



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2011  
Fiscal Year Audited Under GAGAS: 2011





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Northwest State Community College, Henry County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

November 28, 2011

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NORTHWEST STATE COMMUNITY COLLEGE  
YEAR ENDED JUNE 30, 2011

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# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Northwest State Community College, Henry County, Ohio (the College), which is a component unit of the state of Ohio as of and for the year ended June 30, 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

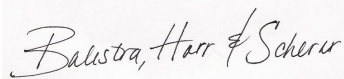
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of Northwest State Community College, Henry County, Ohio as of June 30, 2011, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the College's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on it.



Balestra, Harr & Scherer, CPAs, Inc.  
October 14, 2011



**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 June 30, 2011  
 (Unaudited)

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

**Structure of the Annual Report**

This report consists of three financial statements and notes that accompany the statements. The three statements are: Statement of Net Assets, Statement of Revenues, Expenditures and Changes in Net Assets, and the Statement of Cash Flow. Together these statements provide information on the College as a whole. This report addresses all the programs and services generally associated with a College which includes but not limited to such things as instruction, public service and support services. The college Foundation activities are focused on fundraising to benefit the college's programs and students.

**Financial Highlights**

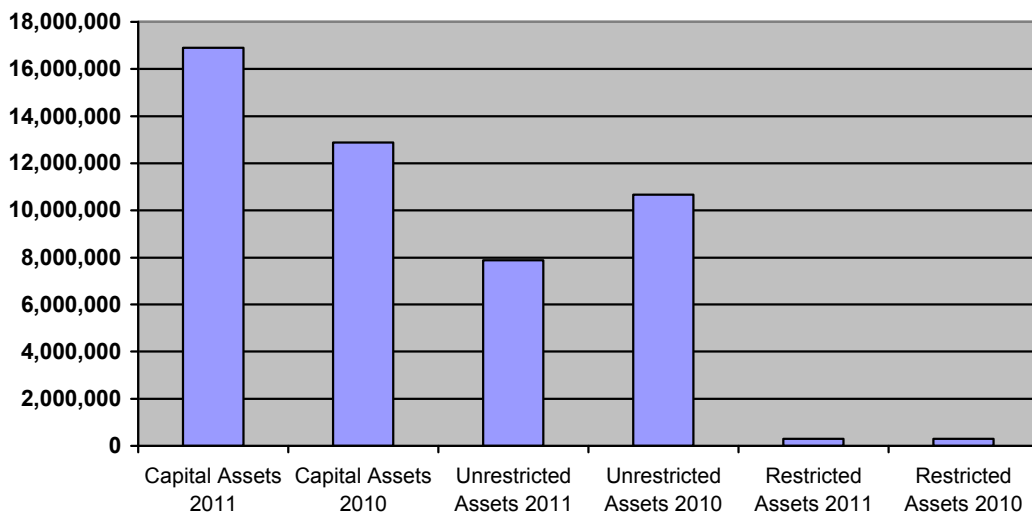
**The Statement of Net Assets**

<u><b>Condensed Financial Information</b></u>		
<u><b>Statement of Net Assets</b></u>		
	<u><b>2011</b></u>	<u><b>2010</b></u>
<b>Assets:</b>		
<b>Current &amp; Other Assets</b>	<u>\$13,499,812</u>	<u>\$15,856,979</u>
<b>Capital Assets</b>	<u>16,823,666</u>	<u>12,901,738</u>
<b>Total Assets</b>	<u>30,323,478</u>	<u>28,758,717</u>
 <b>Liabilities</b>		
<b>Current Liabilities</b>	4,858,394	4,409,532
<b>Non-current Liabilities</b>	<u>380,409</u>	<u>511,573</u>
<b>Total Liabilities</b>	<u>5,238,803</u>	<u>4,921,105</u>
 <b>Net Assets</b>		
<b>Invested in Capital Assets, Net of Related Debt</b>	16,818,603	12,877,387
<b>Restricted</b>	299,190	294,025
<b>Unrestricted</b>	<u>7,966,882</u>	<u>10,666,200</u>
<b>Total Net Assets</b>	<u>\$25,084,675</u>	<u>\$23,837,612</u>

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 June 30, 2011  
 (Unaudited)

This statement contains the college's assets, liabilities and net assets for the fiscal years 2010 and 2011. The assets and the liabilities are reported using the accrual basis of accounting. The accrual basis allows the college to report the current year's revenues and expenses regardless of when the cash was received or paid out. This method of accounting is similar to the accounting methods used by the private business sector.

The net assets of a governmental entity represent the entity's ownership in the assets. This graph presents the net assets for the 2011 and 2010 fiscal years. From this presentation, the increases and decreases in the net assets during the fiscal year of 2011 can be observed.



During fiscal year 2011 the college's net assets in total increased \$1,247,063 from \$23,837,612 to \$25,084,675 (5.23 percent). The net assets invested in capital increased by \$4,019,951 (31.22 percent) to a total of \$16,897,338; the restricted net assets increased by \$5,165 (1.76 percent) to a total of \$299,190; the unrestricted net assets decreased by \$2,778,053 (26.05 percent) to a total of \$7,888,147.

The assets in the Statement of Net Assets of a governmental entity represent the book value of the items employed by the college in its operations. The current assets decreased by \$3,503,536 (25.57 percent) for a total of \$10,198,296. Included in this total is a \$2,600,349 decrease in cash and cash equivalents, \$1,111,781 decrease in investments, \$209,533 increase in accounts receivable, \$8,858 decrease in inventories and \$7,919 increase in prepaid expenses.

