Owens State Community College
(a component unit of the State of Ohio)

Financial Report
with Additional Information
June 30, 2008 and 2007

Mary Taylor, CPA
Auditor of State

Board of Trustees
Owens State Community College
PO Box 10000
Toledo, Ohio 43699

We have reviewed the *Independent Auditor's Report* of the Owens State Community College, Wood County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2007 through June 30, 2008. 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 Owens State Community College is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 17, 2008

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Owens State Community College

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Independent Auditor's Report

To the Board of Trustees
Owens State Community College

We have audited the accompanying statement of net assets of Owens State Community College (the "College") and its discretely presented component unit as of June 30, 2008 and 2007 and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. 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 audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Owens State Community College and its discretely presented component unit as of June 30, 2008 and 2007 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2008 on our consideration of Owens State Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying schedule of expenditures of federal awards is presented for the purpose 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 basic financial statements. Such information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Board of Trustees
Owens State Community College

The management's discussion and analysis presented on pages 3 through 16 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

October 15, 2008

The management's discussion and analysis (MD&A) of Owens Community College's (the College) financial statements provide an overview of the College's operations for the fiscal years ended June 30, 2008, 2007, and 2006. Management has prepared this analysis, as well as the underlying financial statements and footnote disclosures, and is responsible for the completeness and fairness of the information.

Using This Annual Report

The College's annual 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 financial statements are prepared in accordance with Governmental Accounting Standards Board principles.

The financial statements report Owens Community College's net assets and changes in them. Over time, increases or decreases in the College's net assets indicate whether the College's financial position is improving or declining. Similarly, other changes of a nonfinancial nature are relevant as well, such as trends in enrollment, program growth or decline, the functionality of facilities, and required maintenance.

The College's financial statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector institutions. All of the current revenues and expenses are taken into account regardless of when cash is received or paid.

Another important factor to consider when evaluating the College's financial viability is its ability to meet financial obligations as they mature. The statement of cash flows presents the information related to cash inflows and outflows summarized by operating, investing, capital, and noncapital financing activities and illustrates the College's sources and uses of cash.

Financial Highlights

The net assets by category for fiscal years 2008, 2007, and 2006 are shown below. In the aggregate, the net assets increased by $2.9 million from fiscal year 2007.

	Net Assets			
	Invested in Capital Assets	Restricted (for Loans)	Unrestricted	Total Net Assets
FY 2008	$ 76,855,298	$ -	$ 21,357,552	$ 98,212,850
FY 2007	72,764,560	106,676	22,428,170	95,299,406
FY 2006	70,563,284	106,676	22,085,499	92,755,459

It should be noted that, previously, expenditures of a capital nature were capitalized if over $500, and depreciation was not calculated. Beginning with fiscal year 2002, and in compliance with GASB 34, depreciation was calculated. Also, beginning with fiscal year 2002, only items greater than $5,000 were capitalized.

A summarization of the College's assets, liabilities, and net assets at June 30, 2008, 2007, and 2006 follows:

	2008	2007	2006
Assets:			
Current assets	$ 49,112,076	$ 48,047,018	$ 44,759,580
Capital assets	77,391,539	73,165,772	71,142,572
Notes receivable	35,984	38,364	649,710
Total assets	126,539,599	121,251,154	116,551,862
Liabilities:			
Current liabilities	25,145,978	23,197,296	20,463,672
Noncurrent liabilities	3,180,771	2,754,452	3,332,731
Total liabilities	28,326,749	25,951,748	23,796,403
Net assets:			
Invested in capital assets - Net of debt	76,855,298	72,764,560	70,563,284
Restricted	-	106,676	106,676
Unrestricted	21,357,552	22,428,170	22,085,499
Total net assets	$ 98,212,850	$ 95,299,406	$ 92,755,459

2008 Variances

Current assets increased by $1,065,058 from 2007 to 2008 primarily due to increases in investments and prepaid and deferred charges offset by decreases in cash and cash equivalents and accounts receivable. Current liabilities increased from 2007 to 2008 primarily due to increases in deferred revenue. The noncurrent liabilities increased from 2007 to 2008 primarily due to increases in benefits payable. Net assets increased by the amount of revenues over expenditures which are described in more detail later. Changes in capital assets are also described in more detail later.

2007 Variances

Current assets increased from 2006 to 2007 by $3.2 million largely as the result of an increase in investments of $3.2 million and an increase in accounts receivable of $1.6 million offset by a decrease in deferred charges of $1.2 million. Capital assets increased due to continued investments on campus. Current liabilities increased due to continuing increases in vacation and sick pay accruals. Current liabilities also increased due to unpaid taxes on wages at year end due to the last payroll being on the last day of the fiscal year. The noncurrent liabilities decreased due to the liquidation procedures for Perkins loans. The government has taken almost all outstanding loans on assignment. The closing procedure and audit will be completed in 2008.

A summarization of the College's revenues, expenses, and changes in net assets for the years ended June 30, 2008, 2007, and 2006 follows:

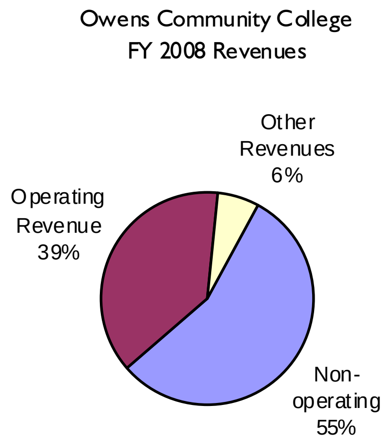
	2008	2007	2006
Operating Revenues			
Student tuition and fees	$ 23,251,158	$ 23,260,468	$ 22,251,794
Grants - Federal, state, local	7,865,146	7,659,877	7,191,758
Sales and service	99,846	93,198	67,895
Auxiliary activities	9,279,368	8,344,801	7,950,348
Other operating revenues	815,000	728,172	2,257,372
Total operating revenues	41,310,518	40,086,516	39,719,167
Operating Expenses			
Educational and general:			
Instructional and departmental research	45,925,230	44,664,134	40,534,383
Institutional research	284,168	207,887	194,209
Public service	2,762,045	2,415,467	2,083,089
Academic support	4,592,231	4,629,497	3,998,235
Student services	7,407,548	6,793,900	6,341,760
Institutional support	16,355,172	12,975,727	13,559,943
Operation and maintenance of plant	10,865,255	9,933,679	9,475,132
Scholarships and other student aid	2,725,339	2,714,419	3,081,593
Depreciation	4,494,302	3,815,813	4,033,400
Auxiliary enterprises	8,363,691	7,940,242	8,216,435
Total operating expenses	103,774,981	96,090,765	91,518,179
Operating Loss	(62,464,463)	(56,004,249)	(51,799,012)
Nonoperating Revenues			
State appropriations	41,388,939	39,883,175	38,049,111
Other nonoperating revenues and expenses	1,081,567	1,236,281	803,490
Pell Grants	16,082,039	13,820,045	14,173,301
Total nonoperating revenues	58,552,545	54,939,501	53,025,902
Income (Loss) Before Other Revenues and Expenses	(3,911,918)	(1,064,748)	1,226,890
Capital Appropriations and Grants	6,825,362	3,608,695	3,376,430
Increase in Net Assets	2,913,444	2,543,947	4,603,320
Net Assets - Beginning of year	95,299,406	92,755,459	88,152,139
Net Assets - End of year	**$ 98,212,850**	**$ 95,299,406**	**$ 92,755,459**

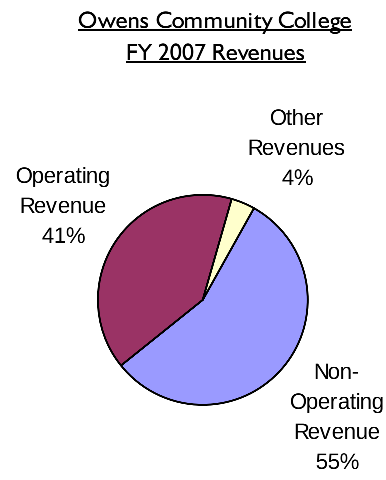
Statement of Revenues, Expenses, and Changes in Net Assets

The College converted from a technical college to a state community college in 1994. Since that date, enrollment has increased by 132 percent and the FTE (full-time equivalent) increased by 128 percent. For the fall semester 2008, the headcount of 21,328 represented a 4.4 percent increase; for the fall semester 2007, the headcount of 20,425 represented a 6.5 percent increase, while for the fall semester 2006, the headcount of 19,176 represented a 6 percent increase. The FTEs for fall 2008, 2007, and 2006 were 5,608, 5,433, and 5,319, respectively, and represented an increase of 3.2 percent, an increase of 2.1 percent and a decrease of 8.8 percent, respectively.

