Washington State Community College

Audited Financial Statements

June 30, 2010

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Washington State Community College, Washington County, prepared by Rea & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 13, 2010

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WASHINGTON STATE COMMUNITY COLLEGE
MARIETTA, OHIO

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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

September 27, 2010

Board of Trustees
Washington State Community College
710 Colgate Drive
Marietta, OH 45750

Independent Auditor's Report

We have audited the accompanying financial statements of Washington State Community College (the College), a component unit of the State of Ohio, and the aggregate discretely presented component unit, as of and for the years ended June 30, 2010 and 2009, 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 opinions on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College, and the discretely presented component unit, as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2010, 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 accompanying Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the 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.

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 Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information 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 basic financial statements taken as a whole.

Rea & Associates, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Washington State Community College (the College) Management's Discussion and Analysis (MD&A) of its financial condition provides an overview of the financial performance of the College for the year ended June 30, 2010. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes.

Financial Highlights

The College's financial statements for FY 2009-2010 reported net assets of $18.9 million at June 30, 2010. This represents a decrease of $298 thousand from the previous fiscal year, primarily a result of no new construction and all other assets being depreciated as they have been in prior years.

The College's enrollment in FY 2009-2010 increased by approximately 9.1% in FTE from the previous year. The total FTE for FY 2009-2010, as reported to the Ohio Board of Regents, was 1,785.3, up from 1,636.4 reported for FY 2008-2009.

Using the Annual Report

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

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

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

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

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

Condensed Financial Information

Statement of Net Assets (in thousands)

	2010	2009	2008
ASSETS			
Current assets	$ 7,081	$ 6,281	$ 6,462
Capital assets, net	15,687	16,410	17,085
Total assets	22,768	22,691	23,547
LIABILITIES			
Current liabilities	3,323	2,967	2,999
Non-current liabilities	484	465	432
Total liabilities	3,807	3,432	3,431
NET ASSETS			
Invested in capital assets, net of related debt	15,687	16,409	17,085
Restricted			
Nonexpendable	0	0	0
Expendable	944	831	758
Unrestricted	2,330	2,019	2,273
Total net assets	$ 18,961	$ 19,259	$ 20,116

A review of the College's statement of net assets at June 30, 2010 shows that the College continues to build a strong financial foundation.

Assets As of June 30, 2010, the College's total assets amount to approximately $22.7 million. Investment in capital assets, net of depreciation, represented the College's largest asset, totaling $15.7 million or 69.2 percent of total assets. Accounts Receivable, net of allowance for doubtful accounts, represented the next largest asset, totaling $3.6 million or 15.9 percent of total assets, followed by Cash and cash equivalents representing $3.1 million or 13.7 percent of total assets.

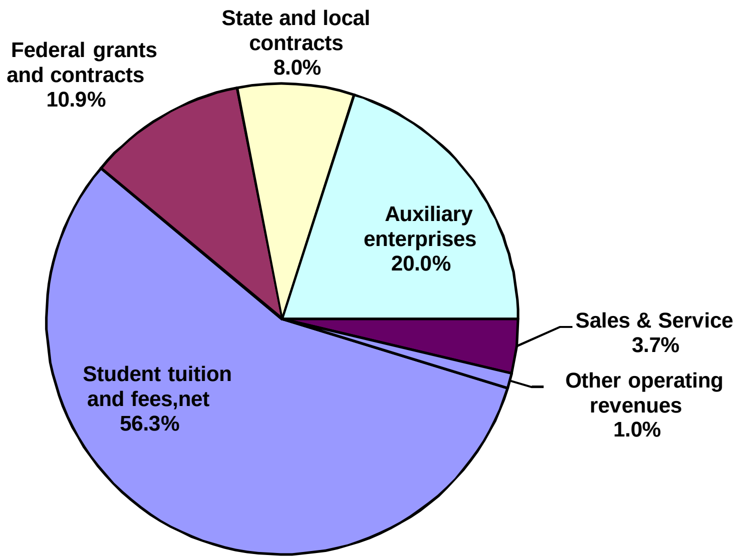
Liabilities At June 30, 2010, the College's liabilities totaled approximately $3.8 million. Accounts payable, accrued liabilities, and deferred revenue represented $3.3 million or 86.8 percent, of total liabilities.

Net Assets Net assets at June 30, 2010 totaled approximately $18.9 million, or 83.3 percent, of total assets. Net assets invested in capital totaled $15.7 million or 83.1 percent, of total net assets. Restricted and unrestricted net assets represented 5.0 percent and 12.2 percent of total net assets, respectively.