The non-current assets increased by \$5,068,297 (33.66 percent) for a total of \$20,125,182. Included in this total is a \$1,149,369 increase in investments, \$3,000 decrease in accounts receivable from the college's Foundation, and \$3,921,928 increase in capital assets. The significant decrease in current investments is countered by the significant increase in non-current investments. The significant decrease in cash can be attributed to an increase in capital assets as the Allied Health and Public

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 June 30, 2011  
 (Unaudited)

Service building and A building 2<sup>nd</sup> floor renovation project was under construction and included in cip.

As of June 30, 2011 the college's investment with Huntington National Bank was fully vested and carrying a \$6,832,525 investment in certificates of deposit, money markets and mutual funds.

The liabilities in the Statement of Net Assets of a governmental entity represent the difference between the assets and the net assets. These amounts represent the obligations that the college owed to others. The college's total liabilities increased by \$317,698 (6.46 percent) for a total of \$5,238,803. Included in this total is a \$551,088 increase in accounts payable, \$41,783 decrease in accrued liabilities, \$35,168 decrease in capital lease obligations, \$60,688 (netted) increase in compensated absence and a \$217,127 decrease in deferred revenues.

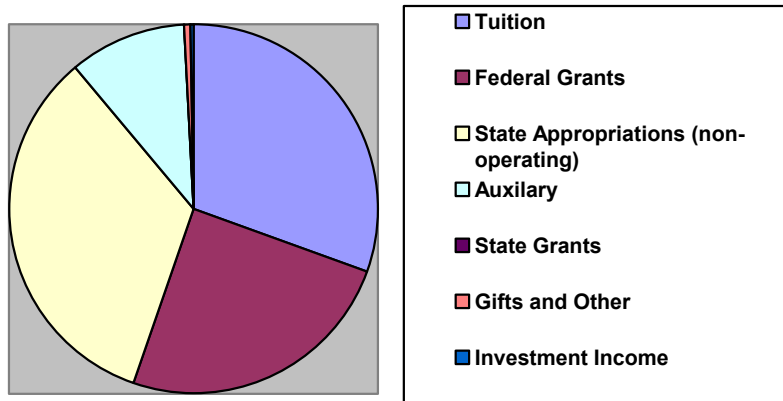
**The Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Condensed Financial Information**  
**Statement of Revenues, Expenses and Changes in Net Assets**

	<b>2011</b>	<b>2010</b>
<b>Total Operating Revenue</b>	<b>\$15,063,648</b>	<b>\$14,035,984</b>
<b>Total Operating Expense</b>	<b><u>33,703,646</u></b>	<b><u>28,185,667</u></b>
<b>Operating Loss</b>	<b>(18,639,998)</b>	<b>(14,149,683)</b>
<b>Non-Operating Revenues/Expenses</b>	<b><u>17,471,933</u></b>	<b><u>15,560,802</u></b>
<b>Income Before Other Revenues, Gains and Losses</b>	<b>(1,168,065)</b>	<b>1,411,119</b>
<b>Total Other Revenue, Expenses, Gains or Losses</b>	<b><u>2,415,128</u></b>	<b><u>(306,470)</u></b>
<b>Increase in Net Assets</b>	<b><u>1,247,063</u></b>	<b><u>1,104,649</u></b>
<b>Net Assets, Beginning of Year</b>	<b>\$23,837,612</b>	<b>\$22,732,963</b>
<b>Net Assets, End of Year</b>	<b><u>\$25,084,675</u></b>	<b><u>\$23,837,612</u></b>

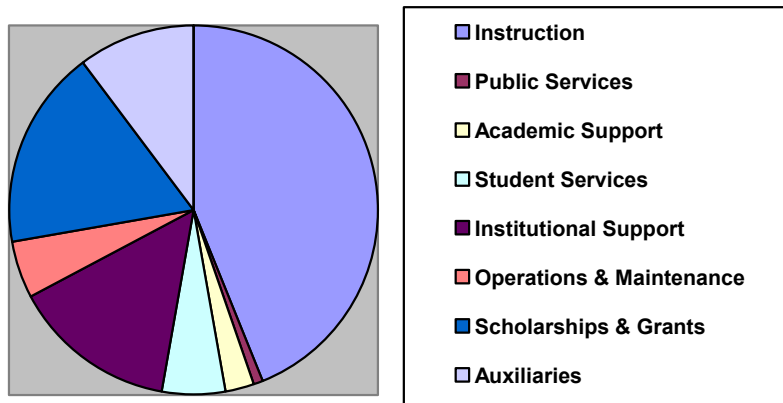
**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011  
(Unaudited)**

The statement reflects the various income and expense account balances for the 2010 and 2011 year. The following charts present a visual breakdown of the College's revenues and expenses divided into major categories. These graphs do not include the College's Foundation.

Revenues:



Expenses:



The significant changes in the revenues between fiscal years 2010 and 2011 are stated below along with the rationale for the changes. These changes include both the restricted and the unrestricted accounts:

\* Total operating revenues increased by \$1,027,664 (7.32 percent).

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2011  
(Unaudited)

\* Tuition and fees (net of scholarships) increased from \$10,403,023 to \$11,075,880 which represents an increase of \$672,857, an increase of 6.47 percent. The explanation for this increase is an enrollment increase of 16.1 percent which is partially offset by a 25.38 percent increase in scholarship and tuition allowance as students used more of their financial aid to pay their tuition and fees.

\*The investment income decreased by \$45,693 (43.16 percent). This number reflects the lower returns in the Huntington Investment account due to the unstable market conditions of the past year.

\*Federal grants and contracts increased by \$1,848,350 (27.76 percent). This was due to the increase in enrollment along with the increase in maximum Pell awards.