The College's two major sources of revenue are tuition and fees - operating revenue, and the State share of instruction - nonoperating revenue. Both types of revenue are tied to enrollment, with tuition and fees being generated via an assessment mechanism, which focuses on individual credit hours of enrollment. In contrast, the State share of instruction is calculated using a methodology that aggregates credit hours from similar programs into categories referred to as general, technical, baccalaureate, masters and professional, and doctoral and medical. Each of these groupings is then assigned a value based on historical cost. This value, less an assumed charge for the College's tuition and fees, provides a net value, which is then factored by the College's FTE (full-time equivalent) students in that program (Hours/30) to arrive at the monies due the College for the State share of instruction.

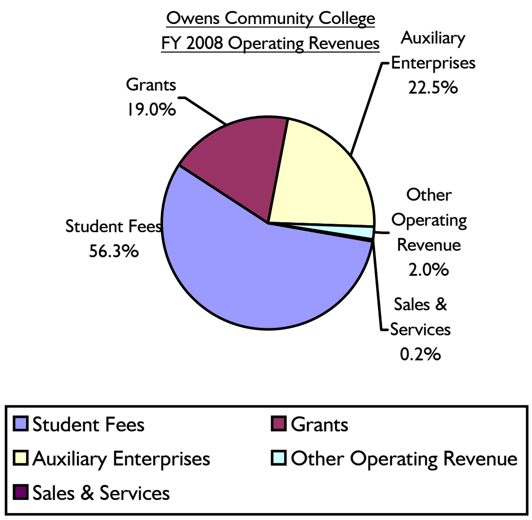
The charts set forth below present total revenues by category for the fiscal years ended June 30, 2008 and 2007:

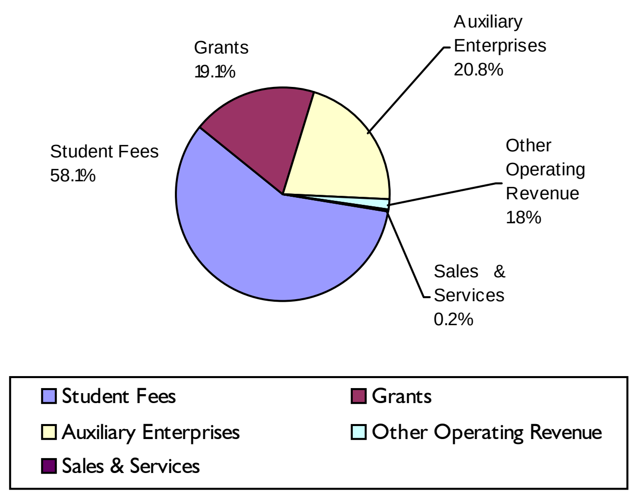




Operating Revenue

The charts set forth below reflect the College's operating revenue for the fiscal years ended June 30, 2008 and 2007:





The College fee that students were assessed on a per credit hour basis for summer 2003 (fiscal year 2004) was $100.75. Effective for summer 2004 (fiscal year 2005), the per credit hour fee was increased to $110, reflecting a $6.00 per credit hour increase in the instructional fee and a $3.25 per credit hour increase in the general fee. The general fee provides for non-instructional services such as student activities, library privileges, and technology. Presently, the College has allocated a portion of the general fees for technology initiatives. Effective for summer 2005 (fiscal year 2006), the per credit hour fee was increased to $116, reflecting a $6.00 per credit hour increase in the instructional fee only. For fall 2006 the credit hour increased to $122.50. An additional increase of $.50 to the general fee was made for a new student organization support. The tuition and fees per credit hour has remained at the level of $123 ever since due to the freeze mandated by the State of Ohio.

The recent increases in tuition were due to the fact that the State of Ohio slightly increased the College's share of instruction by 3.3 percent during the last four fiscal years. This share of instruction has remained the same for this year. During this same time period, the College grew by 38.7 percent in FTEs. The board of trustees and administration were jointly concerned as to the potential negative impact that faced the budget without the increase in tuition.

Auxiliary service activities (including food services, bookstore operations, childcare services, Center for Fine and Performing Arts, advertising, communications, and copy center) increased primarily due to additional textbook sales.

Nonoperating Revenue

The College's largest single source of revenue is the nonoperating revenue received from the State of Ohio. The College's State share of instruction and access challenge funds amounted to $41,388,939, $39,883,175, and $38,049,111, in fiscal years 2008, 2007, and 2006, respectively.

Another component of nonoperating revenue is investment income. Interest rates have increased due to the change in investments in 2007 and 2006. The increase in investment earnings almost doubled from 2004-2005 and was up significantly again in 2005-2006. The trend has continued in 2006-2007. The trend has changed and we have had lower earnings in 2008, thus showing a lower amount of earnings.

According to GASB changes for the year 2008, the Pell grants must now be shown as nonoperating revenue. Thus the operating income has become less and the nonoperating has increased. Pell grants continue to increase as headcount at the College increases.

Operating Expense Changes

The College's revenues and operating expenses are closely linked to student enrollment changes. However, the increase in expenses in 2008 was much higher than in income. Large increases were experienced in all but one area. Academic support is the only area which did not increase as no budget overages occurred in this area.

For 2007, due to inflationary increases for fuel, utilities, and insurance and wage increases, the increase in expenses was higher than revenues. With the exception of institutional support, scholarships, and auxiliary enterprises, most areas experienced growth of 7 percent to 15 percent.

The depreciation expense for fiscal years 2008, 2007, and 2006 was $4,484,302, $3,815,813, and $4,033,400, respectively.

Capital Assets

At June 30, 2008, 2007, and 2006, the College had $77,391,539, $73,165,772, and $71,142,572, respectively, invested in capital assets.

The details of the capital assets at June 30, 2008, 2007, and 2006 are shown below.

	2008	2007	2006
Land and land improvements	$ 20,120,210	$ 13,132,678	$ 12,944,377
Buildings	95,252,305	88,236,918	83,513,393
Equipment	20,872,216	19,784,876	19,270,889
Leasehold improvements	223,286	-	-
Less accumulated depreciation	(59,565,857)	(55,095,690)	(51,297,477)
Net of depreciation	76,902,160	66,058,782	64,431,182
Construction in progress	489,379	7,106,990	6,711,390
Total	$ 77,391,539	$ 73,165,772	$ 71,142,572

Debt associated with capital assets is of a trade payable nature and notes payable for the purchase of a new telephone system in 2005. Equipment was purchased from Caterpillar and John Deere in FY 2008. The total debt added was $349,710. The outstanding balance at June 30, 2008 for all of the debt was $536,241,of which $268,444 is long term.

Capital Projects

Fiscal year 2008 capital activity was associated with a number of basic renovation projects. These projects, which focused primarily on energy conservation measures, included replacement of the Administration Hall skylight at a cost of $112,700, of which $108,800 was supported by state capital. This much-needed renovation improved the function and quality of day-lighting throughout the building, as well as resolved leaks and penetration issues. Further renovation to Administration Hall involved replacement of the antiquated HVAC boilers with two high-efficiency boilers to provide improved operation at a substantially lower utility cost. As part of this same capital project, a similar boiler replacement was completed in the Child Care Center. Boiler renovations for both buildings were completed at a cost of $152,055, of which $105,958 was state funds.

