

Stark State College of Technology

Stark County, Ohio

Single Audit

July 1, 2007 through June 30, 2008



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Stark State College of Technology, Stark County, prepared by Balestra, Harr & Scherer, CPAs, Inc. 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 Stark State College of Technology is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 16, 2009

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Stark State College of Technology
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Ohio Society of Certified Public Accountants

Independent Accountants' Report

Stark State College of Technology
Board of Trustees
6200 Frank Ave. N.W.
North Canton, Ohio 44720-7299

We have audited the accompanying basic financial statements of the business-type activities of Stark State College of Technology, Stark County, Ohio (the College), as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Stark State College of Technology as of June 30, 2008, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

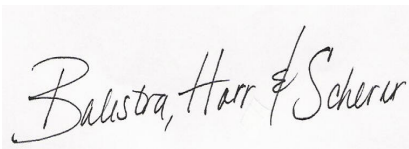
In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2008, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Stark State College of Technology
Board of Trustees
Independent Accountants' Report
Page 2

We conducted our audit to opine on the financial statements that collectively comprise the College's basic financial statements. The schedule of federal awards expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We have subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 11, the College implemented Governmental Accounting Standards Board Statements No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions," and No. 50, "Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27."

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
December 22, 2008

Stark State College of Technology
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2008

The discussion and analysis of the financial statements of Stark State College of Technology (the "College") provides an overview of financial activities for the years ended June 30, 2008 and 2007. 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

The College is reporting its financial position in accordance with the Governmental Accounting Standards Board (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 Statements No. 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.

Stark State College of Technology
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2008

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)

	2008	2007*	Increase (Decrease)	
			\$	%
<u>Revenues</u>				
Operating Revenues				
Tuition & fees, net	\$18,863	\$17,387	\$1,476	8.5%
Federal grants and contracts	1,351	1,194	157	13.1%
Auxiliary enterprises: bookstore	4,210	3,665	545	14.9%
Other operating revenues	1,622	1,703	(81)	(4.8%)
Total operating revenues	26,046	23,949	2,097	8.8%
<u>Expenses</u>				
Operating Expenses				
Educational and general	51,500	45,941	5,559	12.1%
Auxiliary enterprises: bookstore	3,474	2,996	478	16.0%
Total operating expenses	54,974	48,937	6,037	12.3%
Operating loss	(28,928)	(24,988)	(3,940)	(15.8%)
<u>Nonoperating Revenues (Expenses)</u>				
State appropriations	18,569	17,061	1,508	8.8%
Federal grants	9,815	8,049	1,766	21.9%
Other nonoperating income	2,386	1,417	969	68.4%
Other nonoperating expenses	(76)	(295)	219	(74.2%)
Net nonoperating revenues	30,694	26,232	4,462	17.0%
Income before other revenues	1,766	1,244	522	42.0%
Capital appropriations	3,433	2,233	1,200	53.7%
Increase in net assets	5,199	3,477	1,722	49.5%
Net assets, beginning of year	53,642	50,165	3,477	6.9%
Net assets, end of year	\$58,841	\$53,642	\$5,199	9.7%

*Certain reclassifications were made for consistency of presentation between years.

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.

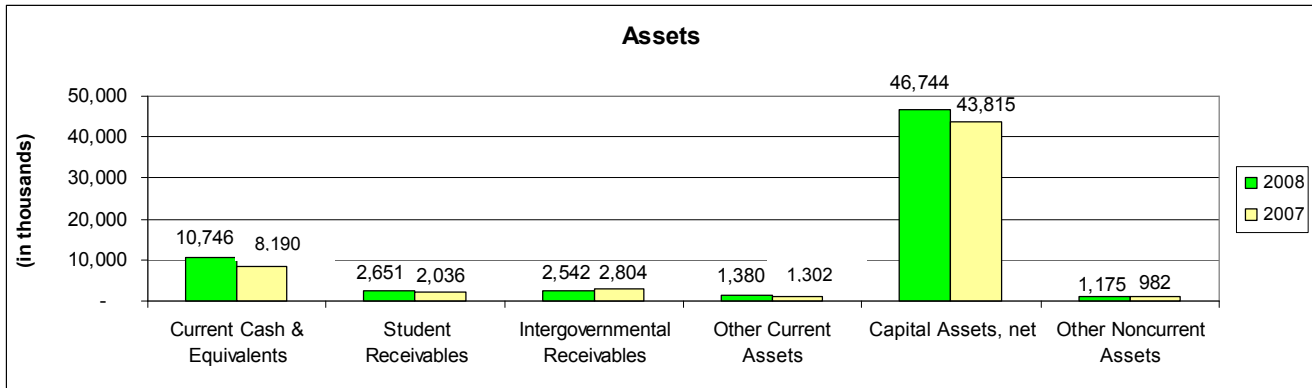
Condensed Statement of Cash Flows
(in thousands)

