STARK STATE COLLEGE OF TECHNOLOGY

INDEPENDENT AUDITOR’S REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Auditor of State
Betty Montgomery

Board of Trustees
Stark State College of Technology
6200 Frank Ave., NW
Canton, OH 44720-7299

We have reviewed the Independent Auditor's Report of the Stark State College of Technology, Stark County, prepared by Gary B. Fink & Associates, Inc., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

February 3, 2005

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STARK STATE COLLEGE OF TECHNOLOGY
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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GARY B. FINK & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS
121 College Street
Wadsworth, Ohio 44281
330/336-1706 Fax 330/334-5118

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Stark State College of Technology
6200 Frank Avenue, NW
Canton, Ohio 44720-7299

We have audited the accompanying financial statements of the Stark State College of Technology (the College) as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stark State College of Technology, as of June 30, 2004, and the changes in its financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2004 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

INDEPENDENT AUDITOR'S REPORT (continued)

Our audit was performed for the purpose of forming an opinion on the financial statements of Stark State College of Technology taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

December 23, 2004

Stark State College of Technology
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2004
(Unaudited)

The discussion and analysis of the financial statements of Stark State College of Technology (the "College") provide an overview of financial activities for the years ended June 30, 2004 and 2003. Management has prepared the financial statements and the related note disclosures along with this discussion and analysis. The responsibility for the completeness and fairness of this information rests with the preparers.

Using this Annual Report

This is the third year that the College is reporting its financial position in accordance with the Governmental Accounting Standards Board (GASB) Statement 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement 35 – *for Public Colleges and Universities,* as amended by GASB Statements 37 and 38. Comparative condensed financial information has been presented for the current year and the prior year.

This report consists of three basic financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These statements provide information on the College as a whole, and present a snapshot of the College's finances. The following functions are included in the College's basic financial statements:

- Instruction
- Public Service
- Academic Support
- Student Services
- Institutional Support
- Plant Operations
- Student Aid
- Bookstore Operations

These statements can help the reader understand what the financial health of the College is at the end of the fiscal year, as well as indicating the changes in financial position since the end of the prior year. Over time, increases in net assets, which are the result of the College's keeping expenses lower than revenues, indicate a strengthening of the College's financial health.

The Statement of Net Assets acts much as a consolidated balance sheet does for a business. It shows the book value of all asset categories, and compares them to the amount of liabilities, with the residual difference, called net assets, being detailed by the type of commitment which gave rise to the underlying assets.

Condensed Statement of Net Assets

(in thousands)

	2004	2003
Assets		
Current Assets		
Cash & cash equivalents	$9,642	$7,705
Student accounts receivable, net	5,383	4,502
Intergovernmental receivables	1,449	1,256
Other current assets	828	897
Total current assets	17,302	14,360
Noncurrent Assets		
Capital assets, net	31,516	27,226
Other noncurrent assets	803	1,340
Total noncurrent assets	32,319	28,566
Total assets	$49,621	$42,926
Liabilities & Net Assets		
Current Liabilities		
Accounts payable & accrued liabilities	$1,286	$1,308
Deferred income	5,100	4,250
Other current liabilities	1,436	1,259
Total current liabilities	7,822	6,817
Long-Term Liabilities	541	478
Total liabilities	8,363	7,295
Net Assets		
Invested in capital assets, net of related debt	31,467	27,106
Restricted	1,072	1,585
Unrestricted	8,719	6,940
Total net assets	$41,258	$35,631

The Statement of Revenues, Expenses and Changes in Net Assets acts as a statement of the College's operations. Revenues and expenses on the accrual basis of accounting are detailed by operating type, and the reconciliation between the beginning and ending net assets is presented.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

(in thousands)

	2004	2003	Increase (Decrease) $	Increase (Decrease) %
Revenues				
Operating Revenues				
Tuition and fees, net	$11,242	$9,631	$1,611	16.7%
Federal grants and contracts	7,431	5,763	1,668	28.9%
Auxiliary enterprises: bookstore	2,512	2,373	139	5.9%
Other operating revenues	1,143	1,230	(87)	-7.1%
Total operating revenues	22,328	18,997	3,331	17.5%
Expenses				
Operating Expenses				
Educational and general	31,278	26,714	4,564	17.1%
Auxiliary enterprises: bookstore	2,154	2,050	104	5.1%
Total operating expenses	33,432	28,764	4,668	16.2%
Operating income (loss)	(11,104)	(9,767)	(1,337)	-13.7%
Nonoperating Revenues (Expenses)				
State appropriations	11,547	11,098	449	4.0%
Other nonoperating income	153	171	(18)	-10.5%
Other nonoperating expenses	(290)	(303)	13	-4.3%
Net nonoperating revenues (expenses)	11,410	10,966	444	4.0%
Income (loss) before other revenues, expenses, gains or losses	306	1,199	(893)	74.5%
Capital appropriations, gifts & grants	5,320	5,646	(326)	-5.8%
Increase in net assets	5,626	6,845	(1,219)	-17.8%
Net assets, beginning of year	35,631	28,786	6,845	23.8%
Net assets - end of year	$41,257	$35,631	$5,626	15.8%

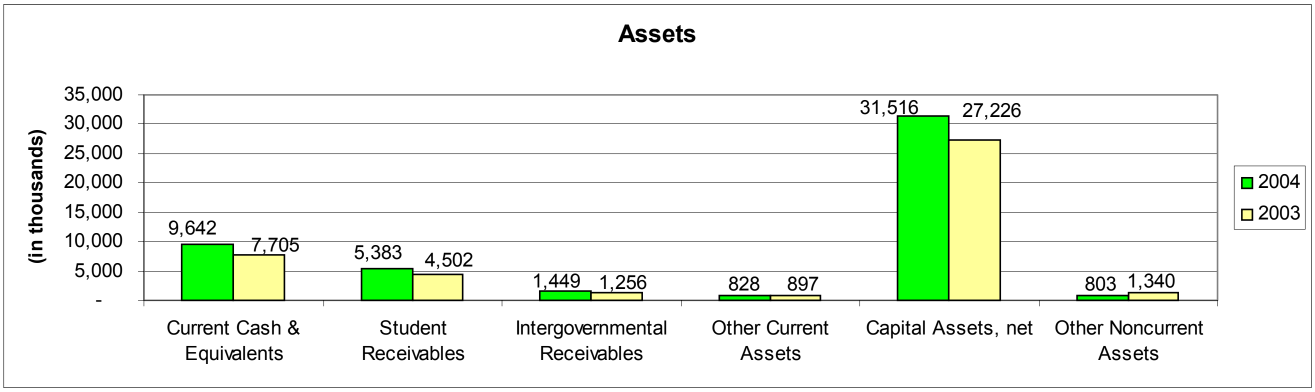
The Statement of Cash Flows presents the sources and uses of all cash transactions conducted by the College, broken down by type of functional activity. This statement assists the reader in determining the College's ability to generate future cash flows, meet its obligations as they become due and assess the need for additional funding or financing.

