

WASHINGTON STATE COMMUNITY COLLEGE



Washington County, Ohio

Basic Financial Statements

June 30, 2017

PLATTENBURG
Certified Public Accountants



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Washington State Community College, Washington County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2016 through June 30, 2017. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

The Auditor of State is conducting an investigation. As of the date of this report, the investigation is ongoing. Dependent on the results of the investigation, results may be reported on at a later date.

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

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

Dave Yost
Auditor of State

November 2, 2017

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WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Washington State Community College

Report on the Financial Statements

We have audited the accompanying financial statements of the Washington State Community College, Washington County, Ohio, (the College) a component unit of the State of Ohio, and the discretely presented component unit, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College, and the discretely presented component unit, as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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 assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2017, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Plattensburg & Associates, Inc.

Plattensburg & Associates, Inc.
Cincinnati, Ohio
October 13, 2017

**WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
June 30, 2017**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Washington State Community College (the College) Management's Discussion and Analysis (MD&A) of its financial condition provides an overview of the financial performance of the College for the year ended June 30, 2017. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes.

Financial Highlights

The College's financial statements for fiscal year 2017 reported net position of \$9,223,792 at June 30, 2017. The College's financial statements for fiscal year 2016 reported net position of \$9,744,821 at June 30, 2016.

The College's enrollment in fiscal year 2017 decreased by approximately 1.8% in Full-time Equivalent (FTE) from the previous year. The total FTE for fiscal year 2017, as reported to the Ohio Department of Higher Education, was 1099.6, down from 1,119.5 reported for fiscal year 2016. The College's enrollment in fiscal year 2016 decreased by approximately 4.7% in Full-time Equivalent (FTE) from the previous year. The total FTE for fiscal year 2016, as reported to the Ohio Department of Higher Education, was 1,119.5, down from 1,174.7 reported for fiscal year 2015.

Using the Annual Report

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

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

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

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. GASB 35 requires state appropriations to be classified as non-operating revenues. Accordingly, the College

**WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
June 30, 2017**

will generate a net operating loss prior to the addition of non-operating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

Condensed Financial Information

Statement of Net Position (in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets			
Current assets	\$12,271	\$12,052	\$11,640
Capital assets, net	<u>14,643</u>	<u>15,026</u>	<u>14,098</u>
Total assets	26,914	27,078	25,738
Deferred Outflows of Resources			
Pension	<u>2,844</u>	<u>2,193</u>	<u>922</u>
Total deferred outflows of resources	2,844	2,193	922
Liabilities			
Current liabilities	3,440	3,328	3,554
Non-current liabilities	<u>15,793</u>	<u>14,394</u>	<u>12,905</u>
Total liabilities	19,233	17,722	16,459
Deferred Inflows of Resources			
Pension	<u>1,300</u>	<u>1,804</u>	<u>2,250</u>
Total deferred inflows of resources	1,300	1,804	2,250
Net Position			
Net investment in capital assets	14,643	15,026	14,098
Restricted			
Expendable	1,058	1,311	1,482
Unrestricted	<u>(6,477)</u>	<u>(6,592)</u>	<u>(7,629)</u>
Total net position	<u>\$9,224</u>	<u>\$9,745</u>	<u>\$7,951</u>

A review of the College's Statement of Net Position at June 30, 2017 shows that the College continues to maintain a strong financial foundation.

**WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
June 30, 2017**

Assets and Deferred Outflows As of June 30, 2017, the College's total assets and deferred outflows amount to \$29,757,256. Investment in capital assets, net of depreciation, represented the College's largest asset, totaling \$14,642,555 or 49% of total assets and deferred outflows. Cash and cash equivalents represented the next largest asset, totaling \$8,549,688 or 32% of total assets, followed by accounts receivable, net of allowance for doubtful accounts, representing \$3,570,145 or 13% of total assets. As of June 30, 2016, the College's total assets and deferred outflows amount to \$29,270,980. Investment in capital assets, net of depreciation, represented the College's largest asset, totaling \$15,026,452 or 51% of total assets and deferred outflows. Cash and cash equivalents represented the next largest asset, totaling \$8,214,556 or 30% of total assets, followed by accounts receivable, net of allowance for doubtful accounts, representing \$3,695,001 or 14% of total assets.

Liabilities and deferred inflows of resources At June 30, 2017, the College's liabilities and deferred inflows totaled \$20,533,464. The College's net pension liability represents \$15,583,357 or 76% of total liabilities and deferred inflows of resources. Accounts payable, accrued liabilities, deposits and deferred student tuition and fees represented \$3,403,147 or 17% of total liabilities and deferred inflows of resources. At June 30, 2016, the College's liabilities and deferred inflows totaled \$19,526,159. The College's net pension liability represents \$14,203,016 or 73% of total liabilities and deferred inflows of resources. Accounts payable, accrued liabilities, deposits and deferred student tuition and fees represented \$3,294,550 or 17% of total liabilities and deferred inflows of resources.

Net Position Net position at June 30, 2017 totaled \$9,223,792. Net investment in capital assets totaled \$14,642,555 of total net position. Net position at June 30, 2016 totaled \$9,744,821. Net investment in capital assets totaled \$15,026,452 of total net position.