Improved energy management was the central focus for a capital project to install electric sub-metering throughout the Toledo campus. As a state-funded project of $74,510, electric sub-metering is considered a critical component to the College's comprehensive energy program. As a fundamental part of the Building Management System, the individual sub-meters will allow centralized control and management of building utilities.

On the Findlay campus, a capital project was completed to improve the playground amenities at the Child Care Center. This included the installation of playground equipment along with new sidewalks and a bike path. The project costs of $67,548 were supported by state funds.

Another significant capital project for the College in FY 2008 centered on the purchase of the vacated Penta Joint Vocational School buildings and campus. With a previous state allocation of $12,000,000 to bring about the campus purchase, the College undertook an exhaustive review to assess the need, use, and value of the available buildings. At the end of this lengthy review and with board approval, the College finally negotiated for the Penta purchase at a cost of $6,000,000. This acquisition provided the College approximately 27.5 acres, six buildings offering over 323,000 square feet, as well as title to the 27.2 acres the College was currently leasing from Penta. With sufficient space to accommodate projected enrollment and program growth, the College then petitioned the State Controlling Board to reassign the balance of the $12,000,000 allocation for the purchase. Accordingly, the College requested and was granted a Transfer of Capital Funds to allow the remaining $6,000,000 to be used for future renovations to the acquired buildings.

TABLE 1	
Campus Expansion - Penta Property Acquisition	
State Funding Requested	$12,000,000
Local Funds Estimated	$575,000
Total Project Budget Estimate	$12,575,000
Property Purchase	55 Acres
Educational Facilities	309,629 SF

Projected Capital Projects

Capital Planning for fiscal year 2009 would include a significant number of projects of varying size and complexity. While routinely addressing deferred maintenance concerns, current basic renovation projects include the following:

Renovation to the IT Operations Center	$800,000
Roof repairs to AVCC, MS, Library	$50,000
Lighting retrofits for Engineering Bldg	$101,743
Repair radiant heaters in Transportation Tech	$33,000
Campus sidewalk repairs	$307,322
Carpeting replacement in AVCC, LE, CH	$101,720
Repair Facility Bldg parking lot	$150,000
Transportation Tech parking lot repair	$87,500
Administration Hall exterior drainage repairs	$20,000
Repair folding door panels in AVCC	$27,806
All campus emergency notification system	$219,469

Beyond the aforementioned basic renovation projects, the College will be moving forward with several important comprehensive capital undertakings. With the purchase of the Penta campus and buildings complete, a far-reaching renovation project will begin in FY 2009. By way of combined state capital funds of $8,500,000, renovations will begin with the demolition of the Original Classroom Building to allow the College to redefine the campus site plan. Progressively the renovations will update and bring each building up to code compliance. These renovations and subsequent reassignments of departments to the newly available space will have a wide, sweeping impact upon all areas of the campus as the College reinvents its master facility plan.

The College is prepared to enter into phase III of the development of the Emergency Preparedness Campus. By the fall of 2008, work will begin on the construction of the Fire and Police Training Center. With an estimated cost of $3,300,000, the project will be supported by state funding of $493,940 and is due to be completed by July 2009. When complete, the facility will provide 28,790 square feet and serve as a state-of-the-art fire training facility, serving fire and police departments and personnel throughout the Midwest.

Center for Emergency Preparedness, Phase III

Phase III calls for local funding of a 40,000 square foot, pre-engineered structure with a layout for classrooms, locker rooms, offices, and a high-bay training area for fire truck hook and ladder exercises with an interior three-story mock-up building. The facility will also provide a secured area for safety vehicles and equipment.

TABLE 2	
Center for Emergency Preparedness, Phase III	
State Funding Pending	$493,940
Local Funds Estimated	$3,506,060
Total Project Budget Estimate	$4,000,000
Facility Space	40,000 GSF

Cash Flows

Information on the cash flows of the College for the years ended June 30, 2008, 2007, and 2006 follows:

	Year Ended June 30		
	2008	2007	2006
Cash Flows from Operating Activities			
Student tuition and fees	$ 24,698,197	$ 23,282,612	$ 22,587,221
Grants - Federal, state, local	6,962,255	7,614,963	7,030,203
Payments to employees, suppliers, students, and others	(98,740,689)	(89,927,014)	(88,181,367)
Auxiliary enterprises	9,238,615	8,338,097	7,988,532
Sales and services	99,846	93,198	67,895
Other receipts	1,519,395	426,069	1,354,898
Net cash used in operating activities	(56,222,381)	(50,172,075)	(49,152,618)
Cash Flows from Noncapital Financing Activities -			
Pell grant	16,082,039	13,820,045	14,173,301
State appropriations	41,388,939	39,883,175	38,049,111
Net cash provided by noncapital financing activites	57,470,978	53,703,220	52,222,412
Cash Flows from Capital and Related Financing Activities			
Proceeds from sale of Findlay property	-	-	3,064,935
Proceeds from notes payable	349,710	-	-
Principal payments on notes payable	(214,681)	(178,076)	(169,864)
Capital appropriations and grants	6,577,797	4,357,290	3,376,430
Purchases of capital assets	(8,720,069)	(5,839,013)	(8,286,836)
Net cash used in capital and related financing activities	(2,007,243)	(1,659,799)	(2,015,335)
Cash Flows from Investing Activities			
Interest on investments	1,091,983	1,222,983	803,490
Purchase of investments	(13,368,174)	(7,135,395)	(3,075,041)
Proceeds from sale and maturity of investments	9,785,564	3,872,413	4,082,590
Net cash provided by (used in) investing activities	(2,490,627)	(2,039,999)	1,811,039
Net Increase (Decrease) in Cash	(3,249,273)	(168,653)	2,865,498
Cash - Beginning of year	13,682,430	13,851,083	10,985,585
Cash - End of year	**$ 10,433,157**	**$ 13,682,430**	**$ 13,851,083**

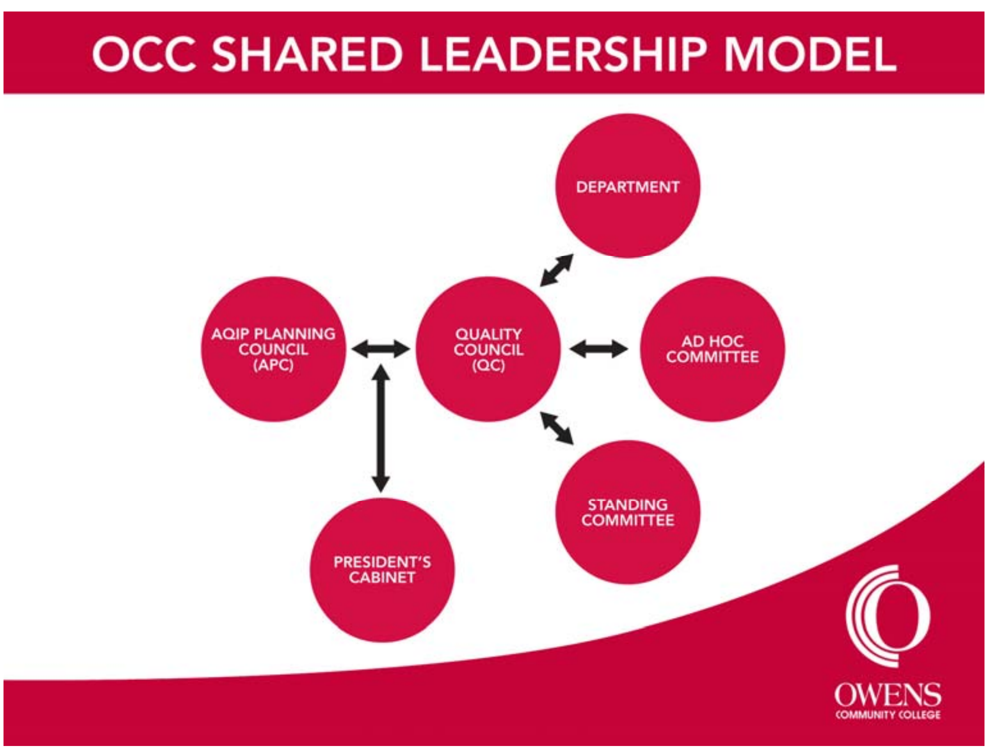
Cash used in operating activities increased over 2007 due primarily to an increase in operating expenses incurred by the College. Primary inflows of operating cash are from tuition and fees, grant revenue, and auxiliary enterprises. Primary outflows of operating cash are payments to employees and suppliers. Cash flows from noncapital financing activities increased due to the increased amount of Pell grants students received and an increase in state appropriations. Cash flows from capital and related financing activities decreased slightly from 2007 but was consistent with 2006. Cash flows from investing activities decreased due primarily to lower interest rates earned by the College.