Condensed Statement of Cash Flows

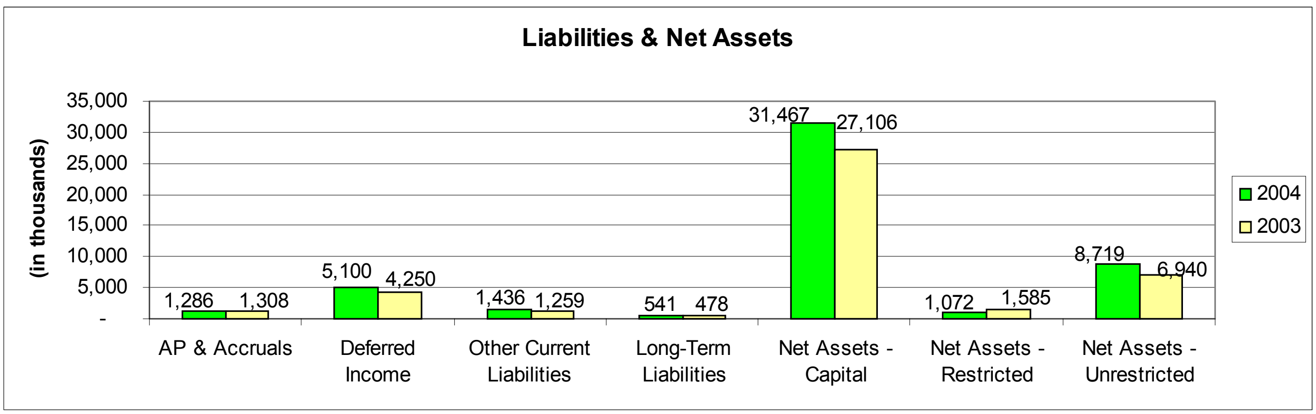
(in thousands)

	2004	2003	Increase (Decrease) $	Increase (Decrease) %
Net cash provided (used) by Operating Activities	($10,209)	($8,337)	($1,872)	-22.5%
Net cash provided (used) by Noncapital Financing Activities	11,336	10,771	565	5.2%
Net cash provided (used) by Capital Financing Activities	137	316	(179)	-56.6%
Net cash provided (used) by Investing Activities	114	134	(20)	-14.9%
Net increase in cash	1,378	2,884	($1,506)	-52.2%
Cash - beginning of year	8,602	5,718	2,884	50.4%
Cash - end of year	$9,980	$8,602	$1,378	16.0%

Analysis of Assets and Liabilities



Total assets increased by $6,694,000 during the year to a year-end amount of $49,621,000. Of this amount, $4,290,000 was related to net capital asset increases. Total cash and cash equivalents, including restricted cash classified as other noncurrent assets, increased by $1,378,000. Receivables increased by $951,000. Changes to all other asset categories amounted to a net increase of about $75,000.

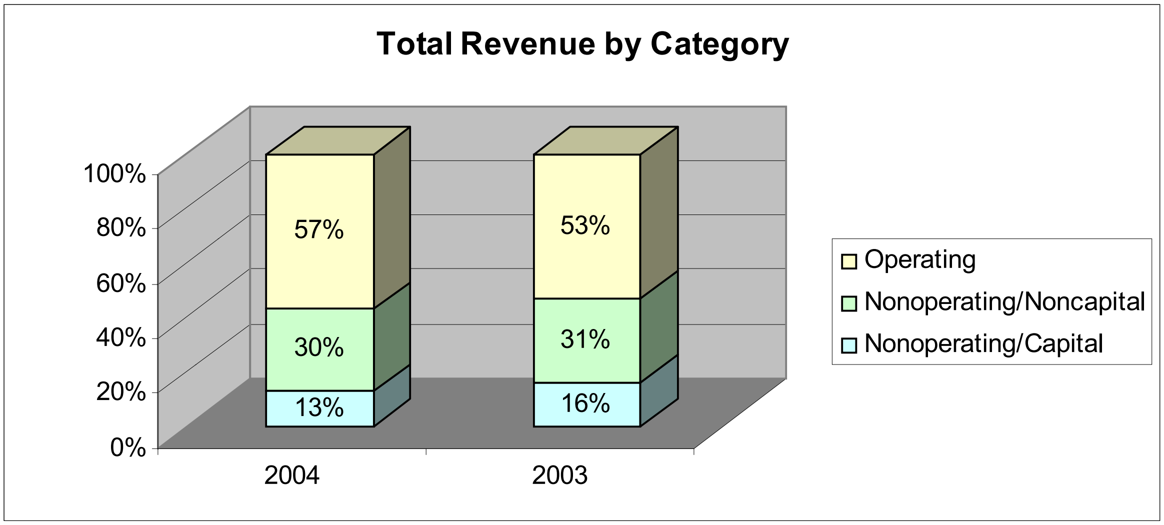


Total liabilities increased since the beginning of the year by $1,068,000 to a year-end amount of $8,363,000. The noncurrent long-term liabilities increased $63,000 to $541,000. Current liabilities increased by $1,005,000 to $7,822,000.

Total net assets increased $5,627,000, of which $4,361,000 was related to net capital assets. Unrestricted net assets increased by $1,779,000 while net restricted assets decreased $513,000. The positive change in unrestricted net assets was the result of favorable operating results and additional funding from the State of Ohio for the construction of a new building as presented in the analysis of the Statement of Revenues, Expenses and Changes in Net Assets. The negative change in restricted net assets was the result of spending prior balances for restricted projects in excess of new restricted grants secured this year.