	2008	2007*	Increase (Decrease)	
			\$	%
Net cash used by Operating Activities	(\$28,034)	(\$24,060)	(\$3,974)	(16.5%)
Net cash provided by Noncapital Financing Activities	30,727	25,682	5,045	19.6%
Net cash used by Capital Financing Activities	(860)	(2,685)	1,825	68.0%
Net cash provided by Investing Activities	566	521	45	8.6%
Net increase (decrease) in cash	2,399	(542)	2,941	542.6%
Cash, beginning of year	8,387	8,929	(542)	(6.1%)
Cash, end of year	\$10,786	\$8,387	\$2,399	28.6%

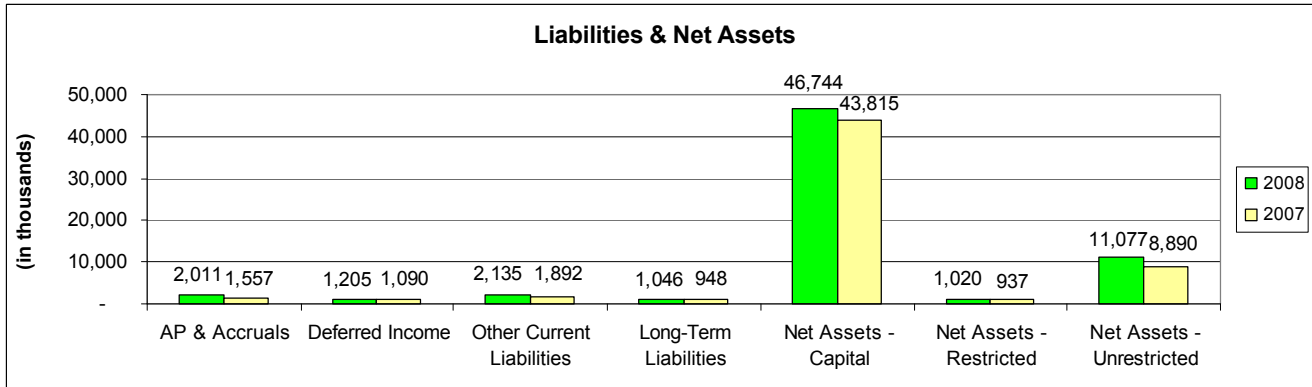
*Certain reclassifications were made for consistency of presentation between years.

**Stark State College of Technology
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2008**

Analysis of Assets and Liabilities



Total assets increased by \$6,109,000 during the year to a year-end amount of \$65,238,000. Of this amount, \$2,929,000 was related to net capital asset increases. Total cash and cash equivalents, including restricted cash classified as other noncurrent assets, increased by \$2,316,000. Student and Intergovernmental Receivables increased by \$353,000 collectively. Changes to all other asset categories amounted to a net increase of \$511,000.