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

OPERATING REVENUES	2010	2009	2008
Student tuition and fees, net	$ 5,495	$ 5,088	$ 4,913
Grants and contracts	1,855	2,115	2,060
Auxiliary enterprises:	1,955	1,927	1,326
Other operating revenues	460	392	425
Total operating revenues	9,765	9,522	8,724
OPERATING EXPENSES			
Educational and General	17,678	16,557	16,154
Depreciation	814	785	773
Auxiliary enterprises	2,742	2,779	1,647
Total operating expenses	21,234	20,121	18,574
Operating income (loss)	(11,469)	(10,599)	(9,850)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	6,435	6,621	6,112
Federal Pell Grant (Non Exchange)	4,547	2,955	2,825
Investment income	17	48	128
Other non-operating income (expenses)	59	45	134
Net non-operating revenues	11,058	9,669	9,201
Income before other revenues, expenses, gains, or losses	(411)	(930)	(649)
Capital appropriations	113	73	72
Capital grants and gifts	0	0	0
Total other revenues	113	73	72
Increase in net assets	(298)	(857)	(579)
Net assets-beginning of year	19,259	20,116	20,695
Net assets-end of year	$ 18,961	$ 19,259	$ 20,116

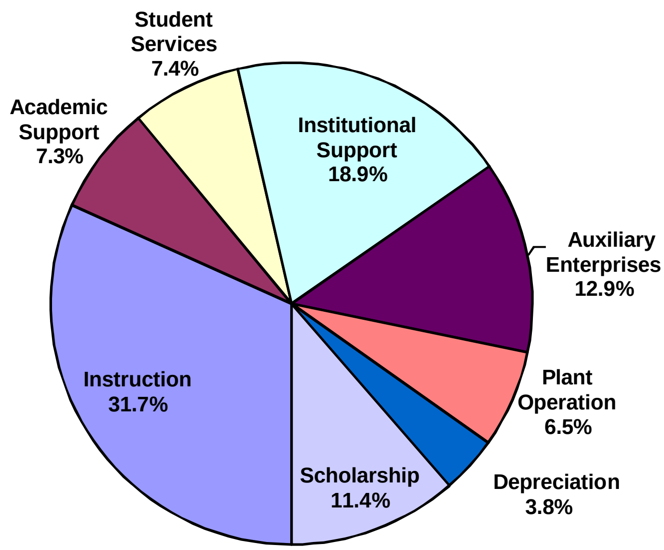
OPERATING REVENUES



Total operating revenues were approximately $9.7 million for the year ended June 30, 2010. The most significant sources of operating revenue for the College are student tuition and fees, net of scholarship and allowance (56.3 percent), auxiliary enterprises, which include the Bookstore, Child Development Center, and Workforce Development (20.0 percent) and federal and state grants and contracts (18.9 percent).

There are other significant recurring sources of revenues essential to the operation of the College, including state appropriations and investment income, which are considered nonoperating revenues as defined by GASB 35. The College's state appropriations for the year ended June 30, 2010, amounted to $6.4 million. Of the $6.4 million, $922 thousand represents ARRA Federal Stimulus dollars received to supplement the subsidy distributed by the State of Ohio during the 2010 fiscal year.

OPERATING EXPENSES



Operating expenses, including $815 thousand of depreciation, totaled approximately $21.2 million. As depicted in the chart above, the majority of the College's operating funds are expended directly for the primary mission of the College – instruction (31.7 percent), institutional support (18.9 percent), and academic support (7.3 percent). One of the College's core values is to provide student's access to the College with the opportunity to succeed. The College's continued investment in student financial aid programs and student support services reflects this commitment.

For the year ended June 30, 2010, student financial aid related to tuition and fees totaled $4.5 million, including student aid expenses of $2.4 million and scholarship allowances of $1.6 million.

Statement of Cash Flows (in thousands)

Net cash provided (used) by:	2010	2009	2008
Operating activities	$ (10,992)	$ 10,076)	$ (8,509)
Noncapital activities	11,043	9,6281	9,071
Capital financing activities	19	(43)	(200)
Investing activities	16	48	128
Net increase in cash	86	(443)	490
Cash-beginning of year	3,053	3,496	3,338
Cash-end of year	$ 3,139	$ 3,053	$ 3,006

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

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

Major sources of funds included in operating activities are student tuition and fees ($3.0 million) and grants and contracts ($1.4 million). The largest cash payments for operating activities were to employees, for wages and benefits, ($12.5 million) and to suppliers and related services ($3.0 million).

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

Capital Assets

Capital assets, net of accumulated depreciation, totaled approximately $15.7 million at June 30, 2010, a net decrease of $722 thousand over the prior year-end due in part to the annual depreciation expense and no construction projects occurring during the fiscal year.