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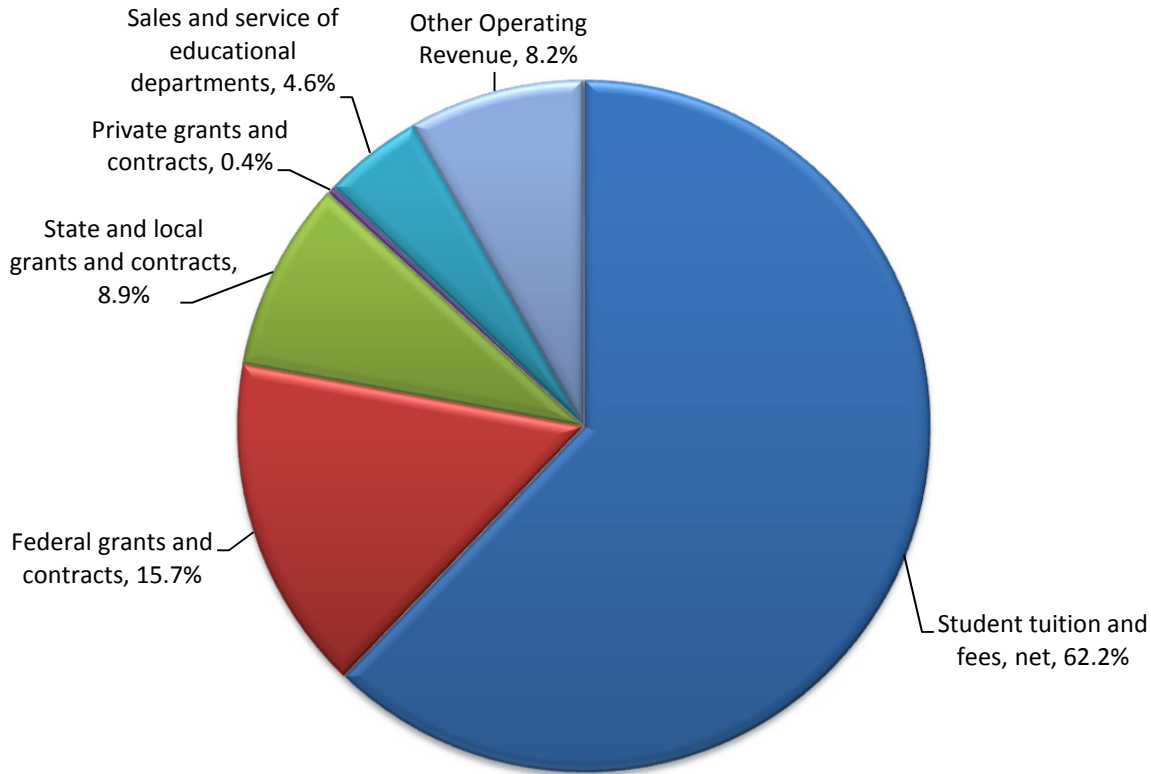
WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
June 30, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues:			
Student tuition and fees, net	\$3,414	\$3,660	\$4,047
Grants and contract	1,370	1,420	1,557
Sales and services	255	258	0
Auxiliary enterprises	0	338	1,179
Other operating revenue	451	398	411
Total Operating Revenues	<u>5,490</u>	<u>6,074</u>	<u>7,194</u>
Operating Expenses:			
Educational and general	12,933	12,241	12,411
Depreciation	1,026	748	865
Auxiliary enterprises	0	576	1,382
Total Operating Expenses	<u>13,959</u>	<u>13,565</u>	<u>14,658</u>
Operating Loss	(8,469)	(7,491)	(7,464)
Non-Operating Revenues:			
State appropriations	5,390	5,440	5,435
Pell grants awards	2,156	2,296	2,346
Investment income	60	47	41
Other non-operating revenues	0	0	10
Total non-operating revenues	<u>7,606</u>	<u>7,783</u>	<u>7,832</u>
Income (loss) before other revenues expenses, gains, and losses	(863)	292	368
Capital appropriations	<u>342</u>	<u>1501</u>	<u>241</u>
Increase (decrease) in net position	(521)	1,793	609
Beginning net position	<u>9,744</u>	<u>7,951</u>	<u>7,342</u>
Ending net position	<u><u>\$9,223</u></u>	<u><u>\$9,744</u></u>	<u><u>\$7,951</u></u>

**WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
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(UNAUDITED)
June 30, 2017**