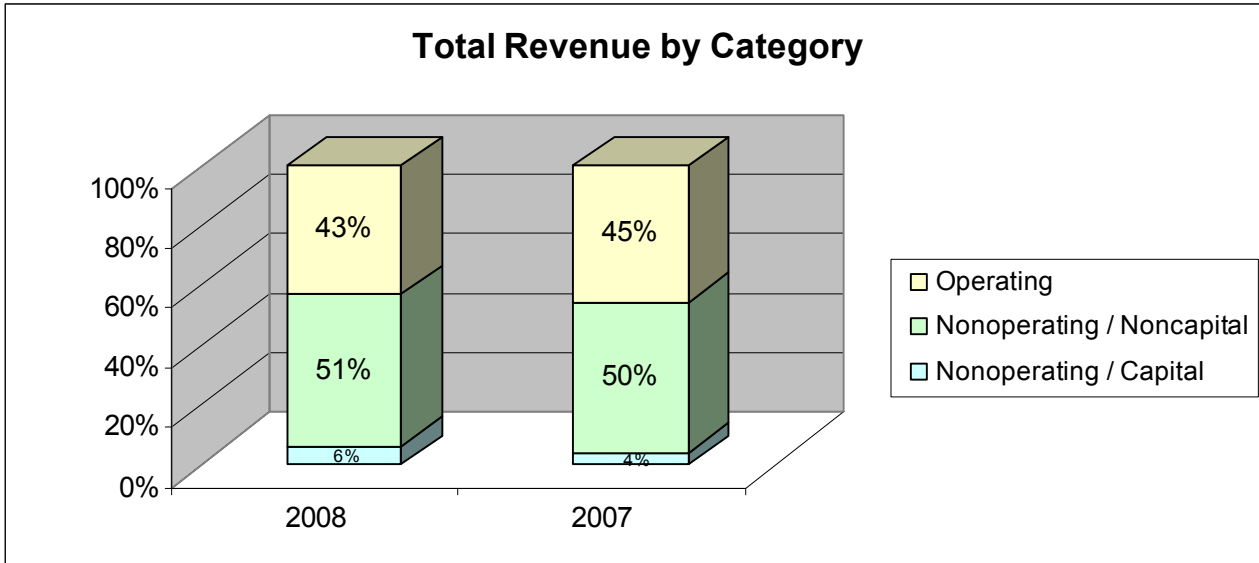
Total liabilities increased since the beginning of the year by \$910,000 to a year-end amount of \$6,397,000. The noncurrent long-term liabilities increased \$98,000 to \$1,046,000. Current liabilities increased by \$812,000 to \$5,351,000.

Total net assets increased \$5,199,000, of which \$2,929,000 was related to net capital assets. Unrestricted net assets increased by \$2,187,000, and restricted net assets increased \$83,000. The positive change in unrestricted net assets was the result of favorable operating results combined with large outlays of cash for capital projects, which are 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 down restricted grants secured in prior years in excess of current year receipts for restricted projects.

**Stark State College of Technology
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2008**

Analysis of Revenues

The following chart provides categorical ratios of the College's revenue as a whole for the years ended June 30, 2008 and 2007:

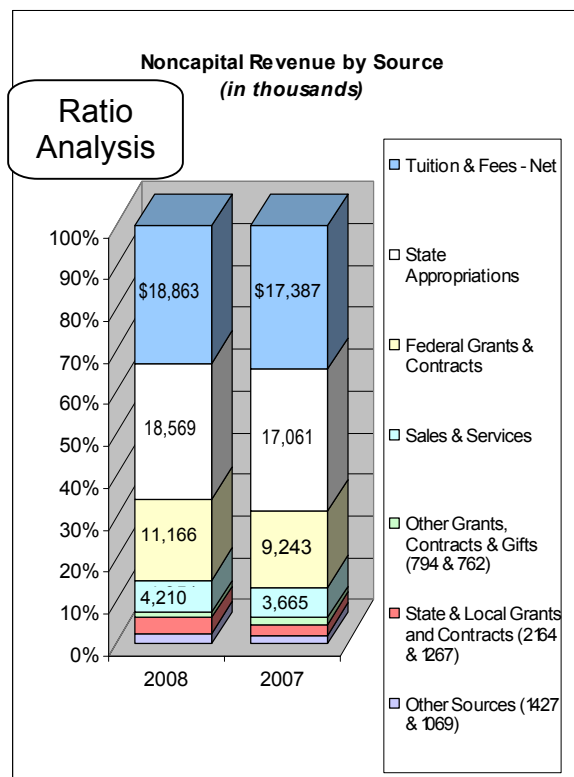


The State Share of Instruction and Access Challenge funding are the statutory burden of the State of Ohio for operating the College. These are classified as nonoperating revenue under generally accepted accounting principles, and they accounted for 31% and 33% of total revenue in 2008 and 2007. Other revenue includes capital appropriations, and is a subset of nonoperating revenue.

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 \$4.46 million this year (17.0%). 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 has been prohibited by temporary law from increasing tuition since the Summer 2006 semester. Tuition is currently \$127 per credit hour. Enrollment increases resulted in additional fees of approximately \$1,477,000 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 \$1,508,000 (8.8%). Additional Job Training appropriations revenue declined from the prior year.