Looking Ahead

Washington State Community College remains committed to providing access to high quality, affordable education to all residents of the Mid-Ohio Valley. The College's current annual tuition and fees of $3,807 remains competitive among Ohio two-year colleges. There is a direct relationship between the level of State support and the College's ability to control tuition growth, as declines in State appropriations generally result in increased tuition levels. Mandated by the state's budget bill to "hold the line" on tuition, the College did not increase tuition in FY 08 and 09. However, the College implemented a 3.5% increase beginning Winter Quarter 2010, which provided additional revenue in FY 10. The budget bill also allowed for an additional 3.5% tuition increase for FY 11 which the College implemented beginning Summer Quarter 2010 which will enhance revenue in FY 11.

The College continues to experience an increase in both headcount and Full-time Equivalent (FTE) over the previous year. However, the state's share of instruction continues to decrease and we are mindful of the need for cost containment and efficiencies. The college continues to prepare for a projected 15% decline in state support in fiscal years 12 and 13 as Ohio's budget continues to be negatively impacted by the economic downturn.

The College proactively manages its financial position and adopts budgetary guidelines and principles that address cost reductions and revenue enhancement. However, the College faces significant cost pressures in the future. These relate to attracting and retaining high quality faculty and staff, increasing costs of health insurance, volatile energy prices and others.

The College currently operates on a Quarter system, however is mandated by the Ohio Board of Regents to convert to a semester system by Fall of 2012. The College will have expenses related to conversion of its curriculum, systems and processes to a semester system.

Paramount to the continuing success of the College is its accreditation by the Higher Learning Commission, which is due to be renewed during FY 11.

Additionally, on October 6, 2010, Dr. Charlotte Hatfield, President of the College, announced her intent to retire at the end of her current contract, December 31, 2011. The Board of Trustees announced they will commence a nationwide search for the next President of Washington State Community College. The College will have expenses related to the search and subsequent hiring of a successor.

WASHINGTON STATE COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009

	2010		2009	
	Washington State Community College	Component Unit Washington State Foundation	Washington State Community College	Component Unit Washington State Foundation
ASSETS				
Current Assets				
Cash and cash equivalents	$ 3,139,594	$ 121,664	$ 3,053,335	$ 203,554
Accounts receivable (net of allowance for doubtful accounts, $46,065 in 2010 and $38,077 in 2009)	3,604,405		3,016,059	
Pledges Receivable		865		1,912
Inventories	285,299		189,868	
Prepaid expenses	51,713		22,168	
Other Assets		5,918		266
Total current assets	7,081,011	128,447	6,281,430	205,732
Noncurrent Assets				
Investments		622,413		452,446
Capital assets, net	15,686,879		16,408,908	
Total noncurrent assets	15,686,879	622,413	16,408,908	452,446
Total Assets	22,767,890	750,860	22,690,338	658,178
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	995,369	4,000	1,172,934	
Due to Other Governments				
Deferred revenue	2,255,492		1,722,061	
Compensated absences - current portion	72,407		71,619	
Total current liabilities	3,323,268	4,000	2,966,614	0
Noncurrent Liabilities				
Deposits	14,462		4,862	
Deferred revenue	59,002		54,536	
Compensated absences	410,305		405,839	
Total noncurrent liabilities	483,769	0	465,237	0
Total liabilities	3,807,037	4,000	3,431,851	0
NET ASSETS				
Invested in capital assets, net of related debt	15,686,879		16,408,908	
Restricted for				
Nonexpendable				
Scholarship and fellowships		235,000		180,000
Expendable				
Scholarship and fellowships		235,130		127,364
Capital Projects	943,281	220,071	830,635	260,334
Unrestricted	2,330,371	56,659	2,018,944	90,480
Total net assets	$ 18,960,531	$ 746,860	$ 19,258,487	$ 658,178

The accompanying notes are an integral part of these financial statements.

WASHINGTON STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010		2009	
	Washington State Community College	Component Unit Community College Foundation	Washington State Community College	Component Unit Community College Foundation
REVENUES				
Operating Revenues				
Student tuition and fees (net of scholarship allowances of $1,617,226 in 2010 and $1,469,569 in 2009)	$ 5,494,582		$ 5,088,346	
Federal grants and contracts	1,060,140		1,228,351	
State and local grants and contracts	793,916		886,731	
Private Grants and Contracts		$ 165,879		$ 106,755
Sales and service of educational departments	362,069		321,376	
Auxiliary enterprises:				
Bookstore	1,224,226		1,112,661	
Child Development Center	351,317		366,987	
Workforce Development	379,564		447,076	
Other Operating Revenue	98,922		70,642	
Total operating revenue	9,764,736	165,879	9,522,170	106,755
EXPENSES				
Operating Expenses				
Educational and general				
Instructional and Departmental Research	6,734,254	5,703	6,680,947	4,650
Academic Support	1,548,135		1,580,385	
Student Services	1,573,257		1,621,913	
Institutional Support	4,016,899	65,185	4,037,184	39,201
Operation and Maintenance of plant	1,388,311		1,391,529	
Depreciation	814,639		785,296	
Scholarships and fellowships	2,415,033	30,428	1,244,578	27,700
Auxiliary Services				
Bookstore	1,650,540		1,506,310	
Child Development Center	442,291		470,930	
Workforce Development	649,516		801,869	
Other Expenditures	889		422	
Total operating expenses	21,233,764	101,316	20,121,363	71,551
Operating Income (loss)	(11,469,028)	64,563	(10,599,193)	35,204
NONOPERATING REVENUES (EXPENSES)				
State Appropriations (Subsidy)	6,435,278		6,621,243	
Gifts	59,836		44,509	
Investment Income	16,521	25,046	48,014	(9,475)
Refund of Grant		(927)		
Pell Grant Awards	4,546,791		2,954,923	
Net nonoperating revenues	11,058,426	24,119	9,668,689	(9,475)
Income before other revenues, expenses, gains, or loss	(410,602)	88,682	(930,504)	25,729
Capital appropriations	112,646		73,135	
Increase (decrease) in net assets	(297,956)	88,682	(857,369)	25,729
NET ASSETS				
Net assets - beginning of year	19,258,487	658,178	20,115,856	632,449
Net assets - end of year	$ 18,960,531	$ 746,860	$ 19,258,487	$ 658,178