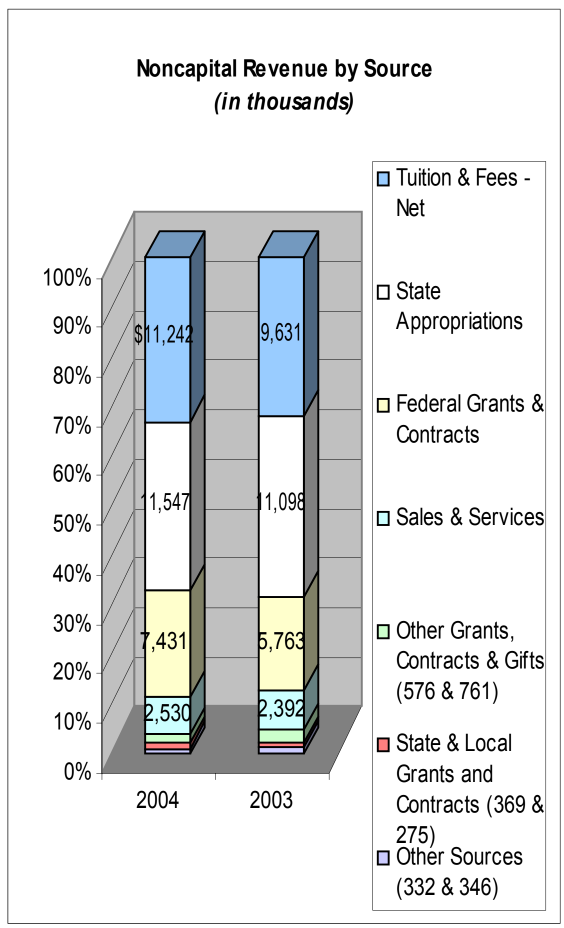
Analysis of Revenues

The following chart provides categorical ratios of the College's revenue as a whole for the years ended June 30, 2004 and 2003:



The State Share of Instruction and Access Challenge funding are the statutory burden of the State of Ohio for operating the College. These are classified as nonoperating revenue under new generally accepted accounting principles, and they account for 29% and 30% of total revenue in 2004 and 2003. Other revenue includes capital appropriations, and is a subset of nonoperating revenue. The College received significant capital appropriations for the construction of the new W.R. Timken Center for Information Technology.

A traditional comparison of the College revenue focuses on noncapital revenue. These are the funds which are spent for ongoing operations. The total of these revenues increased $3.7 million this year (12.4%). This analysis will focus on the traditional revenues used for ongoing operations which are comparable to the prior year financial statements.



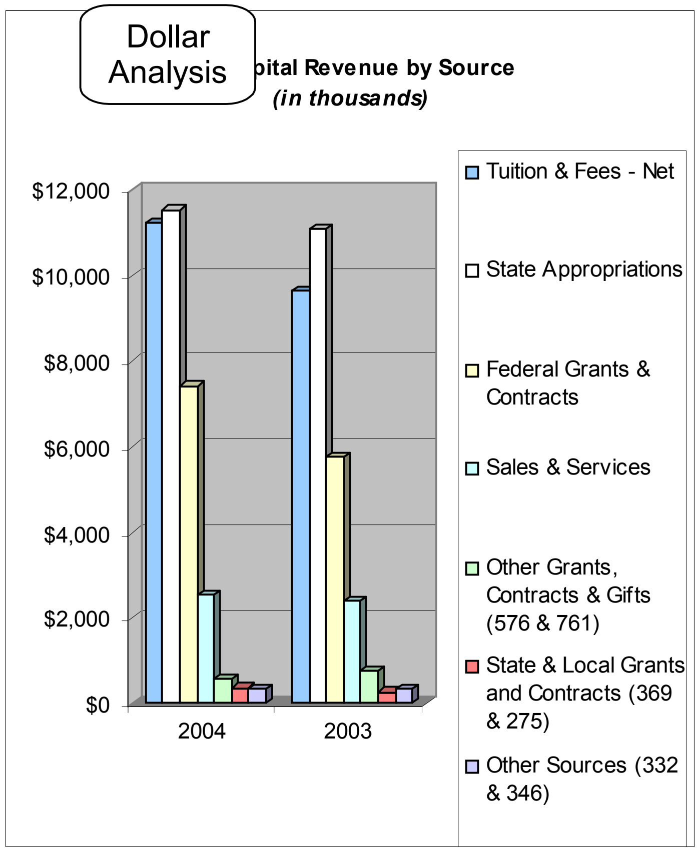
The Board of Trustees raised tuition starting in the Summer 2003 semester from $102 to $108 per credit hour. This tuition increase generated an additional $610,000 in gross fees. Enrollment increases resulted in additional gross tuition of $1,339,000 over the previous year.

The State Share of Instruction and the Access Challenge state appropriation, two sources of State funding dedicated to support the operations of the College, increased from prior year levels by $387,000. Additional Job Training appropriations also increased.

Auxiliary enterprise revenue from the College bookstore increased this year by $139,000 (5.8%) due to increased enrollment, which was partially offset by reduced sales of non-textbook items.

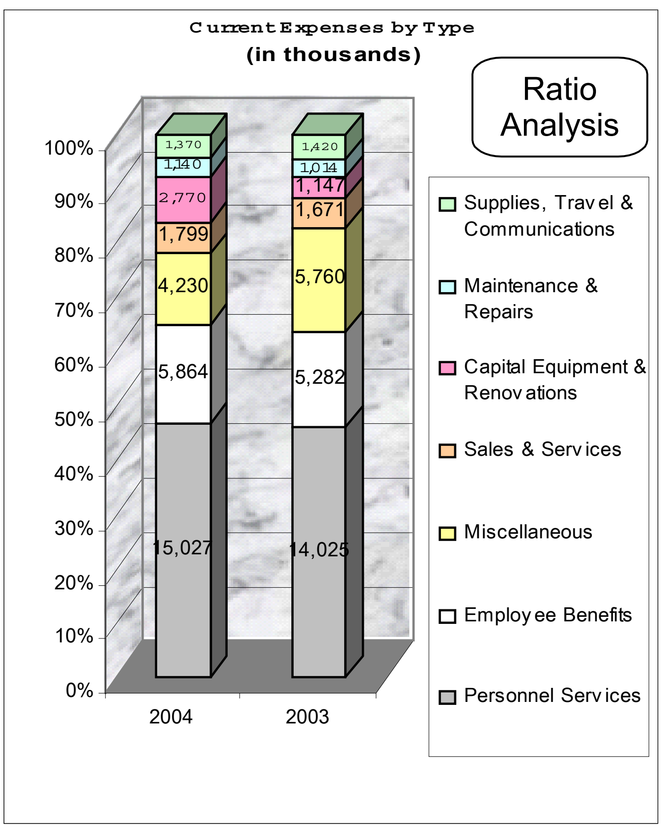
Increases in federal and state grants totaling $1,774,000 were due in part to an increase of Pell grants to students and the receipt of $1,254,000 from the U.S. Department of Education's Fund for the Improvement of Post Secondary Education (FIPSE), for the development of an integrated systems technology program, an information reporting lab, and technology infrastructure upgrades.