\*Nongovernmental gifts and grants increased by \$5,840 (107.28 percent). This was due to a combination of several new small grants; Win-Win grant, Henry County Planning grant, American Heritage Indiana Removal grant, College Goal Sunday grant and War of 1812 grant.

\*The state grants and contracts decreased by \$30,814 (50.77 percent). This was the result of the loss of Target Industry state grants funding from the state as the program was eliminated.

\*Contributions and fund raising increased by \$52,036 (116.12 percent). This reflects an increase in donations by local businesses of engineering, plastic supplies and books donated to support our programs.

\*Other operating revenues increased by \$39,908 (35.60 percent). The college purchasing card program was in operation for the full year and netted a rebate of \$50,853 for FY 2011. Partial year rebate for prior FY 10 was \$7,055.

The significant changes in the expenses between fiscal years 2010 and 2011 are stated below along with the rationale for the changes. These changes include both the restricted and the unrestricted accounts.

\* The total operating expenses increased by \$5,517,979 (19.58 percent).

\* The expenses for instruction increased by \$3,437,304 (31.63 percent). This was primarily due to the increase in expenditures for outside services and facility rent for IBEW training programs in Akron, Canton, Cincinnati, Cleveland, Dayton, Hamilton, Portsmouth, Toledo, and Youngstown.

\* The expense for public service decreased by \$66,139 (17.32 percent). This is due to the elimination of the Target Industry grants program along with only one life long learners program trip.

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2011  
(Unaudited)

\* The expense for academic support decreased by \$172,716 (17.67 percent). This was due to reclassifying the Success Center to the student service category.

\* The expense for student services increased by \$369,069 (26.18 percent). This is a result of the reclassifying of the Success Center from academic support along with unprecedented financial aid bad debt attributed to the economy and students losing aid due to dropping out or withdrawing from classes after receiving their financial aid requiring the college to return the funds per Title IV regulations.

\* The expense for operation and maintenance of plant increased by \$358,934 (27.25 percent). This was a result of increased spending for deferred maintenance backlog, reclassification of Facilities, Construction and Renovation department from institutional support and increased spending for facilities aesthetics purchases.

\* The increase in scholarships and grants by \$680,620 (13.67 percent) reflects the increase in federal grants awarded to our students offset by decreases in scholarship awards. Federal Pell grant awards increased \$1,865,832.

\* Northwest State Community College ended the year with an increase in net assets of \$1,247,063.

### **The Statement of Cash Flows**

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

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2011  
(Unaudited)

**The Statement of Cash Flows**

	<b>2010-11</b>	<b>2009-10</b>	<b>Change</b>
<b>Cash flows from operating activities</b>	\$(17,425,001)	\$(11,921,230)	\$(5,538,937)
Net cash used by operating activities			
<b>Cash flows from non-capital financing</b>	17,496,758	15,482,110	2,014,648
Net cash provided by noncapital financing activities			
<b>Cash flows from capital fin. activities</b>	(2,694,693)	(814,905)	(1,844,621)
Net cash used by capital financing activities			
<b>Cash flows from investing activities</b>	22,587	23,595	(1,009)
Net cash used by investing activities			
<b>Net increase (decrease) in cash</b>	(2,600,349)	2,769,570	(5,369,919)
<b>Cash, Beginning of Year</b>	\$4,805,456	\$2,035,886	2,769,570
<b>Cash, End of Year</b>	\$2,205,107	\$4,805,456	\$(2,600,349)

The primary sources of cash were tuition and fees, grants and contracts and federal financial aid. The other major source of income, although not considered cash from operations is the state subsidy amount. During 2011 enrollment increased by 16.1 percent.

The primary use of cash was for the support of the operating activities of the College. These activities consist of paying salary and benefits for faculty, staff and administration, payments to suppliers and operational expenses. During 2011 the college had a major construction project underway with the Allied Health and Public Services building and renovation of Building A, 2<sup>nd</sup> floor.

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2011  
(Unaudited)

**Capital Assets**

Capital assets, net of accumulated depreciation, totaled \$16,823,666 at June 30, 2011, a net increase of \$3,921,928 from the prior year-end. Additions to capital assets during the year totaled \$5,090,916 and disposals totaled \$132,411. Net depreciation expense for the year ended June 30, 2011 amounted to \$1,036,576. More detailed information about the College's capital assets is presented in note 7 to the financial statements.

**Debt**

As of June 30, 2011, the College's only long-term liabilities were capital leases and compensated absences payable. The College has no debt outstanding at fiscal year end 2011 or 2010. More detailed information about the College's long-term liabilities is presented in note 8 to the financial statements.

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

The College along with the rest of the community college sector of the State of Ohio continues to deal with unfunded growth in enrollment at a time when the state economic situation is preventing its ability to adequately support the growth in subsidy sufficient to sustain this portion of the community college funding.

The controversy over SB 5 which is being challenged by referendum and going before the voters of Ohio in November opened an opportunity for the college to negotiate a three year contract with the faculty and professional staff union through August 15, 2014 and extend the support staff contract that was set to expire on June 30, 2012 to June 30, 2015. Major concessions were received from the faculty in overload pay.

The college removed the tuition waiver that had reduced its tuition rate from \$136 to \$131 therefore starting Summer 2011 the tuition rate being charged the students is \$136 per credit hour. Additionally the college raised its rate to \$144 per credit hour (the \$200 maximum allowed by the state) and then proceeded to request a tuition waiver to return to the \$136 per credit hour.