Initiatives

AQIP Planning Council and the Quality Council

Owens Community College (OCC) is in the process of implementing a shared leadership model. This model was developed to facilitate communication among all members of the Owens Community College community and place authority for decision making with those who should participate in making the decisions. The model allows for the two-way flow of information. It also establishes a structure for decision-making at the appropriate point of contact (see Figure 1).

Figure 1



Following are the mission statement and objectives for the OCC Shared Leadership Model:

Learning Is the Sum of All That We Are

Service. We will create a community of reciprocal care and shared responsibility where every person matters and each person's welfare and dignity is respected and supported.

Learning. We will create a community of learners where we continually share knowledge, competencies, and skills to promote cultural enrichment, creative expression, and personal freedom.

Collaboration. We will empower individuals, build trust, and capitalize on the diverse talents of our employees.

Innovation. We will work together creatively to build a college that expands access and opportunity for students and communities.

Excellence. We will continually improve the quality of life and learning for our students and our communities to strengthen the civic environment of the communities we serve.

One goal of the Owens Community College shared leadership model is to push decision-making to the appropriate level. Some decisions, by law and by necessity, rest with the Board of Trustees. Others can be recommended and/or implemented by individuals, councils, committees, ad hoc committees, Departments, Divisions, and/or Schools. Certainly the technical decisions (routine, day-to-day decisions made by individuals as part of their job requirements) should be made by the person whose job it is to make those decisions. One of the early challenges of the shared leadership model will be to determine which decisions can and should be made and implemented within which arenas.

The OCC Shared Leadership Model consists of two standing councils (the AQIP Planning Council and the Quality Council), Owens Community College Departments, Standing Committees, and Ad Hoc Committees, as shown in Figure 1. College personnel (as individuals and as groups) are also part of the leadership model - since this model recognizes that all members of the college community are leaders and that all members should have the opportunity to participate in the decision-making process.

Purchasing Card

In January 2008, Owens Community College entered into an agreement with University of Toledo, Bowling Green State University, and JP Morgan Chase for a joint purchasing card venture. The institutions pool purchasing and receive higher rebate rates than if each institution had separate agreements. In addition to the rebates, the institution has benefited by delegation of purchase authority and accountability to authorized faculty and staff, more efficient processing of purchases of non-restricted items, and a reduction in administrative costs associated with processing purchase orders, supplier invoices, and checks.

Outsourcing Student Refund Checks

On December 20, 2007, Owens Community College began implementation to outsource student refunds to HigherOne, a financial services company focused exclusively on higher education. The completion date of this project was April 28, 2008. Over 65 percent of students receive financial aid. While the focus is on serving our students, with Higher One our students have the opportunity to get their refunds faster, have 24-7 service by an organization that specializes in refund management, and students that would not otherwise be able have a bank account can have a debit card and be able to write checks to pay their bills.

From an administrative perspective, the College was cutting over 22,000 refund checks per year and attempts to persuade students to use direct deposit were largely unsuccessful. In addition to lower printing and mailing costs, our bank reconciliation process has been simplified. More importantly, for accounting and financial aid, the College's audit responsibilities end once the funds are transferred and the accompanying student information is sent to HigherOne.

Energy Management Program

Finally, during fiscal year 2009, the College will begin an extensive plan to institute a comprehensive energy management program. This plan will be designed to change operations, culture, systems, and facilities and to capture a significant reduction in energy consumption (20 percent or greater) with a resulting expense reduction, over the next five years. With an initial state biennium allocation of $2,000,000, the entire anticipated five-year project is expected to cost approximately $8,900,000. Since the designed program has an expected financial return greater than costs, various financing options are being reviewed to expedite the process.

Owens State Community College

Statement of Net Assets

	June 30, 2008	
	2008	2007
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	$ 10,433,157	$ 13,682,430
Investments (Note 2)	13,368,174	9,785,564
Accounts receivable - Net (Note 3)	20,575,266	22,140,020
Receivable from Foundation	48,498	78,755
Prepaid expenses and deferred charges	3,458,340	1,440,518
Deposits	172,959	22,005
Inventories	1,049,332	890,956
Student loans receivable - Net (Note 4)	6,350	6,770
Total current assets	49,112,076	48,047,018
Noncurrent Assets		
Capital assets - Net (Note 10)	77,391,539	73,165,772
Student loans receivable - Net (Note 4)	35,984	38,364
Total noncurrent assets	77,427,523	73,204,136
Total assets	**$ 126,539,599**	**$ 121,251,154**
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable (Note 5)	$ 2,809,336	$ 2,580,930
Notes payable (Note 13)	267,797	186,683
Salaries, wages, and fringe benefits payable	5,184,294	5,170,198
Deferred revenue	16,531,844	15,130,836
Deposits held for others	352,707	128,649
Total current liabilities	25,145,978	23,197,296
Noncurrent Liabilities:		
Benefits payable (Note 13)	2,758,980	2,303,116
Notes payable (Note 13)	268,444	214,529
Federal student loans (Note 13)	6,023	89,483
Non-federal student loans (Note 13)	147,324	147,324
Total noncurrent liabilities	3,180,771	2,754,452
Total liabilities	28,326,749	25,951,748
Net Assets		
Invested in capital assets	76,855,298	72,764,560
Restricted for expendable assets	-	106,676
Unrestricted	21,357,552	22,428,170
Total net assets	98,212,850	95,299,406
Total liabilities and net assets	**$ 126,539,599**	**$ 121,251,154**

The Notes to Financial Statements
Are an Integral Part of this Statement.

Owens State Community College

Statement of Revenues, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2008	2007
Revenues		
Operating revenues:		
Student tuition and fees - Net of scholarship allowances of $20,226,124 (2008) and $18,208,513 (2007)	$ 23,251,158	$ 23,260,468
Grants - Federal, state, local	7,865,146	7,659,877
Sales and services	99,846	93,198
Auxiliary enterprises - Net of scholarship allowances of $396,349 (2008) and $402,389 (2007)	9,279,368	8,344,801
Other operating revenues	815,000	728,172
Total operating revenues	41,310,518	40,086,516
Operating expenses:		
Educational and general:		
Instructional and departmental research	45,925,230	44,664,134
Institutional research	284,168	207,887
Public service	2,762,045	2,415,467
Academic support	4,592,231	4,629,497
Student services	7,407,548	6,793,900
Institutional support	16,355,172	12,975,727
Operation and maintenance of plant	10,865,255	9,933,679
Scholarships and other student aid	2,725,339	2,714,419
Depreciation	4,494,302	3,815,813
Auxiliary enterprises - Net of scholarship allowances	8,363,691	7,940,242
Total operating expenses	103,774,981	96,090,765
Operating Loss	(62,464,463)	(56,004,249)
Nonoperating Revenues		
State appropriations	41,388,939	39,883,175
Investment income	1,081,567	1,236,281
Pell Grants	16,082,039	13,820,045
Net nonoperating revenues	58,552,545	54,939,501
Loss Before Other Revenues	(3,911,918)	(1,064,748)
Other Revenues		
Capital appropriations	6,795,362	3,564,695
Capital grants	30,000	44,000
Total other revenues	6,825,362	3,608,695
Increase in Net Assets	2,913,444	2,543,947
Net Assets		
Beginning of year	95,299,406	92,755,459
End of year	**$ 98,212,850**	**$ 95,299,406**

The Notes to Financial Statements
Are an Integral Part of this Statement.