**Stark State College of Technology
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2008**

Sales & Services, which include Auxiliary enterprise revenue from the College bookstore, increased this year by \$545,000 (14.9%) due to increased enrollment and significant textbook price inflation, along with increased sales of non-textbook items, which were slightly offset by changes to the sales mix of new vs. used textbooks.

Increases in federal grants totaling \$1,923,000 and state grants of \$943,000 were due mainly to large increases of financial aid grants to students.

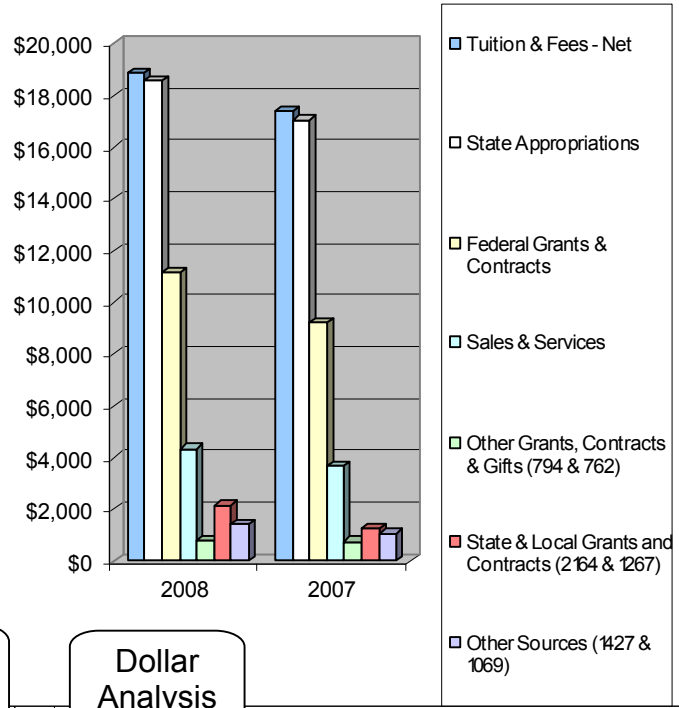
Other noncapital revenue increased slightly by \$26,000 over the prior year, which included decreases in interest earnings, which were offset by increased rent receipts and the consumption of prior grant balances.

Analysis of Expenses

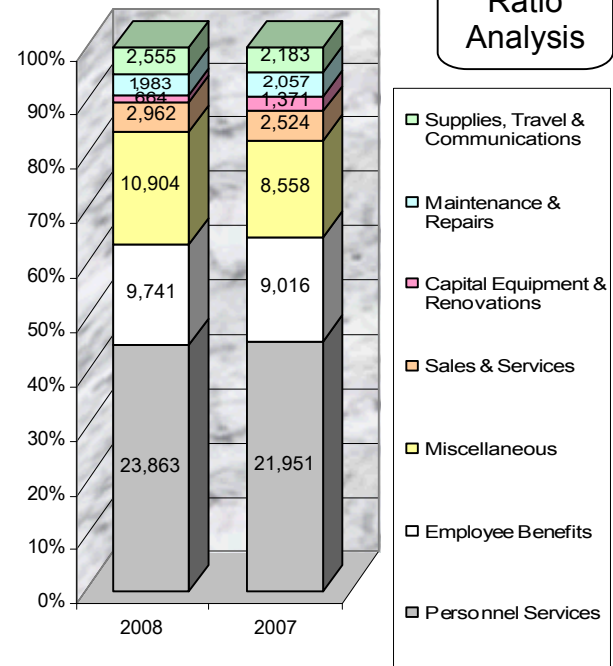
This analysis focuses on the College's operating budget categories, known as current expenses, which are normally reported in fund financial statements.

