for the year ended June 30, 2001.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2001 are:

Year Ending June 30:	
2002	\$ 13,097
2003	7,691
2004	6,410
	<u>\$ 27,198</u>

NOTE 10 - PRIOR PERIOD ADJUSTMENT

A physical inventory was conducted during the year to establish fixed asset values for certain furniture and fixtures. These items had not been include in previous appraisals of furniture and fixtures. The value of items capitalized was greater than previously recorded by the College. Accordingly, an adjustment of \$205,692 was made to beginning fund balance of plant funds to revise the recorded value of fixed assets as of the beginning of the year. The effect of the restatement on net assets prior to 2000 is not determinable.

NOTE 11 – 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 Education 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 Education 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 a common premium rate is applied to all participants in the Plan. Each participant pays its rate. workers' compensation premium to the State based on the rate for the Plan rather than its individual

NORTHWEST STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

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 12 – 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 \$631,266. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22-900 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 \$1,194 to the WCGRP to cover the costs of administering the program.

NOTE 13 – 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 an estimate based on the College's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accrued liabilities" in the fund from which the employees who have accumulated unpaid leave are paid.

At June 30, 2001 the current amount of unpaid compensated absences in the General Fund and Auxiliary Fund were \$526,290 and \$21,483 respectively.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2001

Federal Grantor/Pass Through Grantor Program Title	Program Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. Department of Education				
Student Financial Assistance Programs Cluster:				
Federal Work Study Program	P033AXX3328	84.033	\$ 39,943	\$ -
Federal Supplemental Educational Opportunity Grant Program	P007AXX3328	84.007	40,717	-
Federal Pell Grant Program	P063PXX2609	84.063	<u>1,078,103</u>	<u>-</u>
Total Student Financial Assistance Programs Cluster			1,158,763	-
Passed Through Ohio Department of Education				
Vocational Education Basic Grant	063313 20-C2	84.048	70,202	-
Technical Preparation	063313 3E-00	84.243	<u>116,073</u>	<u>-</u>
Total Department of Education			186,275	-
U.S. Department of Agriculture				
Passed Through Ohio Department of Education				
Child Care Food Subsidy	115105 16-CC&21-ML	10.558	<u>-</u>	<u>6,561</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,345,038</u>	<u>\$ 6,561</u>

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
*June 30, 2001***

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - 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 Expenditures of Federal Awards 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, 2001, totaled \$1,419,077.

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, 2001, the College had no significant fund commodities in inventory.

STEYER & CO.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT 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
Northwest State Community College
Archbold, Ohio

We have audited the general purpose financial statements of the Northwest State Community College, a component unit of the State of Ohio, as of and for the year ended June 30, 2001, and have issued our report thereon dated September 27, 2001. 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 Northwest State Community College's general purpose 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 are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northwest State Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the College's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 01-1.

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. 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 reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, we believe none of the reportable conditions described above were considered to be material weaknesses. We noted other matters involving internal controls over financial reporting that we have reported to management of Northwest State Community College in a separate letter dated September 27, 2001.

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

STEYER & CO.

Defiance, Ohio
September 27, 2001

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

Board of Trustees
Northwest State Community College
Archbold, Ohio

Compliance

We have audited the compliance of Northwest State Community College, a component unit of the State of Ohio, 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, 2001. Northwest State Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Northwest State Community College's management. Our responsibility is to express an opinion on Northwest State Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB 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 Northwest State Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Northwest State Community College's compliance with those requirements.

In our opinion, Northwest State Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

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

This report is intended solely for the information and use of the audit committee, board of trustees, management 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.

STEYER & CO.

Defiance, Ohio
September 27, 2001

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2001**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? _____yes X no
 Reportable condition(s) identified
 not considered to be material weaknesses? X yes _____none reported

Noncompliance material to financial statements
 noted? _____yes X no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? _____yes X no
 Reportable condition(s) identified
 not considered to be material weaknesses? _____yes X none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Assistance Programs Cluster

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

Auditee qualified as a low-risk auditee? _____yes X no

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2001**

Section II - Financial Statement Findings

The results of our tests disclosed the following items that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

REPORTABLE CONDITION

FINDING 01-1

The review of current year activity in the area of state grants found several programs with inadequate documentation of expenditures and of fulfillment of grant requirements. A review of procedures with staff noted that the required documentation policy is not clearly defined and existing procedures are not adequately enforced. We recommend that policies and procedures be implemented to improve the recording of grant expenditures and documentation of fulfillment of grant requirements.

Section III - Federal Award Findings and Questioned Costs

The results of our tests disclosed no findings or questioned costs that are required to be reported under Circular A-133, Section 510(a).

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2001**

Finding Number	Finding Summary	Fully Corrected?	Action Taken
00-1	Recording activity in equipment accounts	Yes	The College modified procedures to properly account for additions and disposals.

**NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
01-1	The college will establish adequate policies and procedures to provide for the proper accounting of grant transactions and fulfillment of grant requirements.	June 30, 2002	Dr. Thomas L. Stuckey



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
DECEMBER 4, 2001**