**Northwest State Community College  
Henry County  
Statement of Net Assets  
June 30, 2011**

	<u>Primary Institution</u>	<u>Component Unit</u>
	<u>Northwest State CC</u>	<u>Northwest State Foundation</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 2,205,107	\$ 32,550
Investments	3,531,009	402,215
Accounts receivable, net	4,180,158	48,638
Inventories	271,532	-
Prepaid expenses	10,490	-
Total current assets	<u>10,198,296</u>	<u>483,403</u>
Noncurrent Assets		
Restricted cash and cash equivalents	-	257,357
Investments	3,301,516	4,061,264
Accounts Receivable	-	14,164
Capital assets, net	16,823,666	-
Total noncurrent assets	<u>20,125,182</u>	<u>4,332,785</u>
Total assets	<u>\$ 30,323,478</u>	<u>\$ 4,816,188</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 3,384,835	\$ -
Accrued liabilities	258,110	-
Capital lease obligation	5,063	-
Compensated absences	500,878	-
Deferred revenue	709,508	-
Total current liabilities	<u>4,858,394</u>	<u>-</u>
Noncurrent Liabilities		
Compensated absences	380,409	-
Total noncurrent liabilities	<u>380,409</u>	<u>-</u>
Total liabilities	<u>\$ 5,238,803</u>	<u>\$ -</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 16,818,603	\$ -
Restricted for		
Nonexpendable		
Scholarships and grants	-	816,468
Expendable		
Scholarships and grants	3,342	3,673,800
Departmental use		18,596
Loans	-	130,672
Capital projects	295,848	142,604
Other	-	617
Unrestricted	7,966,882	33,431
Total net assets	<u>\$ 25,084,675</u>	<u>\$ 4,816,188</u>

See accompanying notes to the financial statements

**Northwest State Community College  
Henry County  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2011**

	<u>Primary Institution</u>	<u>Component Unit</u>
	<u>Northwest State CC</u>	<u>Northwest State Foundation</u>
<b>REVENUES</b>		
Operating Revenues		
Tuition, fees, and other student charges (net of scholarship allowances of \$2,702,991.58)	\$ 11,075,880	\$ -
Federal grants and contracts	192,122	-
State grants and contracts	29,874	-
Nongovernmental gifts and grants	11,283	-
Contributions and fund raising	96,849	450,870
Auxiliary enterprises		
Food service	500,783	-
Bookstore (net of scholarship allowances of \$745,656)	3,004,836	-
Other operating revenues	152,021	-
Total revenue	<u>15,063,648</u>	<u>450,870</u>
<b>EXPENSES</b>		
Operating Expenses		
Education and General		
Instruction	14,304,619	60,000
Public service	315,657	-
Academic support	804,740	-
Student services	1,778,788	-
Institutional support	4,699,530	157,835
Operation and maintenance of plant	1,675,938	-
Scholarships and grants	5,659,261	79,550
Total educational and general	<u>29,238,533</u>	<u>297,385</u>
Auxiliary enterprises	3,397,387	-
Depreciation	1,067,726	-
Total operating expenses	<u>33,703,646</u>	<u>297,385</u>
Operating gain (loss)	<u>(18,639,998)</u>	<u>153,485</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Federal grants and contracts	8,314,418	-
State appropriations	9,097,340	-
Investment Income (net of investment expense)	60,175	535,877
Net nonoperating revenue (expenses)	<u>17,471,933</u>	<u>535,877</u>
Income (loss) before other revenues, expenses, gains or losses	<u>(1,168,065)</u>	<u>689,362</u>
State capital appropriations	2,355,192	-
Capital grants and gifts (from Northwest State Foundation)	85,000	-
Loss on disposal of assets	(25,064)	-
Increase in net assets	<u>1,247,063</u>	<u>689,362</u>
<b>NET ASSETS</b>		
Net assets - beginning of year	23,837,612	4,126,826
Net assets - end of year	<u>\$ 25,084,675</u>	<u>\$ 4,816,188</u>

See accompanying notes to the financial statements

**NORTHWEST STATE COMMUNITY COLLEGE**  
HENRY COUNTY  
STATEMENT OF CASH FLOWS  
June 30, 2011

	<b>Primary Institution</b>
	<b>Northwest State CC</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and fees	\$ 11,971,784
Grants and contracts	(1,052,937)
Contributions and fund raising	96,849
Payments to suppliers	(11,126,500)
Payments for utilities	(449,874)
Payments to employees	(11,167,164)
Payments for benefits	(3,660,587)
Payments for scholarships and grants	(5,660,866)
Auxiliary enterprise	
Food service	297,188
Bookstore	3,250,261
Other receipts (payments)	76,845
Net cash used by operating activities	(17,425,001)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Federal grants and contracts	8,314,418
State appropriations	9,097,340
NSSC Foundation Payments to NSSC	85,000
Net cash provided by noncapital financing activities	17,496,758
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Capital appropriations	2,355,192
Purchases of capital assets	(5,049,885)
Net cash used by capital financing activities	(2,694,693)
<b>CASH FLOWS FROM CAPITAL INVESTING ACTIVITIES</b>	
Purchase of investments	(37,588)
Interest on investments	60,175
Net cash provided by investing activities	22,587
Net decrease in cash and cash equivalents	(2,600,349)
Cash - beginning of year	4,805,456
Cash - end of year	\$ 2,205,107
Reconciliation of net operating revenue (expenses) to net cash used by operating activities:	
Operating loss	\$ (18,639,998)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	1,067,726
Change in assets and liabilities	
Receivables, net	(206,533)
Inventories	8,858
Prepaid expenses	(7,919)
Accounts payable	551,088
Accrued Liabilities	(41,783)
Compensated absences	60,687
Deferred revenue	(217,127)
Net cash provided by operating activities	\$ (17,425,001)

See accompanying notes to the financial statements

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2011

**NOTE 1 – REPORTING ENTITY**

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

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

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

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

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

During the year ended June 30, 2011, the Foundation made distributions of \$85,000 to or on behalf of the College for both temporarily restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Business Office at 22600 State Route, Archbold, Ohio 43502. Specific disclosures relating to the component unit can be found in Note 16.