OPERATING REVENUES

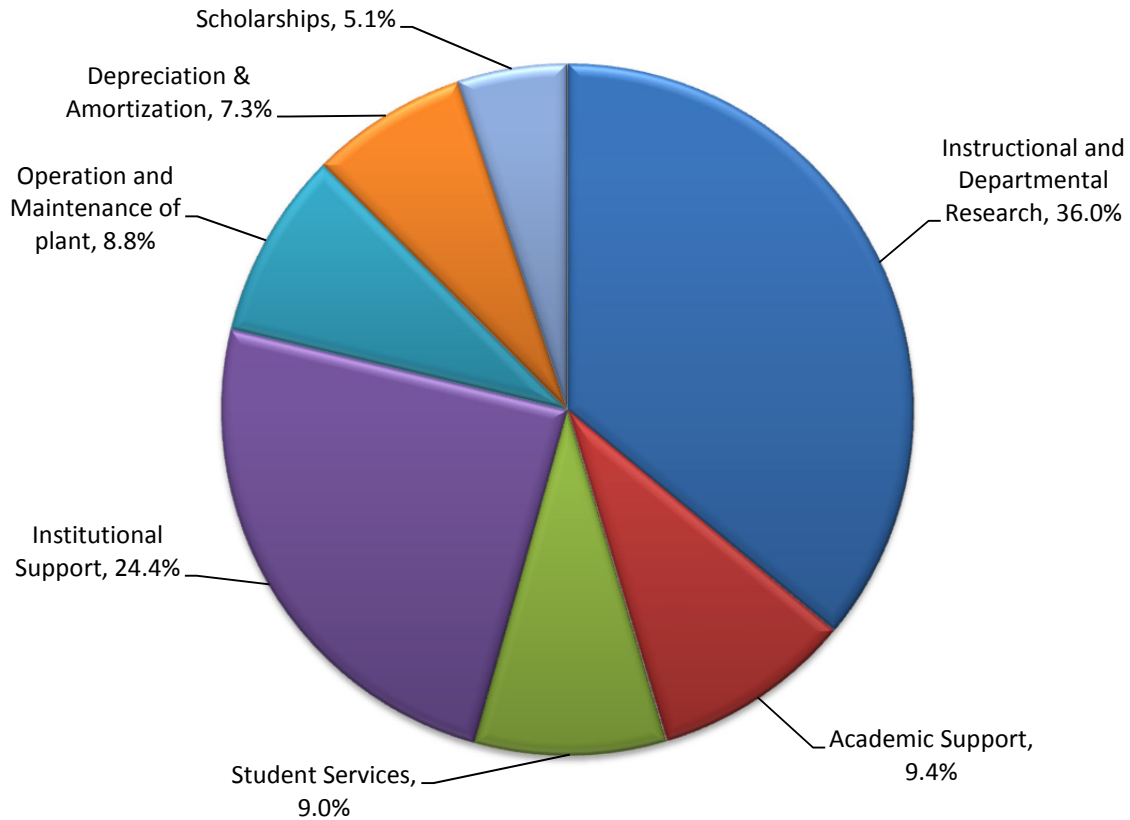


Total operating revenues were \$5,490,027 for the year ended June 30, 2017. The most significant sources of operating revenue for the College are student tuition and fees, net of scholarship and allowance (62%) and federal grants and contracts (16%). Total operating revenues were \$6,074,276 for the year ended June 30, 2016. The most significant sources of operating revenue for the College are student tuition and fees, net of scholarship and allowance (60%); auxiliary enterprises, which include the Bookstore and Child Development Center (6%); and federal grants and contracts (15%).

There are other significant recurring sources of revenues essential to the operation of the College, including state appropriations and investment income, which are considered non-operating revenues as defined by GASB 35. The College's state appropriations for the year ended June 30, 2017, amounted to \$5,390,556. This represents a decrease of \$49,681 from the College's appropriations for the prior fiscal year. There are other significant recurring sources of revenues essential to the operation of the College, including state appropriations and investment income, which are considered non-operating revenues as defined by GASB 35. The College's state appropriations for the year ended June 30, 2016, amounted to \$5,440,237. This represents an increase of \$5,317 from the College's appropriations for the prior fiscal year.

**WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
June 30, 2017**

OPERATING EXPENSES



Operating expenses, including \$1,025,855 of depreciation, totaled \$13,959,347. As depicted in the chart above, the majority of the College's operating funds are expended directly for the primary mission of the College – instruction (36%), academic support (9%), and institutional support (24%). One of the College's core values is to provide student's access to the College with the opportunity to succeed. The College's continued investment in student financial aid programs and student support services reflects this commitment. In 2016, operating expenses, including \$748,101 of depreciation, totaled \$13,565,084. The majority of the College's operating funds are expended directly for the primary mission of the College – instruction (35%), academic support (9%), institutional support (23%), and auxiliary enterprises (10%). One of the College's core values is to provide student's access to the College with the opportunity to succeed. The College's continued investment in student financial aid programs and student support services reflects this commitment.

For the year ended June 30, 2017, student financial aid related to tuition and fees totaled \$2,155,747 which included scholarships and fellowships, and scholarship allowances. For the year ended June 30, 2016, student financial aid related to tuition and fees totaled \$2,296,086, which included scholarships and fellowships, and scholarship allowances.

**WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
June 30, 2017**

Statements of Cash Flows (in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Cash Provided (Used) By:			
Operating activities	(\$6,971)	(\$6,395)	(\$7,249)
Noncapital financing activities	7,546	7,736	7,791
Capital financing activities	(300)	(175)	(173)
Investing activities	<u>60</u>	<u>47</u>	<u>40</u>
Net increase (decrease) in cash	335	1,213	409
Cash, beginning of year	<u>8,214</u>	<u>7,001</u>	<u>6,592</u>
Cash, end of year	<u><u>\$8,549</u></u>	<u><u>\$8,214</u></u>	<u><u>\$7,001</u></u>

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

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

Major sources of funds included in operating activities are student tuition and fees, and grants and contracts. The largest cash payments for operating activities were to employees, for wages and benefits, payments to suppliers and utilities, and toward auxiliary expenses.

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

Capital Assets

Capital assets, net of accumulated depreciation, totaled \$14,642,555 at June 30, 2017, a net decrease of \$383,897 from the prior year-end due in to depreciation expense and disposals being greater than additions. Capital assets, net of accumulated depreciation, totaled \$15,026,452 at June 30, 2016, a net increase of \$928,469 over the prior year-end due in part to depreciation expense and disposals for the year being greater than capital asset additions.

**WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
June 30, 2017**

Looking Ahead

Washington State Community College remains committed to providing access to high quality, affordable education to all residents of the Mid-Ohio Valley. The College's current annual tuition and fees of \$4,340 (effective Summer 2014) remains competitive among Ohio two-year colleges. There is a direct relationship between the level of State support and the College's ability to control tuition growth, as declines in State appropriations generally result in increased tuition levels. Mandated by the state's budget bill to freeze tuition, the College will not be able to increase tuition during fiscal year 2018 and is limited to no more than \$10 per credit hour in fiscal year 2019.

The College experienced a slight increase in summer and fall 2017 following an extended period of declining enrollment not different from the trend among colleges across the country. The state's share of instruction (State Appropriation or subsidy) has increased less than 1% from the prior year; however, the College continues to be mindful of the need for cost containment and efficiencies. The formula for State Share of Instruction changed beginning in fiscal year 2015, shifting from a primarily enrollment based calculation to a completion based approach where funding is distributed to our institution based upon success points, completion measures and course completion funding, or other performance and access measures.

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

Paramount to the continuing success of the College is its accreditation by the Higher Learning Commission, which was successfully reaffirmed during fiscal year 2011 and is due for renewal in fiscal year 2018.