The accompanying notes are an integral part of these financial statements.

WASHINGTON STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010		2009	
	Washington State Community College	Component Unit Community College Foundation	Washington State Community College	Component Unit Community College Foundation
CASH FLOWS FROM OPERATING ACTIVITES:				
Tuition and Fees	$ 3,070,596		$ 3,675,100	
Grants and contracts	1,442,170	$ 165,274	2,340,619	$ 106,755
Payments to suppliers and utilities	(3,004,389)	(70,888)	(4,534,078)	(45,814)
Payments to employees and benefits	(12,524,209)		(12,430,804)	
Payments for scholarships and fellowships	(2,415,033)	(30,428)	(1,244,578)	(27,700)
Loans issued to students and employees	0		(422)	
Collection of loans to students and employees	(5,587)		1,112	
Auxiliary enterprises	2,012,880		1,729,850	
Other receipts	431,046		386,968	
Net cash provided (used) by operating activities	(10,992,526)	63,958	(10,076,233)	33,241
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State Appropriations	6,435,278		6,621,243	
Pell Grant Awards	4,546,791		2,954,923	
Gifts and grants for other than capital purposes	61,048	(927)	52,165	
Net cash provided by noncapital financing activities	11,043,117	(927)	9,628,331	0
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Capital Appropriations	112,646		73,135	
Purchases of capital assets	(93,499)		(116,516)	
Net cash used by capital financing activities	19,147	0	(43,381)	0
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	16,521	25,046	48,014	(9,475)
Purchase of Investments		(169,967)		29,400
Net cash provided by investing activites	16,521	(144,921)	48,014	19,925
NET INCREASE IN CASH:	86,259	(81,890)	(443,269)	53,166
Cash and Cash Equivalents - beginning of year	3,053,335	203,554	3,496,604	150,388
Cash and Cash Equivalents - end of year	$ 3,139,594	$ 121,664	$ 3,053,335	$ 203,554
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	$ (11,469,028)	$ 64,563	$ (10,599,193)	$ 35,204
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	814,639		785,296	
Increase (decrease) in changes in assets and liabilities:				
Receivables, net	(588,346)		(250,704)	
Pledges Receivable		1,047		(1,312)
Inventories	(95,431)		(7,121)	
Non-Current Assets (Investments -Net)				
Other Assets	(29,545)	(5,652)	(5,050)	(326)
Due to Other Governments				
Accounts payable	(177,565)	4,000	72,762	(325)
Deferred revenue	537,896		(108,929)	
Deposits held for others	9,600			
Compensated absences	5,254		36,706	
Net cash provided (used) by operating activities:	$ (10,992,526)	$ 63,958	$ (10,076,233)	$ 33,241

The accompanying notes are an integral part of these financial statements.

NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

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

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

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- **Restricted:**
  Nonexpendable — Net assets subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the College's permanent endowment funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

b. Accrual Basis

The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The College reports as a Business Type Activity (BTA) as defined by GASB 35. BTAs are those activities that are financed in whole or part by fees charged to external parties for goods and services.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities That Uses Proprietary Fund Accounting*, the College is required to follow all applicable GASB pronouncements. In addition, the College should apply all applicable Financial Accounting Standards Board (the "FASB") Statements and Interpretations, Accounting Principles Board (the "APB" Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The College had elected to not apply FASB statements and interpretations issued after November 30, 1989.

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 savings accounts.