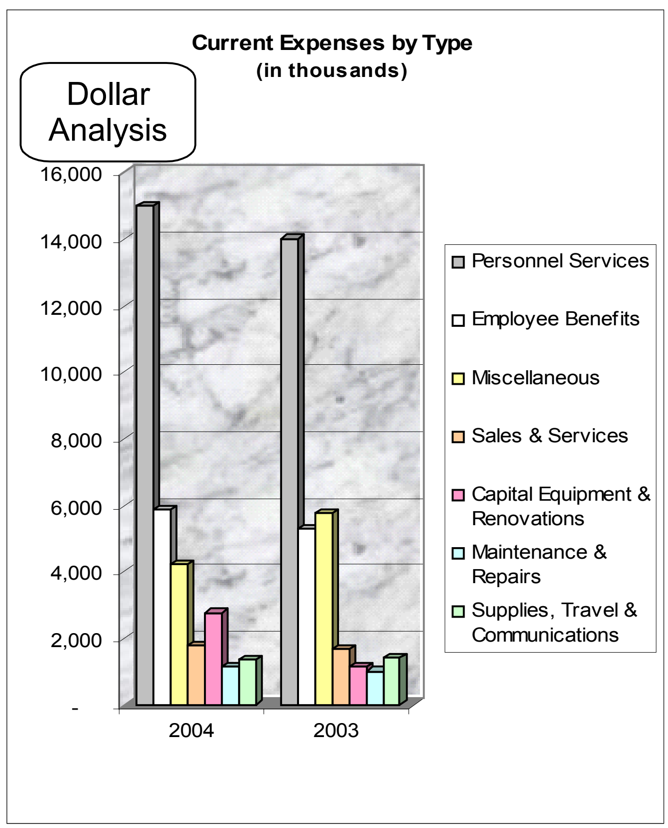
Other noncapital revenue decreased $14,000 over the prior year, being led by lower interest earnings.



Analysis of Expenses

This analysis focuses on the College's operating budget categories; know as current expenses, which are normally reported in fund financial statements.





These expenses approximate the College's expenses reported in the Statement of Revenues, Expenses and Changes in Net Assets adjusted for depreciation and reduced by the capital equipment & renovations category, which were plant fund activities.

Total salary and wages increased 7.1%. The average general wage increased 4.0% for full time employees, and the College increased the usage of part-time instructors. Several full-time positions were created or filled over the staffing levels of the prior year. The instructional division of the College started creating a paramedic program during the spring of 2004. Additional adjunct faculty costs were incurred when larger than expected enrollment caused additional sections to be offered.

Employee benefits experienced a net increase of 11.0% over the prior year. The major factors affecting benefits included a 10% increase in health care premiums, and general cost increases due to higher staffing levels, netted against savings from an increased use of adjunct faculty, who do not receive health care benefits, thereby decreasing the average net benefit cost per labor unit.

Miscellaneous expenses decreased 26.6% over the prior year. Other expenses and computer software costs were up slightly from the prior year, while property and casualty insurance rates continued to see significant increases following the September 11, 2001 terrorist attacks, which caused major increases to property insurance rates industry-wide. Other costs which contributed to the categorical increase included legal fees, bad debts, and contracted services.

Sales and Services expenses increased by 7.6%. This was a result of increases in labor costs, wholesale book prices, and sales volume increases due to higher enrollment.

Equipment purchases more than doubled, primarily due to the purchase of large amounts of equipment through grants from the Fund for the Improvement of Post Secondary Education, a federal program, the implementation of a new information technology replacement schedule, and the equipping of the W.R. Timken Center for Information Technology with locally funded purchases of computer equipment, office and classroom furniture.

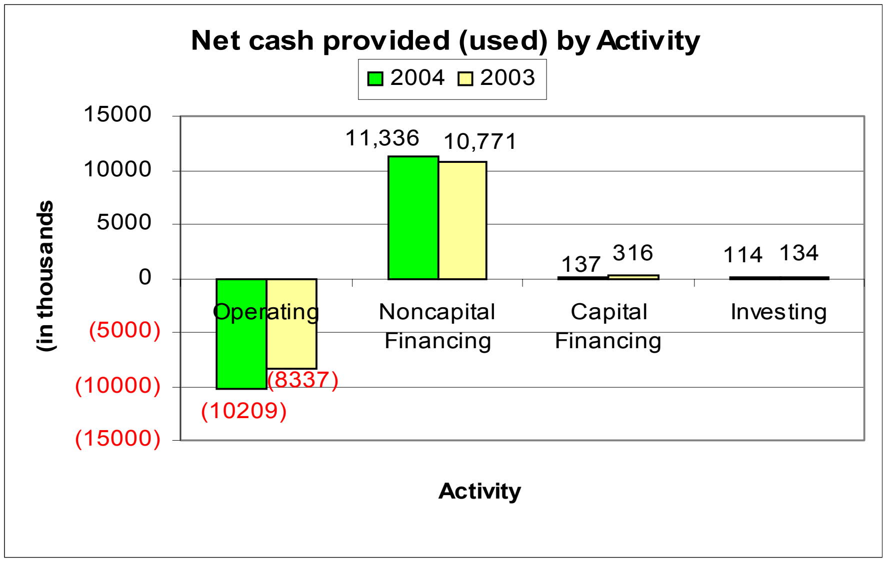
Maintenance and Repairs increased 13.0% over the prior year due to increased utilities costs with the opening of the W.R. Timken Center for Information Technology and the Ralph Regula Wellness and Therapy Center. Additional natural gas and electricity were purchased, which represents most of the categorical increase. Other maintenance and repair items remained at levels similar to the prior year, as adjusted by inflation.

Supplies costs were constrained this past year, and decreased 11.2%. Instructional supplies were conserved, and improved procurement procedures helped contain costs, despite the large increase in enrollment.

Travel costs increased 13.8%, but remain below the levels of three years ago. Most of the increase was funded by special purpose grants. The instructional division developed in-house professional development programs which helped constrain the rate of growth.

Communications expenses decreased in total. The reprographics department purchased new equipment that has a lower operating cost, resulting in additional savings. Postage costs increased due to additional direct marketing efforts, coupled with increased enrollment-driven mailing activity. The categorical decrease was about 2.4%.