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**WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
STATEMENT OF NET POSITION
As of June 30, 2017 and 2016**

	2017		2016	
	Washington State Community College	Component Unit Washington State Foundation	Washington State Community College	Component Unit Washington State Foundation
ASSETS				
Current assets				
Cash and cash equivalents	\$ 8,549,688	\$ 140,112	\$ 8,214,556	\$ 121,252
Accounts receivable (net of allowance for doubtful accounts of \$137,073 in 2017 and 2016)	3,570,145	0	3,695,001	0
Pledges receivable	0	1,648	0	2,588
Inventories	0	0	974	0
Prepaid expenses	151,180	0	140,987	0
Total current assets	12,271,013	141,760	12,051,518	123,840
Noncurrent assets				
Investments	0	964,910	0	890,204
Capital assets, net	14,642,555	0	15,026,452	0
Total noncurrent assets	14,642,555	964,910	15,026,452	890,204
Total assets	26,913,568	1,106,670	27,077,970	1,014,044
DEFERRED OUTFLOWS OF RESOURCES				
Pension	2,843,688	0	2,193,010	0
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	1,326,948	21,254	1,284,356	0
Unearned revenue	1,989,045	0	1,924,748	0
Deposits	87,154	0	85,446	0
Compensated absences - current portion	36,994	0	33,664	0
Total current liabilities	3,440,141	21,254	3,328,214	0
Noncurrent liabilities				
Net pension liability	15,583,357	0	14,203,016	0
Compensated absences	209,635	0	190,760	0
Total noncurrent liabilities	15,792,992	0	14,393,776	0
Total liabilities	19,233,133	21,254	17,721,990	0
DEFERRED INFLOWS OF RESOURCES				
Pension	1,300,331	0	1,804,169	0
NET POSITION				
Net investment in capital assets	14,642,555	0	15,026,452	0
Restricted for				
Nonexpendable				
Scholarship and fellowships	0	433,750	0	432,750
Expendable				
Scholarship and fellowships	0	494,229	0	439,222
Capital projects	1,057,803	66,733	1,311,336	61,485
Unrestricted	(6,476,566)	90,704	(6,592,967)	80,587
Total net position	\$ 9,223,792	\$ 1,085,416	\$ 9,744,821	\$ 1,014,044

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

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Years Ended June 30, 2017 and 2016

	2017		2016	
	Washington State Community College	Component Unit Washington State Foundation	Washington State Community College	Component Unit Washington State Foundation
REVENUES				
Operating revenues				
Student tuition and fees (net of scholarship allowances of \$1,661,483 in 2017 and \$1,751,355 in 2016)	\$ 3,413,450	\$ 0	\$ 3,659,520	\$ 0
Federal grants and contracts	862,858	0	927,516	0
State and local grants and contracts	487,456	0	492,528	0
Private grants and contracts	20,000	126,974	0	154,991
Sales and service of educational departments	254,990	0	258,174	0
Auxiliary enterprises:				
Bookstore	0	0	312,168	0
Child development center	0	0	25,804	0
Other operating revenues	451,273	0	398,566	0
Total operating revenues	<u>5,490,027</u>	<u>126,974</u>	<u>6,074,276</u>	<u>154,991</u>
OPERATING EXPENSES				
Educational and general				
Instructional and departmental research	5,026,530	9,345	4,758,012	11,294
Academic support	1,308,013	0	1,209,473	0
Student services	1,251,706	0	1,339,515	0
Institutional support	3,407,640	102,704	3,061,932	80,452
Operation and maintenance of plant	1,224,560	0	1,342,250	0
Depreciation and amortization	1,025,855	0	748,101	0
Scholarships and fellowships	714,069	51,560	529,621	49,379
Auxiliary enterprises:				
Bookstore	974	0	552,265	0
Child development center	0	0	23,915	0
Total operating expenses	<u>13,959,347</u>	<u>163,609</u>	<u>13,565,084</u>	<u>141,125</u>
Operating income (loss)	(8,469,320)	(36,635)	(7,490,808)	13,866
NONOPERATING REVENUES (EXPENSES)				
State appropriations (subsidy)	5,390,556	0	5,440,237	0
Investment income	59,963	108,007	47,460	7,483
Pell grant awards	2,155,747	0	2,296,086	0
Net nonoperating revenues (expenses)	<u>7,606,266</u>	<u>108,007</u>	<u>7,783,783</u>	<u>7,483</u>
Income before other revenues, expenses, gains and losses	(863,054)	71,372	292,975	21,349
Capital appropriations	<u>342,025</u>	<u>0</u>	<u>1,501,105</u>	<u>0</u>
Increase (decrease) in net position	(521,029)	71,372	1,794,080	21,349
NET POSITION				
Beginning net position	<u>9,744,821</u>	<u>1,014,044</u>	<u>7,950,741</u>	<u>992,695</u>
Ending net position	<u>\$ 9,223,792</u>	<u>\$ 1,085,416</u>	<u>\$ 9,744,821</u>	<u>\$ 1,014,044</u>

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

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
STATEMENT OF CASH FLOWS
For the Fiscal Years Ended June 30, 2017 and 2016

	2017		2016	
	Washington State Community College	Component Unit Washington State Foundation	Washington State Community College	Component Unit Washington State Foundation
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	\$ 3,401,862	\$ 0	\$ 3,659,520	\$ 0
Grants and contracts	1,631,794	127,914	1,420,044	154,150
Payments to suppliers and utilities	(3,211,188)	(90,795)	(2,726,048)	(94,446)
Payments to employees and benefits	(8,726,832)	0	(8,637,599)	0
Payments for scholarships and fellowships	(714,069)	(51,560)	(529,621)	(49,379)
Auxiliary enterprises revenues	0	0	337,972	0
Auxiliary enterprises expenses	(974)	0	(576,180)	0
Other receipts	648,206	0	656,740	0
Net cash provided (used) by operating activities	(6,971,201)	(14,441)	(6,395,172)	10,325
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	5,390,556	0	5,440,237	0
Pell grant awards	2,155,747	0	2,296,086	0
Net cash provided by noncapital financing activities	7,546,303	0	7,736,323	0
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital appropriations	342,025	0	1,501,105	0
Loss on disposal of capital assets	4,492	0	0	0
Purchases of capital assets	(646,450)	0	(1,676,570)	0
Net cash provided (used) by capital financing activities	(299,933)	0	(175,465)	0
CASH FLOWS FROM INVESTING ACTIVITIES				
Sales (purchases) of investments	0	(74,706)	0	(30,965)
Interest on investments	59,963	108,007	47,460	7,483
Net cash provided (used) by investing activities	59,963	33,301	47,460	(23,482)
NET INCREASE IN CASH	335,132	18,860	1,213,146	(13,157)
Cash and cash equivalents - beginning of year	8,214,556	121,252	7,001,410	134,409
Cash and cash equivalents - end of year	<u>\$ 8,549,688</u>	<u>\$ 140,112</u>	<u>\$ 8,214,556</u>	<u>\$ 121,252</u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (8,469,320)	\$ (36,635)	\$ (7,490,808)	\$ 13,866
Adjustments to reconcile net operating income (loss) to net cash used by operating activities:				
Depreciation expense	1,025,855	0	748,101	0
Increase (decrease) in assets and deferred outflows, and liabilities and deferred inflows:				
(Increase) Decrease in Receivables, Net	124,856	0	635,027	0
(Increase) Decrease in Pledges receivable	0	940	0	(841)
(Increase) Decrease in Inventories	974	0	148,218	0
(Increase) Decrease in Other assets	(10,193)	0	18,384	0
(Increase) Decrease in Deferred outflows of resources	(650,678)	0	(1,270,974)	0
Increase (Decrease) in Accounts payable	42,592	21,254	(107,236)	(2,700)
Increase (Decrease) in Deposits held for others	1,708	0	9,091	0
Increase (Decrease) in Unearned revenues	64,297	0	(198,002)	0
Increase (Decrease) in Compensated absences	22,205	0	(40,239)	0
Increase (Decrease) in deferred Inflows of resources	(503,838)	0	(446,001)	0
Increase (Decrease) in Net Pension Liability	1,380,341	0	1,599,267	0
Net cash provided (used) by operating activities	<u>\$ (6,971,201)</u>	<u>\$ (14,441)</u>	<u>\$ (6,395,172)</u>	<u>\$ 10,325</u>