For purposes of the statement of cash flows and for presentation of the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the College are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Capital Assets

Capital assets are stated at cost at date of acquisition or, in the case of gifts, at fair market value at date of gift. Equipment with a unit cost of $3,000 or more and having an estimated useful life of greater than one year is capitalized. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the respective assets, generally 20 years for land improvements, 10—40 years for buildings and fixed equipment, 15 years for library books and 4—10 years for equipment.

e. Inventories

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

f. Investments

Investments are stated at fair value.

g. Deferred Revenue

Deferred revenue consists primarily of summer school fees. The College has deferred amounts received for tuition and fees prior to June 30, 2010 and 2009 but relate to the subsequent accounting period.

h. Accounts Receivable

Accounts receivable represents the balance of unpaid student tuition charges, federal and state grants receivable, and miscellaneous receivables owed to the College. To implement a system which allows for on-line payment of tuition and fees a change in accounting for receivables was necessary, creating the receivables at the time of registration rather than at the time of payment on account. That change resulted in a one-time significant increase in accounts receivable from the prior year to the current.

i. Allowance for Doubtful Accounts

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Restricted Asset Spending Policy

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

k. Operating Activities

The College defines operating activities, as reported on the statements of revenues, expenses, and changes in net assets, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for services and good received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenues relied upon for operations, such as state appropriations, gifts and investment income, are recorded as non-operating revenues, in accordance with GASB Statement No. 35. In addition, the GASB Implementation Guide has indicated PELL grants should be considered non-operating revenues beginning in fiscal year 2009. Beginning in fiscal year 2010, the State Fiscal Stabilization Funds were reported as non operating revenue which is included as a subsidized amount with State Appropriations. Also, beginning in fiscal year 2010, the Workforce Development activity is reported as an Auxiliary Enterprise.

l. Use of Estimates

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

m. Non-current Long-Term Liabilities

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

n. Compensated Absences

The College has adopted GASB No. 16.

Vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of these conditions are met:

a. The employee's right to receive compensation is attributable to services already rendered.
b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For vacation leave the College posts a liability for 100% of accumulated vacation time.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A liability for sick leave and other compensated absences with similar characteristics (hereinafter referred to as "sick leave") should be accrued using one of the following termination approaches:

a. The sick leave liability generally would be an estimate based on governmental entity's past experience of making termination payments for sick leave, adjusted for the effects of changes in its termination payment policy and other current factors. This approach is known as the termination payment method.

b. The sick leave liability would be an accrual for those employees expected to become eligible in the near future based on assumptions concerning the probability that individual employees or classes or groups of employees will become eligible to receive termination benefits. This accumulation should be reduced to the maximum amount allowed as a termination benefit. This approach is known as the vesting method.

For sick leave liability, the College uses the vesting method. The College posts a liability for any employee with ten years of service in the retirement system. These accumulations are reduced to the maximum amount allowed as a termination payment.

o. 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 students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state or nongovernmental 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.

p. 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.

q. Income Taxes

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2010, the College has implemented GASB Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets"*, GASB Statement 53 "*Accounting and Financial Reporting for Derivative Instruments, and GASB 58* "*Accounting and Financial Reporting for Chapter 9 Bankruptcies.*"

GASB Statement No. 51 provides accounting and financial reporting requirements for intangible assets to reduce inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the College.

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

State statutes classify monies held by the College into three categories.

Active deposits are public deposits necessary to meet current demand 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 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 or 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 accounts including passbook accounts.

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

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.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security 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. Bond 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) 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 (STAROhio);

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.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Cash on Hand

The College maintained cash on hand in the amount of $1,450 at year end.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the College.

At fiscal year-end, the carrying amount of the College's deposits was $3,138,144. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2010, $3,016,070 of the College's bank balance of $3,516,070 was exposed to custodial credit risk as discussed above, while $500,000 was covered by Federal Deposit Insurance Corporation.

Investments

As of June 30, 2010, the College did not have any investments.

NOTE 5 - NOTES, LOANS AND ACCOUNTS RECEIVABLE

Notes, loans and accounts receivable as of June 30, 2010 and 2009 are as follows:

	2010			2009		
	Gross Receivable	Allowance	Net Receivable	Gross Receivable	Allowance	Net Receivable
Students	$ 1,866,996	$ 46,065	$ 1,820,931	$ 1,614,136	$ 38,077	$ 1,576,059
Reimbursement receivable-grant and contracts	1,338,320	0	1,338,320	945,475	0	945,475
Other	445,154	0	445,154	494,525	0	494,525
Total	$ 3,650,470	$ 46,065	$ 3,604,405	$ 3,054,136	$ 38,077	$ 3,016,059

NOTE 6 - CAPITAL ASSETS, NET

Capital assets as of June 30, 2010 and 2009 are summarized as follows:

	2010			
	2009	Additions	Reductions	2010
Assets:				
Land	$ 980,000	$ 0	$ 0	$ 980,000
Buildings	20,860,751	21,968	0	20,882,719
Land improvements	3,013,855	0	0	3,013,855
Library books	434,008	5,354	0	439,362
Moveable equipment	1,779,618	66,177	13,115	1,832,680
	27,068,232	93,499	13,115	27,148,616
Accumulated Depreciation:				
Buildings	6,710,961	521,540	0	7,232,501
Land improvements	2,317,795	150,693	0	2,468,488
Libruary books	380,695	13,932	0	394,627
Moveable equipment	1,249,873	128,474	12,226	1,366,121
	10,659,324	814,639	12,226	11,461,737
Capital Assets, net	$ 16,408,908	$ (721,140)	$ 889	$ 15,686,879

	2009			
	2008	Additions	Reductions	2009
Assets:				
Land	$ 980,000	$ 0	$ 0	$ 980,000
Buildings	20,842,788	17,963	0	20,860,751
Land improvements	3,013,855	0	0	3,013,855
Library books	429,229	4,779	0	434,008
Moveable equipment	1,694,345	93,775	8,502	1,779,618
	26,960,217	116,517	8,502	27,068,232
Accumulated Depreciation:				
Buildings	6,189,442	521,519	0	6,710,961
Land improvements	2,167,103	150,692	0	2,317,795
Libruary books	365,479	15,216	0	380,695
Moveable equipment	1,152,849	97,868	844	1,249,873
	9,874,873	785,295	844	10,659,324
Capital Assets, net	$ 17,085,344	$ (668,778)	$ 7,658	$ 16,408,908

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2010 and 2009 are as follows:

	2010	2009
Payable to vendors and contractors	$ 133,894	$ 228,771
Accrued wages	604,307	600,679
Other accrued liabilities	257,168	343,484
	$ 995,369	$ 1,172,934

NOTE 8 – LONG-TERM OBLIGATIONS

The changes in the College's long-term obligations during fiscal year 2010 and 2009 were as follows:

2010	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Deferred revenue	$ 1,776,597	$ 2,384,876	$(1,846,979)	$ 2,314,494	$ 2,255,492
Compensated absences	477,458	72,418	(67,164)	482,712	72,407
Deposits	4,862	10,000	(400)	14,462	0
Total long-term liabilities	$ 2,258,917	$ 2,467,294	$(1,914,543)	$ 2,811,668	$ 2,327,899

2009	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Deferred revenue	$ 1,885,526	$ 1,856,298	$(1,965,227)	$ 1,776,597	$ 1,722,061
Compensated absences	440,752	71,010	(34,304)	$ 477,458	71,619
Depoits	4,862	0	0	4,862	0
Total long-term liabilities	$ 2,331,140	$ 1,927,308	$(1,999,531)	$ 2,258,917	$ 1,793,680

NOTE 9 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES

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

a. School Employees' Retirement System

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

SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under **Employer/Audit Resources**.

Plan members were required to contribute 10% of their annual covered salary and the College is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocated the current employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits to be 9.09%. The remaining 4.91% of the 14% employer contribution rate was allocated to the Health Care and Medicare B Funds. The College's contributions to SERS for the years ended June 30, 2010, 2009 and 2008 were $427,329, $462,291 and $456,099, respectively, equal to the required contributions for each year.

b. State Teachers' Retirement System

The State Teachers Retirement System of Ohio (STRS) is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution, or other agency wholly controlled, managed, and supported in whole, or in part, by the state or any political subdivision thereof.

NOTE 9 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES (Continued)

Plan Options - New members have a choice of three retirement plans, In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC and Combined Plans are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established by Chapter 3307 of the Ohio Revised Code. Any member may retire who has (1) five years of service credit and attained age 60, (2) 25 years of service credit and attained age 55, or (3) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest years’ salaries. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual-retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

NOTE 9 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES (Continued)

Eligible faculty of Ohio's public college and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

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

Benefits are increased annually by the 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage of up to $2,000 can be purchased by members in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2009 (date of most recent information available) 10% of covered payroll for members and 14% for employers. Employer contributions by the College were $700,358, $679,729 and $678,135 for the years ended June 30, 2010, 2009 and 2008, respectively; 100% of required amounts have been paid for all years.

STRS Ohio issues a stand-alone financial report. That report may be obtained after December 31, 2009 by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3371 or by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

c. Alternative Retirement Plan

The State of Ohio requires public institutions of higher education to offer an alternative retirement plan to those participating in the State Teachers Retirement System. The alternative retirement plan shall be a defined-contribution plan, with the Ohio employer contribution rate of 5.76%. The College has implemented the alternative retirement plan. In fiscal years 2010, 2009 and 2008, the employer match was $32,170, $18,186 and $17,033, respectively.

NOTE 10 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to the pension benefits described in Note 9, the College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers' Retirement System and to retired non-certified employees and their dependents through the School Employees' Retirement System.