Analysis of Cash Flows



The College's liquidity increased during the year, primarily due to higher than projected enrollment and aggressive cost containment measures. Proceeds from state funding for general operations decreased over the prior year. By definition, noncapital financing activities include the subsidy from the Board of Regents called State Share of Instruction, and the Access Challenge appropriation. These line items have increased due to the College's proportional enrollment increases compared to all other state assisted institutions of higher education over the past two years. The "high water mark" for this category was fiscal year 2001, which was the beginning of the recent economic downturn.

Operating activities improved in total from the prior year. Gross tuition, grants and bookstore proceeds increased this year primarily because of increased tuition rates, increased enrollment and successful grant applications. Significant increases in the use of cash included larger payments for labor, payments to suppliers and student aid, while other receipts decreased slightly.

Noncapital financing improved due to additional support from the State of Ohio.

Capital financing activities provided fewer proceeds from state appropriations, which were used to pay for the acquisition of capital equipment, and to pay for the construction of the W.R. Timken Center for Information Technology. These purchases constituted the majority of the College's capital activity.

Economic Outlook for the Future

Management foresees major funding problems in the next state biennium. The economy has not bounced back this year like state economists had predicted, and Management's projections show that the state may struggle to end the year without a deficit. The state must balance its budget by law, and it has almost reached its borrowing limits. The state has recently raised taxes and reduced expenses, but the inflow of additional resources has not met their projections. Many "one-time" funding sources were used to balance the current budget, and there is pending legislation as well as a grassroots movement to repeal the recent tax increase. The workforce and GDP of the state of Ohio are still constricting, which leaves little hope for a quick turn-around in the local and state economy. A structural change to the state's funding mechanism is probably necessary to avert another crisis next year.

In the past four fiscal years, the College's funding was reduced in four separate state budget-balancing actions. Higher education budgets received disproportionately higher funding reductions in these years, because colleges and universities were able to increase fees to cover their costs. While balancing the state's biennial budget in May 2003, the legislature mandated a 6% cap on tuition increases between school years. Under a weighted-average formula, the College's tuition increase was calculated at 3.8%.

Final Analysis

Stark State College hired Dr. John O’Donnell as its third president since its inception, effective January 5, 2004. The former president, Dr. John J. McGrath, retired December 31, 2003. Dr. O’Donnell is committed to establishing new programs in emerging technologies that can increase enrollment and push economic development in the College’s service area.

Funding uncertainty at the state level has made planning difficult. The economy has stretched the demand for the College’s resources. Even with all the uncertainty that surrounds these situations, the College remains financially sound. Management has positioned the College to be able to withstand a 20% state-funding cut for the fiscal year that will end June 30, 2005 in a worst-case scenario.

Between the increased productivity in the classroom, cost saving measures implemented, and increased enrollment (i.e.: additional tuition dollars), the College is maintaining its position despite the current state budget situation. Even as the state’s funding of capital projects declines, the College has provided for the renewal of, and addition to, its facilities by establishing a dedicated fee for such purposes.

Beyond this, Management has developed an extremely wide-ranging set of contingency options to sustain additional budget cuts, fee caps and even possible fee rollbacks if enacted by the legislature, all without compromising the philosophy, goals, objectives and values as presented herein.

Management firmly believes that the overall financial position of the College is strong, and that the College has demonstrated improvement in its financial condition since the beginning of the year. Debt has been reduced, cash reserves have increased, revenues expanded and expenses have been constrained. The College’s enrollment, reserves and cash position are sufficient to endure continued economic downturns.

FINANCIAL STATEMENTS

STARK STATE COLLEGE OF TECHNOLOGY
STATEMENT OF NET ASSETS
JUNE 30, 2004

ASSETS	
Current Assets	
Cash and Cash Equivalents	$9,641,501
Student Accounts Receivable, Net	5,383,433
Intergovernmental Receivables	1,448,766
Other Receivables, Net	209,558
Prepaid Expenses and Deferred Charges	98,386
Insurance Reserve	282,331
Inventories at Cost	238,318
Total Current Assets	17,302,293
Noncurrent Assets	
Restricted Cash and Cash Equivalents	338,798
Restricted Investments	4,247
Endowment Investments	227,110
Prepaid Expenses and Deferred Charges	1,174
Insurance Reserve	231,408
Capital Assets, Net	31,516,151
Total Noncurrent Assets	32,318,888
Total Assets	$49,621,181
LIABILITIES	
Current Liabilities	
Accounts Payable and Accrued Liabilities	1,285,686
Deferred Income	5,100,311
Accrued Salaries and Wages	741,007
Insurance Claims Payable	282,331
Compensated Absences	105,313
Deposits Held for Others	228,389
Long-Term Liabilities - Current Portion	78,991
Total Current Liabilities	7,822,028
Noncurrent Liabilities	
Long-Term Liabilities	541,089
Total Liabilities	8,363,117
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	31,466,982
Restricted for	
Nonexpendable	
Scholarships	259,228
Expendable	
Student Grants and Scholarships	77,325
Public Service	139,994
Instructional Departments	131,136
Student Services	1,030
Capital Projects	451,712
Student Loans	6,357
Other	4,974
Unrestricted	8,719,326
Total Net Assets	$41,258,064

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

STARK STATE COLLEGE OF TECHNOLOGY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

REVENUES:	
Operating Revenues:	
Student Tuition and Fees (Net of Scholarship Allowances of $2,482,864)	$11,241,959
Federal Grants and Contracts	7,430,553
State and Local Grants and Contracts	338,420
Nongovernmental Grants and Contracts	575,589
Sales and Services of Educational Departments	18,227
Auxiliary Enterprises: Bookstore	2,511,911
Other Operating Revenues	211,046
Total Operating Revenues	22,327,705
EXPENSES:	
Operating Expenses:	
Educational and General:	
Instruction	12,862,817
Academic Support	3,303,595
Student Services	1,972,033
Institutional Support	4,587,623
Operation and Maintenance of Plant	2,223,054
Student Aid	2,934,589
Public Service	2,162,235
Depreciation	1,231,195
Auxiliary Enterprises: Bookstore	2,154,121
Total Operating Expenses	33,431,262
Operating (Loss)	(11,103,557)
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	11,547,295
State and Local Grants	30,941
Gifts	500
Investment Income	121,131
Interest on Capital Asset-Related Debt	(4,790)
Other Nonoperating Revenues (Expenses)	(285,216)
Net Nonoperating Revenues (Expenses)	11,409,861
Income Before Other Revenues, Expenses, Gains or Losses	306,304
Capital Appropriations	3,327,149
Capital Grants and Gifts	1,993,172
Increase in Net Assets	5,626,625
Net Assets, Beginning of Year	35,631,439
Net Assets, End of Year	$41,258,064