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

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Note 1 – Description of the Reporting Entity

Washington State Community College (the College) was originally chartered on September 17, 1971 as Washington Technical College by the Ohio Board of Regents in accordance with Section 3357.02 of the Ohio Revised Code. In 1991, the College's charter was revised to conform to the provisions of Section 3358.02 of the Ohio Revised Code and began operating under its current name as a state community college. The College is a component unit of the State of Ohio, operates under an appointed Board of Trustees, and is fully accredited by the Higher Learning Commission (www.hlcommission.org).

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

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

- **Net investment in capital assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted:**
 - Nonexpendable*** — Net position subject to externally imposed stipulations that they be maintained permanently by the College. These include the College's permanent endowment funds.
 - Expendable*** — Net position of which use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.
- **Unrestricted:** Net position of which use by the College is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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The financial statement presentation required by the appropriate GASB Statement is intended to provide a comprehensive, entity-wide perspective of the College's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

Accrual Basis

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

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities That Uses Proprietary Fund Accounting*, the College is required to follow all applicable GASB pronouncements.

Cash and Cash Equivalents

This classification appears on the Statement of Net Position and the Statement of Cash Flows and includes petty cash and cash on deposit with private banks in checking and savings accounts.

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

Capital Assets

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

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

Inventories

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

Investments

Investments are stated at fair value.

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Accounts Receivable

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

Allowance for Doubtful Accounts

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

Restricted Asset Spending Policy

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

Operating Activities

The College defines operating activities, as reported on the Statements of Revenues, Expenses, and Changes in Net Position, as those that generally result from exchange transactions such as payments received for providing goods and services and payments made for services and good received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenues relied upon for operations such as state appropriations, gifts, and investment income are recorded as non-operating revenues in accordance with GASB Statement No. 35. In addition, the GASB Implementation Guide has indicated Pell grants should be considered non-operating revenues beginning in fiscal year 2009.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond each year end are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

Use of Estimates

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

Non-current Long-Term Liabilities

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

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Compensated Absences

The College has adopted GASB No. 16.

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

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

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

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

- a. The sick leave liability generally would be an estimate based on governmental entity's past experience of making termination payments for sick leave, adjusted for the effects of changes in its termination payment policy and other current factors. This approach is known as the termination payment method.
- b. The sick leave liability would be an accrual for those employees expected to become eligible in the near future based on assumptions concerning the probability that individual employees or classes or groups of employees will become eligible to receive termination benefits. This accumulation should be reduced to the maximum amount allowed as a termination benefit. This approach is known as the vesting method.

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

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

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 Department of Higher Education. The Board of Trustees approves the budget.

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Income Taxes

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

Unearned Revenue

Unearned revenue is comprised primarily of receipts relating to tuition and student fees in advance of the services to be provided and grant funds not earned as of June 30, 2017 and 2016.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of assets by the College that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of assets by the College that is applicable to a future reporting period.

For the College, deferred outflows and inflows of resources for pensions have been recorded on the statement of net position and is also explained further in Note 9.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Note 3 – Implementation of New Accounting Principles

For the fiscal year ended June 30, 2017, the College has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures, and GASB Statement No. 80, Blending Requirements For Certain Component Units – An Amendment of GASB No. 14.

GASB Statement No. 77 establishes improved financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The implementation of GASB Statement No 77 did not have an effect on the financial statements of the College.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a

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component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the College.

For the fiscal year ended June 30, 2016, the College implemented GASB Statement No. 72, Fair Value Measurements and Application (the "Statement"). The Statement was issued and became effective for financial statements for periods beginning after June 15, 2015. This Statement defines fair value as the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement also provides guidance for determining a fair value measurement for financial reporting purposes. Additionally, this Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Implementation of GASB 72 did not have a significant impact on the financial statements.

Note 4 - Cash, Cash Equivalents, And Investments

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

Active deposits are public deposits necessary to meet current demand on the treasury. Such monies must be maintained either as cash in the College treasury, in commercial accounts payable or available for withdrawal on demand including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Trustees has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing no later than the end of the current period of designation or depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing no more than one year from the date of deposit or by savings accounts including passbook accounts.

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National

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- Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
 4. Bond and other obligations of the State of Ohio.
 5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
 6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
 7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

Fair Value Measurements

Statement No. 72 of the Government Accounting Standards Board ("GASB") *Fair Value Measurements and Application*, set forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets and liabilities in active markets that the College has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;

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- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the College’s own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the College’s own data.

The asset’s level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of what constitutes observable requires judgment by the College’s management. College management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment with the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to College management’s perceived risk of that investment.

Cash on Hand

The College maintained cash on hand in the amount of \$750 at June 30, 2017.