The State Teachers Retirement System provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2009 and June 30, 2007, the board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the College, this amount equaled $48,552 during the 2010 fiscal year. The balance in the Health Care Stabilization Fund was $3.7 billion at June 30, 2009 (the date of the most recent information available).

For the fiscal year ended June 30, 2009 (date of most recent information available), net health care costs paid by STRS Ohio were $298,110,000. There were 129,659 eligible benefit recipients.

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan
The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was $96.40, SERS' reimbursement to retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B fund. For fiscal year 2010, the actuarially required allocation was .76%. The College's contributions for the years ended June 30, 2010, were $22,892 which equaled the required contributions each year.

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Health Care Plan
ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2010, the health care allocation was 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at $35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The College's contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were $176,668, $158,769, and $153,829, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under **Employers/Audit Resources**.

NOTE 11 - OPERATING EXPENSES BY NATURAL CLASSIFICATION

The College's operating expenses by natural classification were as follows for the years ended June 30, 2010 and 2009:

	2010	2009
Salaries and wages	$ 8,333,584	$ 8,360,647
Employee benefits	4,190,625	4,070,157
Utilities	332,479	339,896
Supplies and other services	5,247,404	5,329,938
Depreciation	814,639	785,296
Student scholarships and financial aid	2,415,033	1,235,429
	$ 21,333,764	$ 20,121,363

NOTE 12 - RISK MANAGEMENT

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

Vehicles are covered by Utica National Insurance Group and hold a $250 deductible. Automobile liability coverage has a $1,000,000 limit for collision and a $1,000,000 limit for bodily injury. Settled claims have not exceeded any aforementioned commercial coverage in any of the past four years.

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

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

The College contracts with Anthem Blue Cross and Blue Shield for hospitalization and CoreSource for dental insurance and Vision Service Plan for vision insurance. The College pays 90% of the total monthly premiums for dental and vision coverage's and the employee pays for the remaining 10%. The College pays 75%, 85%, or 90% of the total monthly premiums for hospitalization and major medical and the employees pay the remaining 25%, 15%, or 10% depending on level of benefit chosen. Premiums are paid from the same funds that pay the employees' salaries.

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

NOTE 13 – COMPONENT UNIT DISCLOSURES

Washington State Community College Foundation (Foundation) is a legally separate, tax-exempt component unit of Washington State Community College (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 assets of the Foundation have been given by donors/grantors independent from the College and are governed by a Board of Directors. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which 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.

The accompanying financial statements of the Foundation have been prepared in accordance with pronouncements of the Financial Accounting Standards Board. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Contributions to the Foundation are recognized and reported as revenue at fair value upon the earlier of the period in which a pledge becomes unconditional or the period in which the contribution is received. Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted support, while contributions without donor-imposed restrictions are reported as unrestricted support.

Equity in Pooled Cash and Cash Equivalents and Investments:

Deposits -Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the inability to recover the value of deposits, investments or collateral securities in the possession of an outside party. The Foundation has not established a policy for deposits at this time.

As of June 30, 2010, the carrying amount of the Foundation's deposits was $121,664. The bank balance of $122,176 was covered by federal depository insurance.

Investments – Foundation investments are stated at fair value, with changes in market value being recognized as gains and losses during the period in which they occur. The following summarizes the fair value of investments of the Foundation as of June 30, 2010 and 2009:

NOTE 13 – COMPONENT UNIT DISCLOSURES (Continued)

Investment Type	2010 Fair Value	2009 Fair Value
Money Market Funds	$ 430,778	$ 143,807
Equities	60,667	32,218
Fixed Income	130,968	135,571
Mutual Funds	0	140,850
	$ 622,413	$ 452,446

Support Provided to the College:

During the years ended June 30, 2010 and 2009 the Foundation provided resources of $60,796 and $65,481 to or on behalf of the College for scholarships and other purposes.

Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

September 27, 2010

The Board of Trustees
Washington State Community College
710 Colgate Drive
Marietta, OH 45750

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the basic financial statements of Washington State Community College (the "College") as of and for the year ended June 30, 2010, and have issued our report thereon dated September 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 Washington State Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington State Community 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 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*.

We noted other matters involving the internal control over financial reporting and compliance that do not require inclusion in this report, that we have reported to the management of the College in a separate letter dated September 27, 2010.

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

Rea & Associates, Inc.

Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

September 27, 2010

The Board of Trustees
Washington State Community College
710 Colgate Drive
Marietta, OH 45750

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in <u>Accordance with OMB Circular A-133</u>

Compliance

We have audited the compliance of Washington State Community College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Washington 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 Washington State Community College's management. Our responsibility it to express an opinion on Washington 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 Circulars 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 Washington 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 Washington State Community College's compliance with those requirements.

In our opinion, Washington 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, 2010.