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

**A. Basis of Presentation**

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

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

Fiduciary funds, however, are not included in the accompanying financial statements. The College's only fiduciary fund is the agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Northwest State maintains an agency fund for multiple NSCC Student Body Organizations, the NSCC Alumni and Black Swamp Safety Council. At June 30, 2011, the amounts held for the NSCC Student Body Organizations, the NSCC Alumni, and Black Swamp Safety Council are \$35,227, \$-0-, and \$20,418 respectively.

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2011

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**B. Basis of Accounting**

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

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

**C. Cash and Cash Equivalents**

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

**D. Investments**

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

**E. Receivables**

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

**F. Inventories**

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

**G. Capital Assets**

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

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

**H. Restricted Assets**

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

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2011

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Noncurrent Long-Term Liabilities**

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

**J. Compensated Absences**

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

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

**K. Deferred Revenue**

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

**L. Net Assets**

The College's net assets are classified as follows:

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

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

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the department management system in place at the College. Of the \$299,190 of restricted net assets, none is restricted by enabling legislation.

**M. Scholarship Allowances**

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

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2011

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Revenue and Expense Recognition**

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

**O. Budgetary Process**

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

**P. Income Taxes**

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

**Q. Use of Estimates**

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

**R. Component Unit Reporting**

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

**NOTE 3 – STATE SUPPORT**

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

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

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

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2011

**NOTE 4 – DEPOSITS AND INVESTMENTS**

Legal Requirements

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

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

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

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 the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies of instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. 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;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's total average portfolio.



**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2011

**NOTE 4 – DEPOSITS 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.

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 \$3,171 in undeposited cash on hand, which is included on the Statement of Net Assets of the College as part of cash and cash equivalents.

*Deposits:* Custodial credit risk is the risk that in the event of bank failure, the College's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency of instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The College's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2011, the carrying balance of the College's deposits was \$2,201,936 and the bank balances were \$2,401,830. The bank balances were either covered by FDIC or collateralized by the financial institutions' public entity deposit pool in the manner described above.

The difference between cash carrying amount and bank balance represents normal reconciling items (outstanding checks, cash on hand, and deposits in transit). Of the total cash in the bank accounts \$2,401,830 was held in demand accounts.

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011**

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

The College's fair value and distribution of investments as of June 30, 2011 are as follows:

Investments- Category 2	Market Value	Maturity Date	Interest Rate
Huntington Treasury Money Mkt II	\$3,031,009		0.01%
Huntington Conservative Dep Acct	250,000		0.15%
Cheviot Savings Bank CD	250,000	07/09/11	2.00%
FNMA	250,248	11/01/12	0.55%
FFCB	250,015	10/26/12	0.49%
FFCB	500,235	01/11/13	0.53%
Federal Home Loan Bank	500,215	07/27/12	0.80%
Federal Home Loan Bank	500,295	04/29/13	0.95%
Federal Home Loan Bank	500,015	12/20/12	0.50%
Federal Home Loan Mtg Corp	300,213	05/23/13	0.62%
Federal Home Loan Mtg Corp	500,280	06/07/13	0.75%
Total	\$6,832,525		

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

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

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

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

At June 30, 2011, the college's investments in US Government Agency were rated AAA by Standard & Poor's. Its investments in money market funds were rated AAA by Standard and Poor's. The College's investment policy does not address credit risk beyond the requirements of State law.

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

The investment policy places no limit on the amount the College may invest in any one issuer. The College held 21.9% of its investments in FHLB, 11.7% in FHLMC, 11.0% in FFCB, 3.7% in FNMA, 3.7% in Certificates of Deposit, and 48.0% in Money Market Funds.

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011**

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

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

At June 30, 2011, none of the College’s deposits were exposed to custodial credit risk as deposits were either insured by the FDIC or were collateralized by the financial institution. The College’s policy does not address custodial credit risk beyond the requirements of State law.

**NOTE 5 – RECEIVABLES**

Receivables at June 30, 2011 were as follows:

	Gross Receivables	Allowance For Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 2,673,930	\$ (188,469)	\$ 2,485,461
Intergovernmental	1,528,202	-0-	1,528,202
Other	166,495	-0-	166,495
Total Current Receivables	\$ 4,368,627	\$ (188,469)	\$ 4,180,158

**NOTE 6 – DONOR RESTRICTED ENDOWMENTS**

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

At June 30, 2011, there was no net appreciation on donor restricted assets available to be spent.