Owens State Community College

Statement of Cash Flows

	Year Ended June 30	
	2008	2007
Cash Flows from Operating Activities		
Student tuition and fees	$ 24,698,197	$ 23,282,612
Grants - Federal, state, and local	6,962,255	7,614,963
Payments to employees, suppliers, students, and others	(98,740,689)	(89,927,014)
Auxiliary enterprises	9,238,615	8,338,097
Sales and services	99,846	93,198
Other receipts	1,519,395	426,069
Net cash used in operating activities	(56,222,381)	(50,172,075)
Cash Flows from Noncapital Financing Activities		
Pell grant	16,082,039	13,820,045
State appropriations	41,388,939	39,883,175
Net cash provided by noncapital financing activities	57,470,978	53,703,220
Cash Flows from Capital and Related Financing Activities		
Proceeds from notes payable	349,710	-
Principal payments on notes payable	(214,681)	(178,076)
Capital appropriations and grants	6,577,797	4,357,290
Purchases of capital assets	(8,720,069)	(5,839,013)
Net cash used in capital and related financing activities	(2,007,243)	(1,659,799)
Cash Flows from Investing Activities		
Interest on investments	1,091,983	1,222,983
Purchase of investments	(13,368,174)	(7,135,395)
Proceeds from sale and maturity of investments	9,785,564	3,872,413
Net cash used in investing activities	(2,490,627)	(2,039,999)
Net Decrease in Cash	(3,249,273)	(168,653)
Cash - Beginning of year	13,682,430	13,851,083
Cash - End of year	**$ 10,433,157**	**$ 13,682,430**

The Notes to Financial Statements
Are an Integral Part of this Statement.

Owens State Community College

Statement of Cash Flows (Continued)

	Year Ended June 30	
	2008	2007
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	$ (62,464,463)	$ (56,004,249)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	4,494,302	3,815,813
Changes in assets and liabilities:		
Receivables - Net	1,834,960	(1,585,722)
Inventories	(158,376)	75,592
Prepaid expenses and deferred charges	(2,168,776)	1,193,070
Accounts payable	228,406	1,118,341
Salaries, wages, and benefits payable	469,960	1,154,005
Deferred revenue	1,401,008	751,280
Federal and non-federal student loans payable	(83,460)	(707,515)
Deposits held for others	224,058	17,310
Net cash used in operating activities	**$ (56,222,381)**	**$ (50,172,075)**

Balance Sheet
Discretely Presented Component Unit
Foundation

	June 30	
	2008	2007
Assets		
Cash and cash equivalents	$ 661,346	$ 500,053
Accounts receivable	1,000	4,000
Investments (Note 2)	1,440,469	1,652,296
Pledges receivable	166,655	141,251
Total current assets	**$ 2,269,470**	**$ 2,297,600**
Liabilities and Net Assets		
Liabilities		
Due to Owens State Community College	$ 48,498	$ 78,755
Deferred revenue	1,709	4,402
Funds in custody (Agency Funds)	67,119	87,411
Total current liabilities	117,326	170,568
Net Assets		
Unrestricted	233,830	237,726
Temporarily restricted	877,751	933,263
Permanently restricted	1,040,563	956,043
Total net assets	2,152,144	2,127,032
Total liabilities and net assets	**$ 2,269,470**	**$ 2,297,600**

Owens State Community College

Statement of Revenues, Expenses, and Changes in Net Assets
Discretely Presented Component Unit - Foundation

	Year Ended June 30	
	2008	2007
Revenue and Support		
Donations received	$ 409,447	$ 203,874
Other revenue	74,192	55,470
Investment income:		
Interest and dividend income	79,296	65,989
Unrealized (loss) gain on investments	(256,865)	163,251
Realized gain on investments	12,199	59,417
Total revenue and support	318,269	548,001
Expenses		
Program services:		
Scholarships	109,170	97,398
Equipment grant	34,806	93,132
Outside grants expense	74,192	55,470
Other program services	31,925	45,028
Total program services	250,093	291,028
Management and general	25,063	21,150
Fund-raising	18,001	5,693
Total expenses	293,157	321,871
Increase in Net Assets	25,112	226,130
Net Assets		
Beginning of year	2,127,032	1,900,902
End of year	**$ 2,152,144**	**$ 2,127,032**

The Notes to Financial Statements
Are an Integral Part of this Statement.

(1) Summary of Significant Accounting Policies

(a) Organization

Owens State Community College (the "College") was created pursuant to Section 3357 of the Ohio Revised Code. In November 1994, the Ohio Board of Regents approved changing the status of the College from a technical college to a community college, pursuant to Section 3358 of the Ohio Revised Code. Subsequent to June 30, 1994, the College changed its legal name to Owens State Community College but operates under the name Owens Community College. The College's purpose is to provide instruction in post-secondary education programs to residents of the College's district. Students who satisfactorily complete such programs receive associate degrees or certificates in liberal arts and sciences, technical, or professional fields.

The College is a component unit of the State of Ohio (the "State"). The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include those activities and functions over which the College is financially accountable.

The Owens State Community College Foundation is being discretely reported as part of the College's reporting entity (although it is legally separate and governed by its own board of directors) because its sole purpose is to provide support for the College. This is being done in accordance with GASB Statement No. 39. Separate statements for the Foundation may be obtained through the State of Ohio Auditor's website.

(b) Financial Statement Presentation

The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America for publicly owned colleges and universities, and are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities,* as amended by GASB Statement No. 37*, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus;* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The College follows the "business-type" activities requirements of GASB Statement No. 34. This approach requires the following components of the College's financial statements:

- Management's discussion and analysis
- Basic financial statements, including a statement of net assets, statement of revenues, expenses, and changes in net assets, and a statement of cash flows for the College as a whole
- Notes to the financial statements

(1) Summary of Significant Accounting Policies (Continued)

GASB Statement No. 34 established standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets
- Restricted net assets - expendable: Net assets whose use by the College is subject to externally imposed constraints that can be fulfilled by actions of the College pursuant to those constraints or that expire by the passage of time
- Unrestricted: Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the board of trustees (the "Board") or may otherwise be limited by contractual agreements with outside parties

(c) Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and demand deposits with banks. For purposes of the statement of cash flows, the College considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

(e) Investments

All investments are stated at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments in publicly traded securities are stated at fair value as established by major securities markets. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets.

(1) Summary of Significant Accounting Policies (Continued)

(f) Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Allowances for receivables are determined by applying historical collection percentage to aged accounts receivable.

(g) Inventories

Inventories consist principally of merchandise in the College's bookstores and are stated at the lower of cost or market (net realizable value) using the first-in, first-out (FIFO) method.

(h) Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a cost of $5,000 or more and an estimated useful life of greater than one year. Renovations to buildings that exceed 5 percent of the cumulative building cost are capitalized. Infrastructure and improvements other than to buildings are capitalized if the cost exceeds $100,000. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally as follows:

Land improvements	5 to 20 years
Buildings	40 years
Building improvements	10 to 20 years
Equipment	5 years
Computers, hardware, and software	3 years
Vehicles	5 years
Furniture and accessories	5 to 10 years

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts.