Internal Control Over Compliance

The management of Washington 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 Washington 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 but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Washington State Community College's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Rea & Associates, Inc.

WASHINGTON STATE COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2010

	Federal CFDA Number	Pass through Entity Identifying Number	Expenditures
U.S. Department of Education			
Direct Awards			
Student Financial Aid Cluster			
Federal Pell Grant	84.063		$ 4,546,791
Federal Work Study (Note 3)	84.033		44,026
Federal Academic Competiveness Grant	84.375		7,650
Federal Family Education Loan (Note 2)	84.032		4,352,742
Total Student Financial Aid Cluster			8,951,209
TRIO Cluster			
Educational Talent Search	84.044		303,041
Student Support Services	84.042		315,713
Upward Bound	84.047		253,367
Total TRIO Cluster			872,121
Child Care Access Means Parents in Schools	84.335		13,343
Passed Through Ohio Department of Education			
Vocational Education - Basic Grants to States	84.048	064345-20C3-2009	68,062
		064345-20A5-2009	2,500
Basic Grants to States			
Technical preparation education	84.243	064345 3ETC 2009	166,704
State Fiscal Stabilization Fund-Education State Grants-ARRA	84.394		921,580
Total U.S. Department of Education			10,995,519
U.S. Department of Health and Human Services			
Direct Award			
Scholarship for Disadvantaged Students (SDS)	93.925		36,937
Child Care and Development Block Grant	93.575		3,500
Total U.S. Department of Health and Human Services			40,437
U.S. Small Business Administration			
Passed - Through Ohio University:			
Small Business Development Center	59.037	22000130	70,382
U.S. Department of Agriculture			
Passed Through Ohio Department of Education			
Food Service	10.558	N/A	17,902
Total Federal Awards			$ 11,124,240

The accompanying notes to the Schedule of Expenditures of Federal Awards is an integral part of this schedule.

NOTE 1: BASIS OF PRESENTATION

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

NOTE 2: OUTSTANDING LOANS

The College originates but does not make Federal Family Education Loans (FFELs). For the fiscal year 2009 – 2010, the College certified need for $3,838,774 in Guaranteed Student Loan and Supplemental Loans. The amount presented represents the value of new FFELs awarded during the fiscal year as follows:

Federal Stafford Loans	$	2,527,839
Federal Unsubsidized Stafford Loans		1,824,903
Total FFELs	$	4,352,742

WASHINGTON STATE COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, SECTON .505
JUNE 30, 2010

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 significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance 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 significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list): Student Financial Assistance Cluster State Fiscal Stabilization Fund-Education State Grants	CFDA #'s 84.063, 84.033, 84.032, 84.375 CFDA # 84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >$333,727 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

Board of Trustees:

Title/Name	Term of Office or Contract Period	Surety	Amount of Coverage
Chairperson/ Clifford "Mike" Oliver	05/09/05-2/18/11	(A)	$ 1,000,000
Vice-Chairperson/ Ken Schilling	04/23/08-02/18/14	(A)	1,000,000
Members			
Lorrie Bowman	05/15/08-02/18/14	(A)	1,000,000
Shoshanna M. Brooker	05/15/08-02/18/14	(A)	1,000,000
Holly A. Dexter	04/27/09-02/18/15	(A)	1,000,000
John F. Greacen, Jr.	05/09/05-02/18/11	(A)	1,000,000
Larry E. Holdren	04/27/09-02/18/15	(A)	1,000,000
Patricia S. Marvin	05/09/05-02/18/11	(A)	1,000,000
Ken Schilling	04/23/08-02/18/14	(A)	1,000,000
Larry Unroe	04/27/09-2/18/15	(A)	1,000,000

(A) Republic Franklin Insurance Company for the period July 1, 2009 through June 30, 2010.

WASHINGTON STATE COMMUNITY COLLEGE
ADMINISTRATIVE PERSONNEL
June 30, 2010

Name and Address	Title	Surety	Amount of Coverage
Dr. Charlotte R. Hatfield 710 Colegate Drive Marietta, OH 45750	President	(A)	$ 1,000,000
Richard A. Peoples 710 Colegate Drive Marietta, OH 45750 (7-1-2009 to 8-14-2009)	Vice-President/Treasurer	(A)	1,000,000
Joseph O. Crone 710 Colegate Drive Marietta, OH 45750 (8-14-2009 to 12-14-2009)	Interim Treasurer	(A)	1,000,000
Jess N. Raines 710 Colegate Drive Marietta, OH 45750 (12-14-2009 to 6-30-2010)	CFO/Treasurer	(A)	1,000,000

(A) Republic Franklin Insurance Company for the period July 1, 2009 through June 30, 2010.

Mary Taylor, CPA
Auditor of State

WASHINGTON STATE COMMUNITY COLLEGE

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 23, 2010

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