Investments

As of June 30, 2017 and 2016 the College had no investments.

Custodial Credit Risk – Deposits

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

At June 30, 2017, the carrying amount of the College’s deposits was \$8,549,688. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2017, \$7,895,114 of the College’s bank balance of \$8,647,809 was exposed to custodial credit risk as discussed above, while \$752,696 is covered by FDIC.

At June 30, 2016, the carrying amount of the College’s deposits was \$8,214,556. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2016,

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\$7,614,850 of the College's bank balance of \$8,367,544 was exposed to custodial credit risk as discussed above, while \$752,694 is covered by FDIC.

Note 5 - Notes, Loans and Accounts Receivable

Notes, loans and accounts receivable as of June 30, 2017 and 2016 are as follows:

	2017		
	Gross Receivable	Allowance	Net Receivable
Students	\$2,502,434	\$137,073	\$2,365,361
Reimbursement receivable - grants and contracts	1,079,986	0	1,079,986
Other	124,798	0	124,798
Total	\$3,707,218	\$137,073	\$3,570,145

	2016		
	Gross Receivable	Allowance	Net Receivable
Students	\$2,420,636	\$137,073	\$2,283,563
Reimbursement receivable - grants and contracts	1,342,138	0	1,342,138
Other	69,300	0	69,300
Total	\$3,832,074	\$137,073	\$3,695,001

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Note 6 - Capital Assets

Capital assets as of June 30, 2017 and 2016 are summarized as follows:

	2017			2017
	2016	Additions	Reductions	
Asset:				
Land	\$980,000	\$0	\$0	\$980,000
Buildings	23,255,646	417,572	0	23,673,218
Land improvements	3,192,537	64,062	0	3,256,599
Movable equipment	3,118,467	164,816	0	3,283,283
Library books	475,997	0	475,997	0
	<u>31,022,647</u>	<u>646,450</u>	<u>475,997</u>	<u>31,193,100</u>
Accumulated depreciation:				
Buildings	10,457,015	591,493	0	11,048,508
Land improvements	2,907,967	37,465	0	2,945,432
Movable Equipment	2,159,708	396,897	0	2,556,605
Library books	471,505	0	471,505	0
	<u>15,996,195</u>	<u>1,025,855</u>	<u>471,505</u>	<u>16,550,545</u>
Capital assets, net	<u>\$15,026,452</u>	<u>(\$379,405)</u>	<u>\$4,492</u>	<u>\$14,642,555</u>

	2016			2016
	2015	Additions	Reductions	
Asset:				
Land	\$980,000	\$0	\$0	\$980,000
Buildings	21,784,761	1,470,886	0	23,255,647
Land improvements	3,118,481	74,056	0	3,192,537
Movable equipment	3,124,839	143,127	149,500	3,118,466
Library books	473,364	2,633	0	475,997
	<u>29,481,445</u>	<u>1,690,702</u>	<u>149,500</u>	<u>31,022,647</u>
Accumulated depreciation:				
Buildings	9,899,793	557,222	0	10,457,015
Land improvements	2,870,457	37,510	0	2,907,967
Movable Equipment	2,152,022	143,054	135,368	2,159,708
Library books	461,190	10,315	0	471,505
	<u>15,383,462</u>	<u>748,101</u>	<u>135,368</u>	<u>15,996,195</u>
Capital assets, net	<u>\$14,097,983</u>	<u>\$942,601</u>	<u>\$14,132</u>	<u>\$15,026,452</u>

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Note 7 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Payable to vendors and contractors	\$505,714	\$369,880
Accrued wages	348,864	509,310
Other accrued liabilities	<u>472,370</u>	<u>405,166</u>
Total	<u>\$1,326,948</u>	<u>\$1,284,356</u>

Note 8 – Long-Term Obligations

The changes in the College’s long-term obligations during fiscal years 2017 and 2016 were as follows:

	<u>2017</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$224,424	\$61,255	(\$39,050)	\$246,629	\$36,994
Net Pension Liability					
STRS	10,114,575	956,688	0	11,071,263	0
SERS	<u>4,088,441</u>	<u>423,653</u>	<u>0</u>	<u>4,512,094</u>	<u>0</u>
Total long-term liabilities	<u>\$14,427,440</u>	<u>\$1,441,596</u>	<u>(\$39,050)</u>	<u>\$15,829,986</u>	<u>\$36,994</u>

	<u>2016</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$264,663	\$5,984	(\$46,223)	\$224,424	\$33,664
Net Pension Liability					
STRS	9,010,429	1,754,787	(650,641)	10,114,575	0
SERS	<u>3,593,320</u>	<u>778,716</u>	<u>(283,595)</u>	<u>4,088,441</u>	<u>0</u>
Total long-term liabilities	<u>\$12,868,412</u>	<u>\$2,539,487</u>	<u>(\$980,459)</u>	<u>\$14,427,440</u>	<u>\$33,664</u>

Note 9 – Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for

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employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the employer's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the obligation for this liability to annually required payments. The employer cannot control benefit terms or the manner in which pensions are financed; however, the employer does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – Non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30 or \$86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the employer is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14.00 percent. None of the 14 percent contribution rate was allocated to the Health Care Fund.

The contractually required contribution to SERS was \$236,734 for fiscal year 2017 and \$308,119 for fiscal year 2016.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – Licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter

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3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The employer was

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required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The contractually required contribution to STRS was \$486,606 for fiscal year 2017 and \$506,370 for fiscal year 2016.