(i) Deferred Revenue

Deferred revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

(1) Summary of Significant Accounting Policies (Continued)

(j) Compensated Absences

College employees accumulate sick leave at a rate of 15 days per year. It is the policy of the College that, upon retirement from the College, an employee with 10 years or more of service may receive one-fourth of his or her accumulated unused sick leave up to a maximum of 65 days. Payments at retirement for accumulated sick leave are calculated using the rate of compensation at the date of retirement. The College's policy is to accrue all sick leave for which payment is deemed probable.

College employees accumulate vacation based on years of service. It is the policy of the College that, upon separation from the College, an employee may receive his or her accumulated unused vacation. Certain limitations have been placed on the hours of vacation that employees may accumulate and carry over for payment at separation.

(k) Operating and Nonoperating Revenues

The College's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net assets is to report those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues as defined by GASB Statement No. 34, including state appropriations and investment income. Recent guidance on GASB Statement No. 34 has resulted in the reclassification of Pell revenue from operating to nonoperating revenue. Restricted and unrestricted resources are spent and tracked at the discretion of the College's department within the guidelines of donor restrictions, if any.

(l) Student Tuition and Fees

Student tuition and fee revenues are reported net of scholarship allowances in the statement of revenues, expenses, and changes in net assets.

(m) Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell Grants and other federal, state, or nongovernmental programs, are recorded as operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

(1) Summary of Significant Accounting Policies (Continued)

(n) Auxiliary Activities

Auxiliary activities primarily represent revenues generated for the College's bookstore and various other departmental activities that provide services to the student body, faculty, and staff.

(o) 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 (IRC).

(p) Eliminations

In preparing the basic financial statements, the College eliminates interfund assets and liabilities that would otherwise be reflected twice in the statement of net assets. Similarly, revenues and expenses related to internal service activities are also eliminated from the statement of revenues, expenses, and changes in net assets. Student tuition and fees, auxiliary activities, and scholarships and other student aid are presented net of scholarships applied to student accounts.

(q) Use of Estimates

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

(r) Newly Issued Accounting Pronouncements

The College will be required to implement the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective with the fiscal year ending June 30, 2009. The College will be required to address the accounting and financial reporting for pollution (including contamination) remediation obligations. The College has not yet determined the full impact of GASB Statement No. 49 on its financial statements.

The College will be required to implement the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective with the fiscal year ending June 30, 2009. The College will be required to address accounting and financial reporting for intangible assets with regard to recognition, initial measurement, and amortization. The College has not yet determined the full impact of GASB Statement No. 51 on its financial statements.

(1) Summary of Significant Accounting Policies (Continued)

(r) Newly Issued Accounting Pronouncements (Continued)

The College will be required to implement the provisions of GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, effective with the fiscal year ending June 30, 2009. The College will be required to report endowment of land and other real estate investments at fair value. The College has not yet determined the full impact of GASB Statement No. 52 on its financial statements.

The College will be required to implement the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective with the fiscal year ending June 30, 2010. The College will be required to address accounting and financial reporting for derivative instruments with regard to recognition, measurement, and disclosure. The College has not yet determined the full impact of GASB Statement No. 53 on its financial statements.

(2) Cash and Investments

The College uses the "pooled cash" method of accounting for substantially all of its operating cash and investments, which, as of June 30, 2008 and 2007, were as follows:

	2008	2007
Cash	$ 10,433,157	$ 13,682,430
Investments	13,368,174	9,785,564
Total	$ 23,801,331	$ 23,467,994

Cash balances are combined into one pool for making daily cash and investment transactions.

(2) Cash and Investments (Continued)

GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, requires cash and cash equivalents and investments held by the College to be categorized into the following custodial credit risk categories:

(a) Cash and Cash Equivalents

1. Insured or collateralized with securities held by the College or by its agent in the College's name
2. Collateralized with securities held by the pledging financial institution's trust department or agent
3. Uncollateralized

(b) Investments

1. Insured or registered, with securities held by the College or by its agent in the College's name
2. Uninsured and unregistered, with securities held by the broker's trust department or agent in the College's name
3. Uninsured and unregistered, with securities held by the broker or by its trust department or agent, but not in the College's name

At June 30, 2008, the carrying amount of the College's cash and cash equivalents for all funds was $10,433,157. The difference in the carrying amount and the bank balance of $10,540,636 is caused by items in transit and outstanding checks. Of the bank balance, $500,000 was covered by federal depository insurance and $10,040,636 was uncollateralized (category 3). All uncollateralized deposits are covered by a pledged collateral pool.

At June 30, 2007, the carrying amount of the College's cash and cash equivalents for all funds was $13,682,430. The difference in the carrying amount and the bank balance of $15,443,344 is caused by items in transit and outstanding checks. Of the bank balance, $500,000 was covered by federal depository insurance and $14,943,344 was uncollateralized (category 3). All uncollateralized deposits are covered by a pledged collateral pool.

GASB 40 requires all investments to be recorded with the risk of the investments. Owens State Community College has no formal investment policy. Investments are made according to the Ohio Revised Code. The College's investments include U.S. government agency securities. These are considered to be no-risk investments.

(2) Cash and Investments (Continued)

(b) Investments (Continued)

Investments at June 30, 2008 and 2007 consist of investments in STAR Ohio of $1,126,321 and $1,082,811, respectively. GASB Statement No. 3 does not require STAR Ohio's assets to be categorized. Also included in investments are Freddie Mac and Fannie Mae with market value at June 30, 2008 and 2007 of $12,241,853 and $8,702,753, respectively. The governmental agency investments, other than STAR Ohio, fall under category No. 1 above for investments.

STAR Ohio is an investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2008 and 2007.

Substantially all of the College's investments have maturities less than one year. As a result, the interest rate risk is not considered significant.

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. At June 30, 2008, 30 percent of the College's investments were invested in Federal National Mortgage Association securities and 70 percent were invested in Federal Home Loan Bank securities. At June 30, 2007, 36 percent of the College's investments were invested in Federal National Mortgage Association securities and 54 percent were invested in Federal Home Loan Bank securities. All investments were rated AAA by Moody's at June 30, 2008 and 2007.

The Foundation holds certain investments for the benefit of the College. Investments valued at market value at the Foundation by major security type are as follows:

	2008	2007
Bond mutual fund	$ 247,854	$ 240,506
Equity mutual fund	1,192,575	1,411,750
Other	40	40
Totals	$ 1,440,469	$ 1,652,296

(3) Accounts Receivable

The composition of accounts receivable at June 30, 2008 and 2007 is summarized as follows:

	2008	2007
Student receivables for fees and auxiliary services	$ 18,432,802	$ 21,417,972
Allowance for doubtful accounts	(2,005,000)	(2,699,703)
Grants - Federal, state, and local	3,256,772	2,353,881
Capital appropriations	247,565	-
Interest receivable	18,124	28,540
Other	625,003	1,039,330
Total	$ 20,575,266	$ 22,140,020

(4) Student Loans Receivable

Student loans consist of federal and non-federal loans. The College is in the process of closing its Perkins Program. At this point, the College has paid the amount which was due to be repaid as its federal share and $23,672 to be paid to purchase the loans not accepted by the DOE. An additional $6,023 was sent to us by the DOE as payment for teacher cancellations. This will have to be repaid in the next year. Non-federal loan programs are funded principally with local grants to the College under these programs.

(5) Accounts Payable

The composition of accounts payable at June 30, 2008 and 2007 is summarized as follows:

	2008	2007
Trade payables	$ 2,561,771	$ 2,330,771
Construction payables	247,565	250,159
Total	$ 2,809,336	$ 2,580,930

(6) State Support

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

(6) State Support (Continued)

In addition to student subsidies, the State of Ohio provides funding for construction of major plant facilities. The funding is obtained by the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC). Such facilities are reflected as buildings, improvements other than buildings, or construction in progress in the accompanying statement of net assets. College facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund, established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to all students in state-assisted institutions of higher education throughout the state.