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2011

**NOTE 7 – CAPITAL ASSETS**

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

	<b>Balance June 30, 2010</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2011</b>
<b>Capital Assets, Non-Depreciable:</b>				
Land	\$ 181,657	\$ -	\$ -	\$ 181,657
Construction in Progress	189,623	4,383,745	( 13,343)	4,560,025
Library Books	729,855	55,569	( 14,520)	770,904
Art/Collections	1,125,765	-	-	1,125,765
Total Non-Depreciable	<u>2,226,900</u>	<u>4,439,314</u>	<u>( 27,863)</u>	<u>6,638,351</u>
<b>Capital Assets, Depreciable:</b>				
Buildings	19,290,425	147,365	-	19,437,790
General Infrastructure	2,117,387	-	-	2,117,387
Machinery and Equipment	3,235,720	464,359	( 74,433)	3,625,646
Motor Vehicles	190,353	39,877	( 30,115)	200,115
Totals	<u>24,833,885</u>	<u>651,601</u>	<u>( 104,548)</u>	<u>25,380,938</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	(10,443,808)	(691,385)	-	(11,135,193)
General Infrastructure	( 1,292,515)	( 71,637)	-	( 1,364,152)
Machinery and Equipment	( 2,264,917)	(278,104)	1,034	( 2,541,987)
Motor Vehicles	( 157,807)	( 26,599)	30,115	( 154,291)
Totals	<u>(14,159,047)</u>	<u>( 1,067,725)</u>	<u>31,149</u>	<u>(15,195,623)</u>
Total Capital assets, depreciable, net	<u>10,674,838</u>	<u>(416,124)</u>	<u>( 73,399)</u>	<u>10,185,315</u>
Capital Assets, net	<u>\$ 12,901,738</u>	<u>\$ 4,023,190</u>	<u>\$ ( 101,262)</u>	<u>\$ 16,823,666</u>

**NOTE 8 – LONG-TERM LIABILITIES**

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

	<b>Balance June 30, 2010</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2011</b>	<b>Current Portion</b>
Capital Lease Payable	\$ 40,230	\$ -	\$ 35,167	\$ 5,063	\$ 5,063
Compensated Absences	820,600	60,687	-	881,287	500,878
Total Long-term Liabilities	<u>\$ 860,830</u>	<u>\$ 60,687</u>	<u>\$ 35,167</u>	<u>\$ 886,350</u>	<u>\$ 505,941</u>

Additional information regarding capital lease obligations is included in Note 9.

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2011

**NOTE 9 – LEASE OBLIGATIONS**

**Capital Lease Obligations** – Capital lease obligations relating to various forms of equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2011:

Fiscal Year	Amount
2012	5,438
<hr/>	
Total minimum lease payments	5,438
<hr/>	
Amount representing interest	( 375)
<hr/>	
Present Value of Future Lease Payments	<u>\$ 5,063</u>

Leased assets amount to \$68,794 at June 30, 2011 all of which is movable equipment.

**Operating Lease Obligations** – Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2011

Fiscal Year	Amount
Ending June 30, 2011	
2012	15,873
2013	15,873
2014	11,286
2015	7,188
<hr/>	
	<u>\$ 50,220</u>

Rental expenses for all operating leases during the year were \$16,408.

**NOTE 10 – OPERATING EXPENSES BY FUNCTION AND NATURAL CLASS**

	Salaries And Benefits	Scholarships And Fellowships	Utilities	Supplies And other Services	Depreciation	Total
Instruction and departmental research	\$8,925,722	\$ -	\$ -	\$5,378,897	\$ -	\$14,304,619
Public service	215,934			99,723		315,657
Academic Support	597,197			207,543		804,740
Student Services	1,435,829			342,959		1,778,788
Institutional Support	2,458,309		53,890	2,187,331		4,699,530
Operations and Maintenance	635,302		395,984	644,652		1,675,938
Scholarships and grants		5,659,261				5,659,261
Auxiliary enterprises	536,578			2,860,809		3,397,387
Depreciation					1,067,726	1,067,726
Totals	<u>\$14,804,871</u>	<u>\$5,659,261</u>	<u>\$ 449,874</u>	<u>\$11,721,914</u>	<u>\$ 1,067,726</u>	<u>\$33,703,646</u>

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2011

**NOTE 11 – PENSION AND RETIREMENT PLANS**

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

**School Employees Retirement System**

The College contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, 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 on SERS' website at [www.ohsers.org](http://www.ohsers.org), under Employers/Audit Resources.

Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The College's contributions to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$577,831, \$529,648, and \$481,124, respectively, which equaled the required contributions each year.

**State Teachers Retirement Fund**

The College contributes to the State Teachers Retirement System Ohio (STRS), 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 in any school, community school, college, university, institution or other agency controlled, managed, and supported, in whole or in part, by the state or any political subdivision thereof.

**Plan Options** – New members have a choice of three retirement plan options. 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 among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan 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 DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2011

**NOTE 11 – PENSION AND RETIREMENT PLANS (CONTINUED)**

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 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 salary years. 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 31<sup>st</sup> 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) until 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 Ohio 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 Section 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.

Eligible faculty of Ohio’s public colleges 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 Ohio or another 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 an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 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.

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2011

**NOTE 11 – PENSION AND RETIREMENT PLANS (CONTINUED)**

A Defined Benefit or Combined Plan member with five or more years' 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 up to \$2,000 can be purchased by participants 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, 2011, were 10% of covered payroll for members and 14% for employers. The College's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$903,417, \$841,633, and \$776,209, respectively. Member and employer contributions actually made for Defined Contribution and Combined Plan participants will be provided upon written request.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's *Comprehensive Annual Financial Report* are available. Additional information or copies may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling 1-888-227-7877 or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

**Alternative Retirement Plan**

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

Eligible employees (those who are full-time and salaried) have 120 days from their date of hire to make an irrevocable election to participate in the alternate retirement plan. Under this plan, employees who would have otherwise been required to be in SERS or STRS and who elect to participate in the alternate retirement plan must contribute the employee's share of retirement contributions (10% SERS, 10% STRS) to one of eight private providers approved by the State Department of Insurance. The legislation mandates that the employer must contribute 3.5% of the 14% employer contribution to the State Teachers Retirement System (STRS) with the remainder being sent to the ARP vendor selected by the employee and beginning August 1, 2005 6% of the 14 % employer contribution will be sent to the School Employees Retirement Systems (SERS) with the remainder being sent to the ARP vendor selected by the employee. The College plan provides these employees with immediate plan vesting. The total employer contributions to the alternative retirement plan for the years ended June 30, 2011, 2010 and 2009 were \$91,930, \$70,429, and \$51,662, respectively.