For the year ended June 30, 2017, the net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$4,512,094	\$11,071,263	\$15,583,357
Proportion of the Net Pension Liability	0.06164840%	0.03307519%	
Pension Expense	370,667	578,497	949,164

At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$60,858	\$447,332	\$508,190
Changes of assumptions	301,207	0	301,207
Net difference between projected and actual earnings on pension plan investments	372,182	919,212	1,291,394
Changes in employer proportionate share of net pension liability	19,557	0	19,557
District contributions subsequent to the measurement date	<u>236,734</u>	<u>486,606</u>	<u>723,340</u>
Total Deferred Outflows of Resources	<u>\$990,538</u>	<u>\$1,853,150</u>	<u>\$2,843,688</u>
Deferred Inflows of Resources			
Changes in employer proportionate share of net pension liability	<u>\$424,411</u>	<u>\$875,920</u>	<u>\$1,300,331</u>
Total Deferred Inflows of Resources	<u>\$424,411</u>	<u>\$875,920</u>	<u>\$1,300,331</u>

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\$723,340 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$36,884	(\$8,995)	\$27,889
2019	36,615	(8,995)	27,620
2020	148,907	343,733	492,640
2021	106,987	164,881	271,868
2022	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$329,393</u>	<u>\$490,624</u>	<u>\$820,017</u>

For the year ended June 30, 2016, the net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$4,088,441	\$10,114,575	\$14,203,016
Proportion of the Net Pension Liability	0.07165040%	0.03659785%	
Pension Expense	276,173	420,610	696,783

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At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$65,551	\$462,143	\$527,694
Net difference between projected and actual earnings on pension plan investments	305,942	507,730	813,672
Changes in employer proportion and differences between contributions and proportionate share of contributions	280	(1,045)	(765)
Changes in employer proportionate share of net pension liability	37,920	0	37,920
District contributions subsequent to the measurement date	<u>308,119</u>	<u>506,370</u>	<u>814,489</u>
Total Deferred Outflows of Resources	<u><u>\$717,812</u></u>	<u><u>\$1,475,198</u></u>	<u><u>\$2,193,010</u></u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$436,071	\$1,255,244	\$1,691,315
Changes in employer proportion and differences between contributions and proportionate share of contributions	5,334	(20,085)	(14,751)
Changes in employer proportionate share of net pension liability	<u>0</u>	<u>127,605</u>	<u>127,605</u>
Total Deferred Inflows of Resources	<u><u>\$441,405</u></u>	<u><u>\$1,362,764</u></u>	<u><u>\$1,804,169</u></u>

\$814,489 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	(\$22,404)	(\$242,805)	(\$265,209)
2018	(22,404)	(\$242,805)	(265,209)
2019	(22,546)	(\$242,807)	(265,353)
2020	35,642	334,481	370,123
2021	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u><u>(\$31,712)</u></u>	<u><u>(\$393,936)</u></u>	<u><u>(\$425,648)</u></u>

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Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50-18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement. The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate

The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability:			
June 30, 2016	\$5,973,731	\$4,512,094	\$3,288,643
June 30, 2015	5,669,199	4,088,441	2,757,313

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability:			
June 30, 2016	\$14,712,809	\$11,071,263	\$7,999,404
June 30, 2015	14,049,908	10,114,575	6,786,665

Changes Between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the net pension liability is expected to be significant.

Plan Description – Alternative Retirement Plan (ARP)

The State of Ohio allows public institutions of higher education to offer an alternative retirement plan to those participating in SERS and STRS. The alternative retirement plans shall be defined-contribution plans, with the Ohio employer contribution rates of 6.0% and 4.5%, respectively. The College has implemented the alternative retirement plan. In fiscal years 2017, 2016, and 2015 the employer contribution was \$54,997, \$55,055, and \$60,796, respectively.

Note 10 - Post Employment Benefits Other Than Pensions

School Employees Retirement System

Health Care Plan Description - The College contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or

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discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, 0% of covered payroll was allocated to health care. For fiscal year 2016, the health care allocation was 0%. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500, and \$23,000 for fiscal year 2016. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The College's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$49,545, respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

State Teachers Retirement System

Plan Description – The College participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2017 and 2016, STRS did not allocate any employer contributions to post-employment health care. The College's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$0, respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

Note 11 - Operating Expenses by Natural Classification

The College's operating expenses by natural classification were as follows for the years ended June 30, 2017 and 2016:

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	2017	2016
Salaries and wages	\$5,834,150	\$5,831,005
Employee benefits	2,980,266	2,806,594
Utilities	278,054	279,258
Supplies and other services	3,126,953	3,370,505
Depreciation	1,025,855	748,101
Student Scholarships and financial aid	714,069	529,621
	<u>\$13,959,347</u>	<u>\$13,565,084</u>

Note 12 - Risk Management

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

Vehicles are covered by Catlin Indemnity Company and hold a \$500 deductible. Automobile liability coverage has a \$1,000,000 limit for collision and a \$1,000,000 limit for bodily injury. Settled claims have not exceeded any aforementioned commercial coverage in any of the past four years.

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

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

The College contracts with United Healthcare for hospitalization, CoreSource for dental insurance and Vision Service Plan for vision insurance. The College pays 80 percent of the total monthly premiums for dental and vision coverage's and the employee pays for the remaining 20 percent. The College pays 50 percent, 80 percent, or 90 percent of the total monthly premiums for hospitalization and major medical and the employees pay the remaining 50 percent, 20 percent, or 10 percent depending on level of benefit chosen. Premiums are paid from the same funds that pay the employees' salaries.

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

Note 13 – Reclassifications of Presentation

Certain June 30, 2016 amounts have been reclassified for consistency with the June 30, 2017 presentation.

Note 14 – Component Unit Disclosures

The Washington State Community College Foundation (Foundation) is a legally separate, tax-exempt component unit of Washington State Community College (College).

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

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

Equity in Pooled Cash and Cash Equivalents and Investments:

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

As of June 30, 2017, the carrying amount of the Foundation's deposits was \$140,112 and the bank balance of \$139,184 was covered by FDIC.

As of June 30, 2016, the carrying amount of the Foundation's deposits was \$121,252 and the bank balance of \$123,087 was covered by FDIC.

Investments - Foundation investments are stated at fair value with changes in market value being recognized as gains and losses during the period in which they occur. The following summarizes the fair value of investments of the Foundation as of June 30, 2017 and 2016:

<u>Investment Type</u>	<u>2017 Fair Value</u>	<u>2016 Fair Value</u>
Money Market Funds	\$30,230	\$38,190
Equities	654,854	606,090
Fixed Income	279,826	245,924
	<u>\$964,910</u>	<u>\$890,204</u>

As defined in FASB ASC 820, fair value is the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

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WASHINGTON COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2017 and 2016**

Level 2 – 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 – 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.