As a result of the above-described financial assistance provided by the State of Ohio to the College, outstanding debt issued by OPFC is not included on the College's statement of net assets. In addition, appropriations by the General Assembly to the Board of Regents for payments of debt service are not reflected as appropriation revenues received by the College, and the related debt service payments are not recorded in the College's accounts.

The College capitalizes the costs of renovations to existing facilities as funds are expended. As of June 30, 2008 and 2007, construction in progress on such new facilities was $489,379 and $7,106,989, respectively, and unexpended appropriations authorized by the State of Ohio legislature for the purchase of land, renovation of existing facilities, and construction of new facilities were $8,864,542 and $12,495,940, respectively.

(7) Retirement Plans

The College contributes to two cost-sharing, multiple-employer defined benefit plans: (1) School Employees Retirement System (SERS), and (2) State Teachers Retirement System of Ohio (STRS). Both plans provide retirement, disability, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code (ORC) for SERS and Chapter 3307 for STRS. SERS and STRS issue stand-alone financial reports. Interested parties may obtain a copy by making a written request to 300 E. Broad Street, Columbus, Ohio, 43215-3746, or by calling (614) 222-5853, for SERS, and 275 East Broad Street, Columbus, Ohio, 43215-3771, or by calling (614) 227-4090, for STRS.

The funding policy for the above plans is as follows:

SERS: The ORC provides statutory authority for employee and employer contributions. During 2008, SERS employees contributed 10 percent of their salary to the plan, and the College contributed 14 percent of covered payrolls to the plan. The total employer contributions to SERS for the years ended June 30, 2006, 2007, and 2008 were $2,194,888, $2,414,102 and $2,719,906, respectively, which were equal to the required contributions for each year.

(7) Retirement Plans (Continued)

STRS: The ORC provides statutory authority for employee and employer contributions. During 2007, STRS employees contributed 10 percent of their salary to the plan, and the College contributed 14 percent of covered payrolls to the plan. The total employer contributions to STRS for the years ended June 30, 2006, 2007, and 2008 were $3,767,765, $4,048,168 and $4,304,393, respectively, which were equal to the required contributions for each year.

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

Eligible employees (those who are full-time and salaried) have 90 days from their date of hire to make an irrevocable election to participate in the alternate retirement plan. Under this plan, employees who would have otherwise been required to be in STRS and who elect to participate in the alternate retirement program must contribute the employee's share of retirement contributions (10 percent STRS) to one of eight private providers approved by the State Department of Insurance. The legislation mandates that the employer must contribute 3.5 percent to the state retirement system to which the employee would have otherwise belonged. The employer also contributes what would have been the employer's share of the appropriate retirement system, less the aforementioned 3.5 percent, to the private provider selected by the employee. The College plan provides these employees with immediate plan vesting. The total employer contribution to the alternative retirement plan for the years ended June 30, 2006, 2007, and 2008 were $76,574, $102,450 and $141,591, respectively.

(8) Postemployment Benefits Other than Pension Benefits

In addition to the pension benefits described in Note 7, the Ohio Revised Code provides the statutory authority requiring the College to fund postretirement healthcare through employer contributions to SERS and STRS.

(a) SERS

SERS provides postretirement healthcare coverage to age-and-service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Healthcare coverage for disability recipients is available. The healthcare coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply. A portion of each employer's contribution to SERS is set aside for the funding of postretirement healthcare. The Ohio Revised Code provides statutory authority for employer contributions. The 2008 and 2007 employer contribution rate for state employers was 14 percent of covered payroll; 3.32 percent was the portion that was used to fund healthcare. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2007 and 2008, the minimum pay was established as $35,800.

OPEBs are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree healthcare, along with investment income on allocated assets and periodic adjustments in healthcare provisions, are expected to be sufficient to sustain the program indefinitely.

For the year ended June 30, 2007, expenditures for OPEBs as a whole for SERS were $219.4 million. The balance in the health reserve fund was $386.3 million. The number of eligible benefit recipients for SERS was 50,264.

(b) STRS

STRS provides comprehensive healthcare benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for healthcare coverage. Pursuant to the ORC, STRS has discretionary authority over how much, if any, of the healthcare costs will be absorbed by STRS. Most benefit recipients pay a portion of the healthcare cost in the form of a monthly premium.

By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer's contribution rate, currently 14 percent of covered payroll.

(8) Postemployment Benefits Other than Pension Benefits (Continued)

(b) STRS (continued)

The STRS board currently allocates employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund, from which payments for healthcare benefits are paid. The balance in the Health Care Reserve Fund was approximately $4.1 billion at June 30, 2007.

For the year ended June 30, 2007, the net healthcare costs paid by the STRS system as a whole were $265.6 million. There were 122,934 eligible benefit recipients.

(9) Federal and State Grants

The College participates in certain state and federally assisted grant programs. Revenues from government grants and contracts are recognized as the related costs are incurred. These programs are subject to financial and compliance audits by the grantors or their representatives. Until such audits are completed, there is a possibility that some portions of such grants may have to be refunded. Management of the College believes there will be no material adjustments to the grants and, accordingly, has not recorded a provision for possible repayments under the above programs.

The College also participates in several United States government student loan programs. Such programs are required to comply with requirements determined by the Department of Education and are subject to audit and adjustments. Such adjustments could result in requests for reimbursement by the Department of Education for costs, which may be disallowed as appropriate expenses under the grant terms. Management believes disallowances, if any, will not be material.

(10) Capital Assets

Capital asset activity for the years ended June 30, 2008 and 2007 was as follows:

2008	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Nondepreciated capital assets:				
Land	$ 4,717,397	$ 287,753		$ 5,005,150
Construction in progress	7,106,989	489,379	(7,106,989)	489,379
Total nondepreciated capital assets	11,824,386	777,132	(7,106,989)	5,494,529
Other capital assets:				
Land improvements	8,415,281	6,699,779	-	15,115,060
Buildings	88,236,918	7,015,387	-	95,252,305
Leasehold improvements	-	223,286	-	223,286
Equipment	9,430,494	876,694	-	10,307,188
Computers, hardware, and software	8,065,287	170,756	-	8,236,043
Vehicles	1,663,775	83,475	(51,751)	1,695,499
Furniture and accessories	625,321	8,165	-	633,486
Total other capital assets	116,437,076	15,077,542	(51,751)	131,462,867
Total capital assets	128,261,462	15,854,674	(7,158,740)	136,957,396
Accumulated depreciation:				
Land improvements	(7,336,347)	(844,459)	-	(8,180,806)
Buildings	(29,941,055)	(2,559,280)	-	(32,500,335)
Leasehold improvements	-	(22,329)	-	(22,329)
Equipment	(8,031,752)	(786,641)	-	(8,818,393)
Computers, hardware, and software	(7,957,098)	(106,262)	-	(8,063,360)
Vehicles	(1,377,553)	(114,677)	24,135	(1,468,095)
Furniture and accessories	(451,885)	(60,654)	-	(512,539)
Total accumulated depreciation	(55,095,690)	(4,494,302)	24,135	(59,565,857)
Total capital assets - Net	$ 73,165,772	$ 11,360,372	$ (7,134,605)	$ 77,391,539

(10) Capital Assets (Continued)