**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2011

**NOTE 12 – POST-EMPLOYMENT BENEFITS**

The College provides access to 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). 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.

**State Teachers Retirement System (STRS)**

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan, a self-directed defined contribution plan, and a combined plan which is a hybrid of the defined benefit and defined contribution plans.

Ohio law authorizes STRS Ohio to offer a cost sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plan 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 3307 of the Revised Code, the State Teachers Retirement 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.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010 and 2009 were \$65,650, \$51,142, and \$50,622, respectively. The 14% employer contribution rate is the maximum rate established under Ohio law.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll –free 1-888-227-7877.

**School Employees Retirement System (SERS)**

The School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare Part 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 monthly premium for the calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. 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 2011, the actuarially required allocation was .76%. The College contributions for the year ended June 30, 2011, 2010, and 2009 were \$31,368, \$28,752, and \$25,774, respectively, which equaled the required contributions each year.

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.

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2011

**NOTE 12 – POST – EMPLOYMENT BENEFITS (CONTINUED)**

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. For the year ended June 30, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides 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 2011, 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 contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$115,870, \$17,403, and \$142,963, 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 on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**NOTE 13– LEGAL COMPLIANCE**

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

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2011

**NOTE 14 – RISK MANAGEMENT**

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

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

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

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

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

**NOTE 15 – GROUP PURCHASING POOLS**

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the College to NBEC for employee insurance benefits during this fiscal year were \$1,416,408. Financial information can be obtained from Northern Buckeye Educational Council, Robin Pfund, who serves as treasurer, at 22900 State Route 34, Archbold, Ohio 43502.

The College participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the College paid a membership fee of \$250 to the NBEC and an administrative fee of \$1,800 to cover the costs of administering the program.

**NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2011

**NOTE 16 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**BASIS OF PRESENTATION** – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**CASH AND CASH EQUIVALENTS** – For purposes of the statement of cash flows, the Organization considers all unrestricted, temporarily and permanently restricted highly liquid investments with an initial maturity of 3 months or less as cash and cash equivalents.

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

For accounting purposes, the value of facilities is considered immaterial and it has not been recognized in the financial statements. However, the value of the services provided by the college personnel in the amount of \$91,224 have been recognized in the statement of activities as supporting revenue and as “In-Kind” supporting expense as required by SFAS 116.

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

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

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

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

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

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

**NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2011

**NOTE 16 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)**

**NOTE 2 – CASH AND MONEY MARKET FUNDS**

Balances as of June 30, 2011 are summarized as follows:

Savings accounts and certificates	
Cash and cash equivalents	\$ 32,550
Donor restricted cash and cash equivalents	<u>\$ 257,357</u>
Total of all cash accounts	<u>\$ 289,907</u>

**NOTE 3 – MARKETABLE SECURITIES**

The Foundation determines the fair market values of its financial instruments based on the fair value hierarchy established in SFAS No. 157, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the Foundation's own assumptions based on market data and on assumptions that market participants would use in pricing the asset or liability developed based on market data and on assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The Standard describes three levels within the hierarchy that may be used to measure fair value:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 Inputs: Significant other observable inputs other than Level 1 quoted prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Inputs: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value of investments held by the Foundation as June 30, 2011 is summarized as follows:  
Investments as of June 30, 2011 are summarized as follows:

**NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2011

**NOTE 16 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)**

**NOTE 3 – MARKETABLE SECURITIES (CONTINUED)**

	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observ- able Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bonds	\$1,221,440	\$-0-	\$-0-
Stocks	90	-0-	-0-
Mutual Funds:			
DFA Emerging Markets (DFCEX)	128,116	-0-	-0-
DFA One Year fixed (DFIHX)	475,760	-0-	-0-
DFA International Core (DFIEX)	302,329	-0-	-0-
DFA International Real Estate (DFITX)	82,130	-0-	-0-
DFA Large Cap International Portfolio (DFALX)	84,451	-0-	-0-
DFA Real Estate (DFREX)	88,397	-0-	-0-
DFA Selectively Hedged (DFSHX)	267,074	-0-	-0-
DFA U.S. Core Equity 2 (DFQTX)	1,076,734	-0-	-0-
DFA Two Year Global (DFGFX)	159,603	-0-	-0-
Vanguard Inflation (VIPSX)	264,289	-0-	-0-
Vanguard S/T Investment (VFSTX)	61,104	-0-	-0-
Vanguard Short Term BD (VBSSX)	<u>251,962</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$4,463,479</u>	<u>\$-0-</u>	<u>\$-0-</u>

**INVESTMENT RETURN**

Cash and Cash Equivalents and Marketable Securities:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest income	\$ 3,650	\$ 2,073	\$ 5,723
Amortization – bond discount	-	37	37
Amortization – bond premium	-	(12)	(12)
Dividend Income	-	78,252	78,252
Net unrealized gain on bonds	-	37	37
Net unrealized gain on stocks	<u>-</u>	<u>451,840</u>	<u>451,840</u>
Total investment return	<u>\$ 3,650</u>	<u>\$ 532,227</u>	<u>\$535,877</u>

**NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2011

**NOTE 16 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)**

**NOTE 4 – PLEDGE RECEIVABLE**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Less than one year	\$ 791	\$ 47,282	\$ 565	\$ 48,638
One to five years	91	13,372	0	13,463
Five to ten years	<u>0</u>	<u>701</u>	<u>0</u>	<u>701</u>
	<u>\$ 882</u>	<u>\$ 61,355</u>	<u>\$ 565</u>	<u>\$ 62,802</u>

Unconditional promises to give that are receivable in more than one year are discounted at 13.08% to recognize the present value of future cash flows. No allowance for uncollectible promises to give is considered necessary.