Equities are deemed level 1 inputs and money market and fixed income are deemed level 2 inputs.

Support Provided to the College:

During the years ended June 30, 2017 and 2016 the Foundation provided resources of \$56,222, and \$64,953, respectively, to or on behalf of the College for scholarships and other purposes.

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REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Four Fiscal Years (1)

	2017	2016	2015	2014
College's Proportion of the Net Pension Liability	0.0616484%	0.0716504%	0.0710010%	0.0710010%
College's Proportionate Share of the Net Pension Liability	\$4,512,094	\$4,088,441	\$3,593,320	\$4,223,467
College's Covered-Employee Payroll	2,200,850	2,291,070	2,083,990	1,946,503
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	205.02%	178.45%	172.43%	216.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available

Note - Amounts presented as of the measurement date which is the prior fiscal year end.

**WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Four Fiscal Years (1)**

	2017	2016	2015	2014
College's Proportion of the Net Pension Liability	0.03307519%	0.03695785%	0.03704419%	0.03704419%
College's Proportionate Share of the Net Pension Liability	\$11,071,263	\$10,114,575	\$9,010,429	\$10,704,259
College's Covered-Employee Payroll	3,616,936	3,591,036	4,076,038	4,069,423
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	306.10%	281.66%	221.06%	263.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available

Note - Amounts presented as of the measurement date which is the prior fiscal year end.

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
Required Supplementary Information
Schedule of College Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2017	2016	2015	2014	2013
Contractually Required Contribution	\$236,734	\$308,119	\$301,963	\$288,841	\$269,396
Contributions in Relation to the Contractually Required Contribution	<u>(236,734)</u>	<u>(308,119)</u>	<u>(301,963)</u>	<u>(288,841)</u>	<u>(269,396)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
College Covered-Employee Payroll	\$1,690,957	\$2,200,850	\$2,291,070	\$2,083,990	\$1,946,503
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%	13.84%

2012	2011	2010	2009	2008
\$318,903	\$372,536	\$427,329	\$462,291	\$456,099
<u>(318,903)</u>	<u>(372,536)</u>	<u>(427,329)</u>	<u>(462,291)</u>	<u>(456,099)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,371,026	\$2,963,691	\$3,156,049	\$4,698,079	\$4,270,590
13.45%	12.57%	13.54%	9.84%	10.68%

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
Required Supplementary Information
Schedule of College Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2017	2016	2015	2014	2013
Contractually Required Contribution	\$486,606	\$506,371	\$502,745	\$529,885	\$529,025
Contributions in Relation to the Contractually Required Contribution	<u>(486,606)</u>	<u>(506,371)</u>	<u>(502,745)</u>	<u>(529,885)</u>	<u>(529,025)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
College Covered-Employee Payroll	\$3,475,757	\$3,616,936	\$3,591,036	\$4,076,038	\$4,069,423
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008
\$589,842	\$672,548	\$700,358	\$679,729	\$678,135
<u>(589,842)</u>	<u>(672,548)</u>	<u>(700,358)</u>	<u>(679,729)</u>	<u>(678,135)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,537,246	\$5,173,446	\$5,387,369	\$5,228,685	\$5,216,423
13.00%	13.00%	13.00%	13.00%	13.00%

WASHINGTON STATE COMMUNITY COLLEGE



Single Audit Reports

June 30, 2017

PLATTENBURG
Certified Public Accountants

**WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2017**

	Federal CFDA Number	Pass through Entity Identifying Number	Expenditures
<u>U.S. Department of Education</u>			
<i>Direct Awards</i>			
Student Financial Assistance Cluster			
Federal Pell Grant	84.063	N/A	\$ 2,155,747
Federal Work Study	84.033	N/A	25,137
Federal SEOG Grant	84.007	N/A	22,291
Federal Direct Student Loans	84.268	N/A	2,736,122
Total Student Financial Assistance Cluster			4,939,297
TRIO Cluster			
Educational Talent Search	84.044	N/A	360,868
Upward Bound	84.047	N/A	277,456
Total TRIO Cluster			638,324
<i>Passed Through Ohio Department of Education</i>			
Vocational Education - Basic Grants to States	84.048	3L90	156,390
Total U.S. Department of Education			5,734,011
<u>U.S. Small Business Administration</u>			
<i>Passed Through Ohio Department of Development</i>			
Small Business Development Center	59.037	22000130	21,399
Total U.S. Small Business Administration			21,399
Total Federal Awards			\$ 5,755,410

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

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

The accompanying schedule of expenditures of federal awards includes federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The College did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2: FEDERAL WORK-STUDY WAIVER

For fiscal year 2017, the College received a waiver from the Department of Education for the Institutional Share Requirement under the Federal Work-Study program.

NOTE 3: FEDERAL DIRECT LOAN PROGRAM

The College participates in the William D. Ford Federal Direct Loan Program. The College originates the loans which are then funded through the U.S. Department of Education.

CFDA Number	Program Name	Amount
84.268	Federal Subsidized Loans	\$1,231,847
84.268	Federal Unsubsidized Loans	1,504,275
	Total Federal Direct Student Loans	<u>\$2,736,122</u>

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

To the Board of Trustees
Washington State Community College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Washington State Community College, Washington County, Ohio, (the College) a component unit of the State of Ohio, and the discretely presented component unit, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 13, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 13, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE**

To the Board of Trustees
Washington State Community College

Report on Compliance for Each Major Federal Program

We have audited the Washington State Community College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2017. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the College and the discretely presented component unit of the College, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 13, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 13, 2017

**WASHINGTON STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? Yes

Section II – Findings Related to the Financial Statements Required to be reported in Accordance with GAGAS

None

Section III – Federal Award Findings and Questioned Costs

None

**WASHINGTON STATE COMMUNITY COLLEGE
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2017**

Summary of Prior Audit Findings:

None Noted



Dave Yost • Auditor of State

WASHINGTON STATE COMMUNITY COLLEGE

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 16, 2017