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

STARK STATE COLLEGE OF TECHNOLOGY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and Fees	$11,225,664
Grants and Contracts	7,871,901
Payments to Suppliers	(8,408,533)
Payments to Employees and for Benefits	(20,696,079)
Payments for Student Aid	(2,932,833)
Loans Issued to Students	2,800
Auxiliary Enterprise Charges: Bookstore	2,502,657
Sales and Service of Educational Activities	18,390
Other Receipts (Payments)	206,539
Net Cash (Used for) Operating Activities	(10,209,494)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State Appropriations	11,547,295
Gifts and Grants for Other than Capital Purposes	(253,775)
Stafford, NEALP and Other Loans Received	7,121,964
Stafford, NEALP and Other Loans Disbursed	(7,121,964)
Agency Transactions	42,950
Net Cash Provided by Noncapital Financing Activities	11,336,470
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Capital Appropriations	3,747,295
Capital Grants and Gifts Received	1,993,172
Purchases of Capital Assets	(5,498,728)
Principal Paid on Capital Debt and Leases	(99,874)
Interest Paid on Capital Debt and Leases	(4,790)
Net Cash Provided by Capital Financing Activities	137,075
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from Sales and Maturities of Investments	11,117
Interest on Investments	103,238
Net Cash Provided by Investing Activities	114,355
Net Increase in Cash	1,378,406
Cash - Beginning of Year	8,601,893
Cash - End of Year	$9,980,299
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH (USED FOR) OPERATING ACTIVITIES:	
Operating (Loss)	($11,103,557)
Adjustments to Reconcile Net (Loss) to Net Cash (Used For) Operating Activities:	
Depreciation Expense	1,231,195
Changes in Assets and Liabilities	
Receivables, Net	(1,360,879)
Inventories	(4,657)
Other Assets	(62,925)
Accounts Payable	164,427
Deferred Revenue	850,603
Compensated Absences	76,299
Net Cash (Used For) Operating Activities	($10,209,494)

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

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

1. DESCRIPTION OF THE ENTITY

Stark State College of Technology (the "College") was originally chartered in 1966 under provisions of the Ohio Revised Code as a Technical College. The College offers 42 associate degree programs and five certificate programs that prepare individuals to be technicians and paraprofessionals in business technologies, engineering technologies, health technologies and public service technologies. Degrees awarded are the Associate of Applied Science, Associate of Applied Business, Associate of Science and Associate of Technical Studies. The College also offers noncredit continuing education classes and customized contract training services to companies and employees in the region. A seven-member Board of Trustees governs the College, which is a political subdivision of the State of Ohio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the College have been prepared in conformity with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The College also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989 provided they do not conflict with or contradict GASB pronouncements. The more significant of the College's accounting policies are described below:

A. Basis of Presentation – The College reports as "business type activities", as defined by GASB Statement No. 35. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. In accordance with GASB Statement No. 35, the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows are reported on a consolidated basis.

B. Measurement Focus - The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. All significant interfund transactions have been eliminated.

C. Operating and Non-Operating Revenues and Expenses – Operating revenues are those that generally result from exchange transactions such as payments received for providing goods and services and payments made for goods or services. Non-operating revenues and expenses result from capital and related financing activities, noncapital financing activities including state appropriations or investing activities.

D. Deferred Income – Deferred income arises when assets are recognized before revenue recognition criteria have been satisfied. The unearned portion of student tuition and fees for the summer session and all of the recorded student tuition and fees resulting from early registration for the fall session have been deferred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Investments – Except for nonparticipating investment contracts, investments are reported at fair value that is based on quoted market prices. Nonparticipating investment contracts such as overnight repurchase agreements are reported at cost.

During fiscal year 2004, investments were limited to STAR Ohio, mutual funds and donated common stock.

For purposes of the presentation on the Statement of Net Assets, investments with original maturities of three months or less at the time they are purchased by the College are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Inventories - Inventory consists principally of merchandise in the College's bookstore that is valued at cost on a first-in, first-out basis.

G. Capital Assets – Land; land improvements; buildings; infrastructure; equipment; and library books are stated at original acquisition costs when such information was available. In cases when original costs were not practicably determinable, estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated capital assets are capitalized at estimated fair market value on the date of the gift. When capital assets are sold or otherwise disposed of, the net carrying value of such asset is removed from the accounts and the Invested in Capital Assets – net of related debt component of net assets is adjusted as appropriate. Capital assets, with the exception of land, are depreciated on the straight-line method over the following estimated useful lives:

Land Improvements	20 to 30 years
Buildings and Improvements	7 to 40 years
Equipment	5 to 15 years
Library Books	10 years
Infrastructure	20 to 50 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost. Infrastructure assets consisting of roads, sidewalks, parking lots, lighting systems and signage are capitalized and reported. The College's capitalization threshold is $5,000 for equipment, $50,000 for buildings and $250,000 for infrastructure.

H. Insurance Reserve – The insurance reserve is based on a percentage of ownership in the Stark County Local School System – Health Benefit Plan prepared by the Stark County Council of Governments:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Compensated Absences - Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.

2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Other compensated absences with characteristics similar to vacation leave are those which are not contingent on a specific event outside the control of the employer and employee.

Further, sick leave and other similar compensated absences are those which are contingent on a specific event that is outside the control of the employer and employee. The College has accrued a liability for these compensated absences using the termination method when the following criterion is met:

1. The benefits are earned by the employees and it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' retirement ("termination payments").

The sick leave liability has been based on the College's past experience of making termination payments for sick leave.

J. Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use. The College identifies net assets restricted as either nonexpendable or expendable. Nonexpendable net assets represent endowment contributions from donors that are permanently restricted as to principal. Expendable net assets relate to grants and contract activity, whose use is subject to externally imposed restrictions. Unrestricted net assets are not subject to restrictions and may be designated for specific purposes by the Board of Trustees.

K. Grants and Scholarships – Student tuition and fees are presented net of grants and scholarships applied directly to student accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

M. Public Entity Risk Pools

Shared Risk Pool

Stark County School Council of Governments Health Benefit Plan – The Stark County School Council of Governments Health Benefit Plan (Council) is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by an assembly which consists of one representative from each participating entity (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services received from the participating entities, based on the established premiums for the insurance plans. Each entity reserves the right to terminate the plan in whole or in part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

3. CASH AND INVESTMENTS

A. Policies and Practices - It is the responsibility of the Business and Finance Department to deposit and invest the College's idle funds. The College's practice is to limit investments to United States Treasury notes and bills, collateralized certificates of deposit and repurchase agreements, insured and/or collateralized demand deposit accounts or obligations of other United States agencies for which the principal and interest is guaranteed by the United States Government. The College does not enter into reverse repurchase agreements.