2007	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
Nondepreciated capital assets:				
Land	$ 4,717,397	$ -	$ -	$ 4,717,397
Construction in progress	6,711,390	1,172,819	(777,220)	7,106,989
Total nondepreciated capital assets	11,428,787	1,172,819	(777,220)	11,824,386
Other capital assets:				
Land improvements	8,226,980	188,301	-	8,415,281
Buildings	83,513,393	4,723,525	-	88,236,918
Equipment	9,137,049	293,445	-	9,430,494
Computers, hardware, and software	7,938,170	127,117	-	8,065,287
Vehicles	1,570,349	111,026	(17,600)	1,663,775
Furniture and accessories	625,321	-	-	625,321
Total other capital assets	111,011,262	5,443,414	(17,600)	116,437,076
Total capital assets	122,440,049	6,616,233	(794,820)	128,261,462
Accumulated depreciation:				
Land improvements	(6,910,223)	(426,124)	-	(7,336,347)
Buildings	(27,493,557)	(2,447,498)	-	(29,941,055)
Equipment	(7,412,889)	(618,863)	-	(8,031,752)
Computers, hardware, and software	(7,800,891)	(156,207)	-	(7,957,098)
Vehicles	(1,287,053)	(108,100)	17,600	(1,377,553)
Furniture and accessories	(392,864)	(59,021)	-	(451,885)
Total accumulated depreciation	(51,297,477)	(3,815,813)	17,600	(55,095,690)
Total capital assets - Net	$ 71,142,572	$ 2,800,420	$ (777,220)	$ 73,165,772

(11) Related Organization

The College is affiliated with the Owens State Community College Foundation (the "Foundation"), which was established in June 1996 by the trustees of the College through signing a resolution that transferred all assets, liabilities, principal, and income from the Michael J. Owens Technical College Charitable Trust (the "Trust") to the Foundation. The Foundation has been determined to be exempt from federal income taxes under IRC Section 501(c)(3). The Foundation also reimburses the College for certain educational expenses. Total assets of the Foundation as of June 30, 2008 and 2007 were $2,269,470 and $2,297,600, respectively. The College received $242,093 and $274,528 from the Foundation in 2008 and 2007, respectively.

(12) Risk Management

During the normal course of operations, the College has become a defendant in various legal actions. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. However, in the opinion of legal counsel and College management, the disposition of all pending litigation will not have a material adverse effect on the financial condition of the College.

The College carries commercial insurance to cover various general liability risks, auto liability, property and boiler, and umbrella excess liability. The College believes in minimizing its risks through the procurement of the aforementioned coverage. Liabilities exceeding the umbrella excess and deductible amounts are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Management believes those incurred but not reported claims, if any, are immaterial.

The College maintains a split-funded health insurance program. Prevention of catastrophic losses is maintained through both individual and aggregate stop-loss coverage. Stop loss per individual is $150,000. The College's cost during the year for this program is for the payment of claims, third-party claims administration, and stop-loss coverage.

The College participates in the State of Ohio Workers' Compensation program.

(13) Noncurrent Liabilities

Noncurrent liabilities activity for the years ended June 30, 2008 and 2007 was as follows:

	Balance June 30, 2007	Increases	Decreases	Balance June 30, 2008	Amount Due Within One Year
Benefits payable	$ 2,424,333	$ 605,147	$ 125,290	$ 2,904,190	$ 145,210
Notes payable	401,212	349,710	214,681	536,241	267,797
Non-federal student loans	147,324	-	-	147,324	-
Federal student loans	89,483	6,023	89,483	6,023	-

	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007	Amount Due Within One Year
Benefits payable	$ 2,091,786	$ 433,008	$ 100,461	$ 2,424,333	$ 121,217
Notes payable	579,288	-	178,076	401,212	186,683
Non-federal student loans	147,324	-	-	147,324	-
Federal student loans	796,998	11,622	719,137	89,483	-

The College took on debt, consisting of two notes payable for the purchase of a new phone system. The original amounts of the notes were in the amounts of $112,048 and $784,270. The notes were signed on August 4, 2004 at a rate of 4.73 percent interest, with payments to begin in September 2004.

Two additional notes began in January 2008 for the purchase of two new pieces of equipment.

Schedule of maturities for the notes are as follows:

	Principal	Interest	Total
2009	$ 267,797	$ 19,863	$ 287,660
2010	103,945	10,706	114,651
2011	60,886	6,878	67,764
2012	39,791	4,415	44,206
2013	42,049	2,308	44,357
2014	21,773	330	22,103
Total	$536,241	$44,500	$580,741

Supplemental Information

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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
Owens Community College

We have audited the financial statements of Owens Community College as of and for the year ended June 30, 2008 and have issued our report thereon dated October 1, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Owens Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Owens Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Owens Community College's internal control over financial reporting.

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

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

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

To the Board of Trustees
Owens Community College

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Owens Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we 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*.

This report is intended solely for the information and use of the board of trustees and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 15, 2008

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees
Owens Community College

Compliance

We have audited the compliance of Owens Community College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The major federal programs of Owens Community College are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Owens Community College's management. Our responsibility is to express an opinion on Owens Community College's compliance based on our audit.

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

In our opinion, Owens Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

To the Board of Trustees
Owens Community College

Internal Control Over Compliance

The management of Owens Community College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Owens Community College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

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

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

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

This report is intended solely for the information and use of the board of trustees and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 15, 2008

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
Cluster:		
U.S. Department of Education - Direct Student Financial Assistance:		
Federal Supplemental Educational Opportunity Program	84.007	$ 370,998
Federal Family Education Loan Program	84.032	37,490,814
Federal Work-Study Program	84.033	331,009
Academic Competitiveness Grant	84.375	74,750
Federal Pell Grant Program	84.063	16,082,039
Total Student Financial Assistance Cluster		54,349,610
Other federal awards:		
U.S. Department of Education:		
Vocational education (Perkins II)	84.048	314,954
Title III-Higher Education Institutional Aid-Strengthening Institutions	84.031A	186,936
Passed through the State of Ohio Department of Education -		
Adult Basic and Literacy Education (ABLE) Grants:		
Adult Basic and Literacy Education	84.002	167,299
Adult Basic and Literacy Education	84.002	4,214
Adult Basic and Literacy Education	84.002	243,732
Adult Basic and Literacy Education	84.002	45,181
Total Adult Basic and Literacy Education Grants		460,426
Passed through from University of Toledo		
Technical preparation	84.243	42,375
Total U.S. Department of Education		55,354,301

See Notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2008

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
Other federal awards (Continued):		
U.S. Department of Health and Human Services:		
Passed through from HMTRI / Kirkwood Community College		
NIEHS Hazardous Substances Basic Research and Education	93.143	$ 3,013
Passed through from Lucas County Jobs and Family Services Agency		
Step Up Pre-Apprenticeship Training Program	93.558	55,112
Passed through from Lucas County Jobs and Family Services Agency		
Truck Driving Academy	93.558	87,390
Passed through from Ohio Board of Regents and OARNet		
Third Frontier Network Support of Inter-institutional Collaboration	93.211	11,325
Passed through from Ohio Board of Regents		
Owens-Ohio University Gaming Project	93.888	238
Total U.S. Department of Health and Human Services		157,078
National Science Foundation:		
Passed through from Moraine Valley Community College		
NSF - Center for Systems Security and Information Assurance	47.076	899
Passed through from Ohio State University Research Foundation		
NSF - Computational Science Program for Ohio Community and Technical Colleges	47.076	25,541
Total National Science Foundation		26,440
Total federal awards		**$ 55,537,819**

See Notes to Schedule of Expenditures of Federal Awards.

Note 1 - Significant Accounting Policies

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

Note 2 - Adjustments and Transfers

The current year grant award for the Federal Supplemental Education Opportunity Grant (84.007) was $314,583. It was supplemented by a transfer from the Federal Work Study Program (84.033) of $56,415 for a total of $370,998.

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ____ Yes __X__ None reported

Noncompliance material to financial statements noted? ____ Yes __X__ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ____ Yes __X__ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ____ Yes __X__ No

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.032, 84.033, 84.063, 84.375	U.S. Department of Education - Student Financial Assistance Cluster

Dollar threshold used to distinguish between type A and type B programs: $541,410

Auditee qualified as low-risk auditee? __X__ Yes ____ No

Section II - Financial Statement Audit Findings

Reference Number	Findings
	None

Section III - Federal Program Audit Findings

Reference Number	Findings
	None

OWENS STATE COMMUNITY COLLEGE

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 2, 2008