**NOTE 5 – RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes after June 30, 2011:

Loan funds	\$ 130,672
Student scholarships	3,673,800
Technology programs	18,596
Capital Projects	142,604
Operating expenses	<u>617</u>
	<u>\$ 3,966,289</u>

Permanently restricted net assets consist of endowment funds to be held indefinitely, income from which is to be used for scholarships. At June 30, 2011 endowments totaled \$816,468 .

**NOTE 6 – RESTRICTIONS ON NET ASSETS**

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

The foundation contributes funds to the College for scholarships and other designated purposes. The contributions are subject to the approval by the Board of Trustees of the Foundation. The College paid expenses related to the Foundation's scholarships which were then reimbursed.

**Northwest State Community College  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2011**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>United States Department of Education</b>			
<i>Direct from the Federal Agency</i>			
<i>Student Financial Aid Cluster:</i>			
Federal Work-Study Program	NA	84.033	\$88,261
Federal Supplemental Educational Opportunity Grants	NA	84.007	60,813
Federal Pell Grant Program	NA	84.063	8,153,244
Academic Competitiveness Grants	NA	84.375	12,100
<i>Total Student Financial Aid Cluster</i>			<u>8,314,418</u>
<i>Passed through the Ohio Department of Education</i>			
Career and Technical Education - Basic Grants to States	20-C3	84.048	92,245
<i>Passed through the Ohio Board of Regents</i>			
<i>State Fiscal Stabilization Fund Cluster</i>			
State Fiscal Stabilization Fund - Education State Grants - ARRA	NA	84.394	1,106,013
State Fiscal Stabilization Fund - Government Services - ARRA	NA	84.397	163,166
<i>Total State Fiscal Stabilization Fund Cluster</i>			<u>1,269,179</u>
<i>Passed through the Ohio Department of Education to University of Toledo who acts as fiscal agent for the Greater NW Ohio Tech Prep Consortium</i>			
Tech-Prep Education	NA	84.243	85,000
			<u>9,760,842</u>
<b>Total United States Department of Education</b>			
<b>United States Department of Commerce</b>			
<i>Passed through from Connected Nation, Inc.</i>			
Broadband Technology Opportunities Program - ARRA	NA	11.557	14,878
			<u>14,878</u>
<b>Total United States Department of Commerce</b>			
<b>Total Federal Financial Assistance</b>			
			<u><u>\$9,775,720</u></u>

NA - Direct from the federal government or pass through another university.

See accompanying notes to the schedule of expenditures of federal awards.



**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2011

**NOTE 1 – BASIS OF PRESENTATION**

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

**NOTE 2 – FEDERAL DIRECT STUDENT LOANS**

While not listed in the accompanying schedules, the College also participates in the Federal Direct Student Loans program (CFDA No. 84.268), including 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, 2011, totaled \$10,514,169.



# Balestra, Harr & Scherer, CPAs, Inc.

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## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Northwest State Community College, Henry County, Ohio (the College), which is a component unit of the State of Ohio, as of and for the year ended June 30, 2011 which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 14, 2011. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the College's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the College's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the College's financial statements will not be prevented or detected and timely corrected.

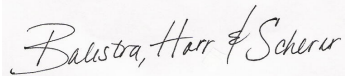
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

### Compliance and Other Matters

As part of reasonably assuring whether the College's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

Board of Trustees  
Northwest State Community College  
Henry County  
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by  
*Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the management, the audit committee, members of the Board, federal awarding agencies, others within the College, and pass-through entities. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
October 14, 2011



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

## Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

### Compliance

We have audited the compliance of Northwest State Community College (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of Northwest State Community College's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the College's major federal programs. The College's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' Government Auditing Standards; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, Northwest State Community College complied, in all material respects, with the requirements referred to above that could directly and materially affect to each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

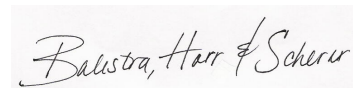
The College's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the College's internal control over compliance.

**Internal Control Over Compliance (Continued)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected or corrected.

Our consideration of the 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 over compliance that might be deficiencies, 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.

We intend this report solely for the information and use of the management, the audit committee, members of the Board, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
October 14, 2011

**NORTHWEST STATE COMMUNITY COLLEGE**  
*SCHEDULE OF FINDINGS*  
*OMB CIRCULAR A-133 SECTION .505*  
*FOR THE FISCAL YEAR ENDED JUNE 30, 2011*

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Aid Cluster: Federal Supplemental Educational Opportunity Grants, CFDA# 84.007; Federal Work- Study Program, CFDA# 84.033; Federal Pell Grant Program, CFDA# 84.063, Academic Competitiveness Grant, #84.375 State Fiscal Stabilization Fund Cluster: State Fiscal Stabilization Fund – Education State Grants -ARRA, CFDA # 84.394 State Fiscal Stabilization Fund – Government Service-ARRA, CFDA # 84.397
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**NORTHWEST STATE COMMUNITY COLLEGE**  
*SCHEDULE OF FINDINGS*  
*OMB CIRCULAR A-133 SECTION .505*  
*FOR THE FISCAL YEAR ENDED JUNE 30, 2011*  
*(CONTINUED)*

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

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

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

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# Dave Yost • Auditor of State

**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 8, 2011**