3. CASH AND INVESTMENTS (continued)

The investment and deposit of College monies is governed by the Ohio Revised Code. In accordance with the Ohio Revised Code, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. Also, the investment of the College's monies is restricted to certificates of deposit, savings accounts, money market accounts and the State Treasurer's Investment Pool (STAR Ohio), obligations of the United States Government or certain agencies thereof and certain industrial revenue bonds issued by other governmental entities. The College may also enter into repurchase agreements with any eligible depository for a period not exceeding thirty days. Public depositories must give security for all public funds on deposit. These institutions may specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities with the face value of which is at least 110 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for the public deposits and investments to be maintained in the College's name.

B. Cash on Hand - At June 30, 2004, the College had $3,884 in undeposited cash on hand which is reported as "Cash" on the Statement of Net Assets.

C. Deposits - At June 30, 2004, the reported amount of the College's deposits was $258,258 and the bank balance was $412,796. Of the bank balance, $100,000 was covered by federal depository insurance and $312,796 was uninsured and uncollateralized as defined by the GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements", because the collateral pledged by the financial institution or their trust departments or agents is not in the College's name. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the College to a successful claim by the FDIC.

D. Investments - The College's investments are categorized below to give an indication of the level of credit risk assumed at fiscal year end. Category 1 includes investments that are insured, registered or for which the securities are held by the College or its agents in the College's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the College's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the College's name. STAR Ohio is not classified since it is not evidenced by securities that exist in physical or book entry form.

3. CASH AND INVESTMENTS (continued)

	Category 1	Category 2	Category 3	Fair Market Value
Donated Common Stock	$4,247	$0	$0	$4,247
Mutual Funds	227,110	0	0	227,110
Subtotal	$231,357	$0	$0	231,357
STAR Ohio				9,718,157
Insurance Reserve				513,739
Total Investments				$10,463,253

The College has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the fiscal year ended June 30, 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price that is the price the investment could be sold for on June 30, 2004.

4. CAPITAL ASSETS

A summary of the changes in capital assets and related accumulated depreciation during fiscal year 2004 follows:

	Balance 06/30/2003	Additions	Deletions	Balance 06/30/2004
Land	$1,943,485	$0	$0	$1,943,485
Land Improvements	2,281,667	0	0	2,281,667
Buildings	28,637,520	180,507	(27,562)	28,790,465
Equipment	3,079,653	657,718	(191,361)	3,546,010
Library Books	25,477	4,353	(1,125)	28,705
Infrastructure	193,127	0	0	193,127
Construction in Progress	4,266,938	4,706,373	0	8,973,311
Total	40,427,867	5,548,951	(220,048)	45,756,770
Less Accumulated Depreciation				
Land Improvements	653,248	86,648	0	739,896
Buildings	10,463,982	721,775	0	11,185,757
Equipment	2,009,128	411,729	(191,361)	2,229,496
Library Books	10,372	2,352	(1,125)	11,599
Infrastructure	65,180	8,691	0	73,871
Total	13,201,910	1,231,195	(192,486)	14,240,619
Capital Assets Net	$27,225,957	$4,317,756	($27,562)	$31,516,151

5. LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2004, is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Lease Obligation	$119,862	$22,661	($93,354)	$49,169	$32,431
Other Lease Obligations	8,819	0	(6,519)	2,300	2,300
Compensated Absences	492,312	118,988	(42,689)	568,611	44,260
Total	$620,993	$141,649	($142,562)	$620,080	$78,991

The College has the following future minimum payments for capital leases:

Fiscal Year Ending June 30,	
2005	$34,183
2006	11,146
2007	6,378
Total	51,707
Less Amount Representing Interest	(2,538)
Present Value of Minimum Lease Payments	$49,169

The College has the following future minimum payments for operating leases:

Fiscal Year Ending June 30,	
2005	$2,337
Total	2,337
Less Amount Representing Interest	(37)
Present Value of Minimum Lease Payments	$2,300

6. DEFINED BENEFIT PENSION PLANS

All employees of the College are eligible to participate in one of two cost-sharing, multiple employer defined benefit pension plans. Academic personnel participate in the State Teachers Retirement System (STRS Ohio) and nonacademic personnel participate in the School Employees Retirement System (SERS Ohio).

A. State Teachers Retirement System

The College participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STAR Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371 or by calling (614)227-4090.

6. DEFINED BENEFIT PENSION PLANS (continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 9.3 percent of their annual covered salaries. The College was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The College's required contributions for pension obligations fiscal years ended June 30, 2004, 2003 and 2002 were $1,173,691, $1,103,082 and $756,840 respectively; equal to the required contribution for each fiscal year.

6. DEFINED BENEFIT PENSION PLANS (continued)

B. Public Employees Retirement System of Ohio

Nonacademic personnel of the College participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Public Employees Retirement Board. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)466-2085 or 1-800-222-7377.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension benefit obligations and the College is required to contribute 13.31 percent; 8.31 percent was the portion used to fund pension obligations. Contributions are authorized by state statute. The contribution rates are determined actuarially. The College's contributions for pension obligations to OPERS for the fiscal years ended June 30, 2004, 2003 and 2002 were $445,123, $419,092 and $447,637, respectively, equal to the required contributions for each fiscal year.

7. POSTEMPLOYMENT BENEFITS

The College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired non-certified employees and their dependents through the Ohio Public Employees Retirement System (OPERS). Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

Pursuant to the Ohio Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2004, the Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the College, this amount equaled $90,245 during fiscal 2004.

The balance in the Health Care Reserve Fund was $2.8 billion at June 30, 2003 (latest information available). For the year ended June 30, 2003, net health care costs paid by STRS Ohio were $352,301,000, and STRS Ohio had 108,294 eligible benefit recipients statewide.

7. POSTEMPLOYMENT BENEFITS (continued)

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Post-Employment Benefits by State and Local Governmental Employers". A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The fiscal 2003 employer contribution rate was 13.31 percent of covered payroll; 5.0 percent was the portion that was used to fund health care for the year. The College's actual contributions for fiscal year 2004 which were used to fund post-employment benefits were $267,824.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS.

The following assumptions and calculations were based on OPERS' latest actuarial review performed as of December 31, 2002. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2002 was 8.00 percent. An annual increase of 4.00 percent compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

OPEBs are advance-funded on an actuarially determined basis. As of December 31, 2002 (the latest information available), the actuarial value of OPERS' net assets available for OPEB was $10.0 billion. The number of active contributing participants statewide at December 31, 2001 was 364,881. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $18.7 billion and $8.7 billion respectively.

In December, 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit.

7. POSTEMPLOYMENT BENEFITS (continued)

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefits. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medial expenses, much like a Medical Spending Account.

8. CONTINGENCIES

A. Federal and State Grants

The College participates in certain State and Federally-assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. In the opinion of the College, no material grant disbursements will be disallowed.

B. Litigation

A claim is pending against the College. It is management's opinion that the ultimate liability will not have a material effect on the financial statements.

9. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft; damage to or destruction of assets, errors and omissions; employee injuries; and natural disasters. By maintaining comprehensive insurance coverage with private carriers, the College has addressed these various types of risk. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years. There has not been a significant reduction of coverage from the prior fiscal year.

The College is a member of the Stark County Schools Council of Governments, a shared risk pool (see Note 2), which was established to provide a partially self-funded health benefits program to its members. The College pays a monthly premium to the Council of Governments for its health care coverage. The health plan is self-sustaining through member premiums and reinsures through an insurance company to pay claims in excess of $200,000 per individual and $50,138,918 for the group as a whole.

The insurance claims payable of $282,331 is based on the requirements of GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the Council of Governments. A summary of the claims liability during the past two fiscal years are as follows:

9. RISK MANAGEMENT (continued)

	Balance at Beginning of Fiscal Year	Current Fiscal Year Claims	Claims Payments	Balance at End of Fiscal Year
2003	$226,816	$1,589,890	($1,570,149)	$246,557
2004	$246,557	$2,035,695	($1,999,921)	$282,331

10. RELATED ORGANIZATIONS

The Stark State College Foundation (the Foundation) is a not-for-profit organization which operates under a separate board exclusively for the benefit of the College and is therefore not included in the College's June 30, 2004 financial statements. At June 30, 2004, the total net assets of the Foundation, not included in the financial statements of the College, were $1,723,177. During the year ended June 30, 2004, the Foundation contributed to the College $925,094 for scholarships, professional development, instructional equipment and supplies, and other projects.

GARY B. FINK & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS
121 College Street
Wadsworth, Ohio 44281
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Stark State College of Technology
6200 Frank Avenue, NW
Canton, Ohio 44720-7299

We have audited the financial statements of the Stark State College of Technology (the College), as of and for the year ended June 30, 2004, and have issued our report thereon dated December 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that we have reported to management of the College in a separate letter dated December 23, 2004.

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

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

GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

December 23, 2004

GARY B. FINK & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS
121 College Street
Wadsworth, Ohio 44281
330/336-1706 Fax 330/334-5118

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

Board of Trustees
Stark State College of Technology
6200 Frank Avenue, NW
Canton, Ohio 44720-7299

Compliance

We have audited the compliance of the Stark State College of Technology (the College) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, the Stark State College of Technology complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

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

Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

December 23, 2004

Stark State College of Technology
Schedule of Federal Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Receipts	Disbursements
U.S. Department of Education				
Student Financial Assistance Programs Cluster:				
Federal Work-Study Program	84.033	-	$176,317	$208,820
Federal Supplemental Educational Opportunity Grants	84.007	-	127,444	126,363
Federal Pell Grant Program	84.063	-	5,041,401	5,093,302
Federal Family Educational Loans	84.032	-	7,019,326	7,019,326
Total Student Financial Assistance Programs Cluster			12,364,488	12,447,811
Higher Education - Institutional Aid (Title III Strengthening Institutions Program)	84.031	P031A990249	283,475	408,911
Passed Through Ohio Department of Education:				
Vocational Education - Basic Grants to States (Perkins Basic Grant)	84.048	VECPII-P2004-508	79,533	143,083
Tech-Prep Education	84.243	VETP-2004-13-FB	161,011	159,058
Higher Skills Partnership Initiative	17.258	IRN-WF-HS-2004	16,875	17,192
Total Passed Through the Ohio Department of Education			257,419	319,333
Fund for the Improvement of Postsecondary Education	84.116	P116Z020162	409,548	380,086
Fund for the Improvement of Postsecondary Education	84.116	P116Z030103	179,128	189,774
Fund for the Improvement of Postsecondary Education	84.116	P116Z030024	669,045	684,139
Total Fund for the Improvement of Postsecondary Education			1,257,721	1,253,999
Total Federal Assistance - U.S. Department of Education			14,163,103	14,430,054
U.S. Department of Health and Human Services				
Health Care Facilities and Other Construction	93.887	-	698,603	900,371
Total Federal Assistance - U.S. Department of Health and Human Services			698,603	900,371
Total Federal Assistance			$14,861,706	$15,330,425

The notes to this Schedule are an integral part of this Schedule.

STARK STATE COLLEGE OF TECHNOLOGY
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the Stark State College of Technology's federal awards programs. The Schedule has been prepared on the cash basis of accounting. The information in the Schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

STARK STATE COLLEGE OF TECHNOLOGY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §505

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of auditor's report issued on the financial statements	Unqualified Opinion
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level?	No
(d)(1)(ii)	Were there any other reportable conditions in internal control reported at the financial statement level?	No
(d)(1)(iii)	Was there any material noncompliance reported at the financial statement level?	No
(d)(1)(iv)	Were there any material weaknesses in internal control over major programs reported?	No
(d)(1)(iv)	Were there any other reportable conditions in internal control over major programs reported?	No
(d)(1)(v)	Type of auditor's report issued on compliance for major programs	Unqualified Opinion
(d)(1)(vi)	Were there any reportable audit findings under §510?	No

STARK STATE COLLEGE OF TECHNOLOGY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §505

FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(CONTINUED)

(d)(1)(vii)	Major Programs:	Student Financial Assistance Programs Cluster: Federal Work-Study Program, CFDA #84.033; Federal Supplemental Educational Opportunity Grants, CFDA #84.007; Federal Pell Grant Program, CFDA #84.063; Federal Family Education Loans, CFDA #84.032; Health Care Facilities and Other Construction, CFDA #93.887
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

   None

3. **FINDINGS FOR FEDERAL AWARDS**

   None

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STARK STATE COLLEGE OF TECHNOLOGY

STARK 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
FEBRUARY 15, 2005