Dollar Analysis

**Noncapital Revenue by Source
(in thousands)**

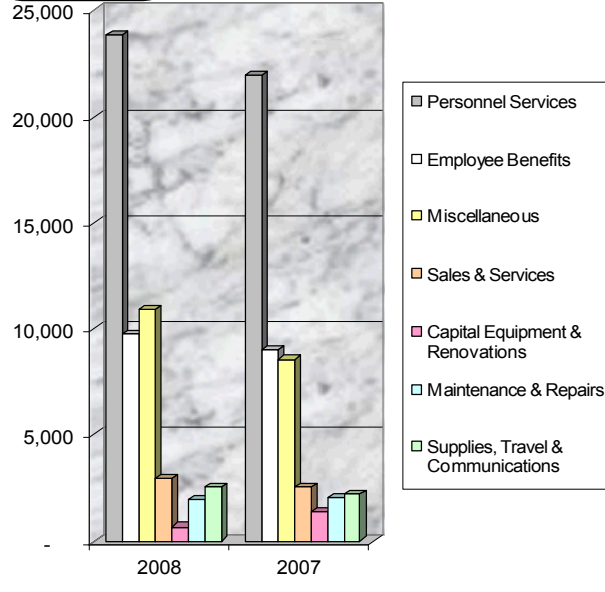


**Current Expenses by Type
(in thousands)**



Ratio Analysis

Dollar Analysis



Stark State College of Technology
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2008

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. While total enrollment only increased 9.6%, total expenses increased 10.3%.

Total salary and wages increased 8.5%. The average general wage increased 4.6% for full time employees, and the College increased the usage of part-time instructors. Several full-time positions were created and filled over the staffing levels of the prior year. Additional adjunct faculty costs were incurred when larger than expected enrollment caused additional sections to be offered.

Employee benefits experienced a net increase of 8.0% over the prior year. The major factors affecting benefits included a 9.8% 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 increased 27.4% over the prior year. Student Aid increased \$2.2 million. This item accounted for 98% of the total increase in this category. Library Services are provided by Kent State University's Stark Campus, for which the College pays based on enrollment. Therefore Library costs increased due to increased enrollment. Other costs were reduced, which included insurance, legal fees and other contracted services.

Sales & Services expenses increased by 17.4%. This was a result of increases in labor costs, significant wholesale book price increases, and sales volume increases due to higher enrollment.

Maintenance and Repairs decreased 3.6% over the prior year due to stabilization of utilities costs and management's decision to constrain spending in this area. Additional natural gas and electricity were purchased, which increased total costs. Other maintenance and repair items decreased as the College focused on limiting new maintenance projects. Numerous minor renovation projects were deferred to later years.

Equipment purchases from the operating budget declined 51.6% from the prior year due to the reclassification of PCs from Equipment to Supplies and the use of plant funds. The movement of this expense to another category was more than offset by additional computer equipment needed to support the College's new ERP system.

Communications expenses decreased by 2.4%. The College had a grant in the prior year to pay for the College's connection to Ohio's Third Frontier network, which amounted to over 11% of total costs for this category. Most other costs increased, including memberships, advertising, and postage costs, which increased due to postal increases, additional direct marketing efforts, and increased enrollment-driven mailing activity. The College incurred significant increases for Marketing and Advertising to promote satellite locations in downtown Canton, Carrolton and Alliance, Ohio. Telecommunications costs associated with increased distance learning and additional locations rose substantially. Telecommunications costs relating to telephone service were constrained by procurement of better terms. Printing costs were reduced due to increased on-line content.

Supplies costs increased 50.3% this year. The majority of this increase was due to the reclassification of PC purchases from the Equipment category to the Supplies category. Improved procurement procedures helped contain costs, despite the large increase in enrollment. Materials costs for minor renovation projects by the Maintenance Department were incurred, but not capitalized under the College's capitalization policy.

Travel costs increased 12.9%. The College made a commitment to providing additional professional development as part of its strategic plan. The instructional division developed in-house professional development programs which helped constrain the rate of growth. However, new accreditation programs and various associations the College has joined recently required substantial travel commitments. Management has made a commitment to holding the line on travel costs for the next year.

**Stark State College of Technology
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2008**

Analysis of Cash Flows

The College's liquidity increased during the year, primarily due to higher enrollment and aggressive cost containment measures which generated decreased cash flows from operations, while proceeds from state funding for general operations increased 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.

Operating activities provided lower net cash flow in total from the prior year. Gross tuition, grants and bookstore proceeds increased this year primarily because of increased fees, 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 increased modestly.

Noncapital financing increased due to additional support from the State of Ohio, which were partially offset by an increase in grant expenditures over the prior year.

Capital financing activities provided greater proceeds from state appropriations and federal and state grants. Cash outflows were related to facilities projects. Capital outlays were used for construction of a new building for Health Sciences scheduled to open in early 2009, various building renovations, grounds improvements and other capital equipment related to the purchase of a new enterprise resource plan system. These purchases constituted the majority of the College's capital activity.

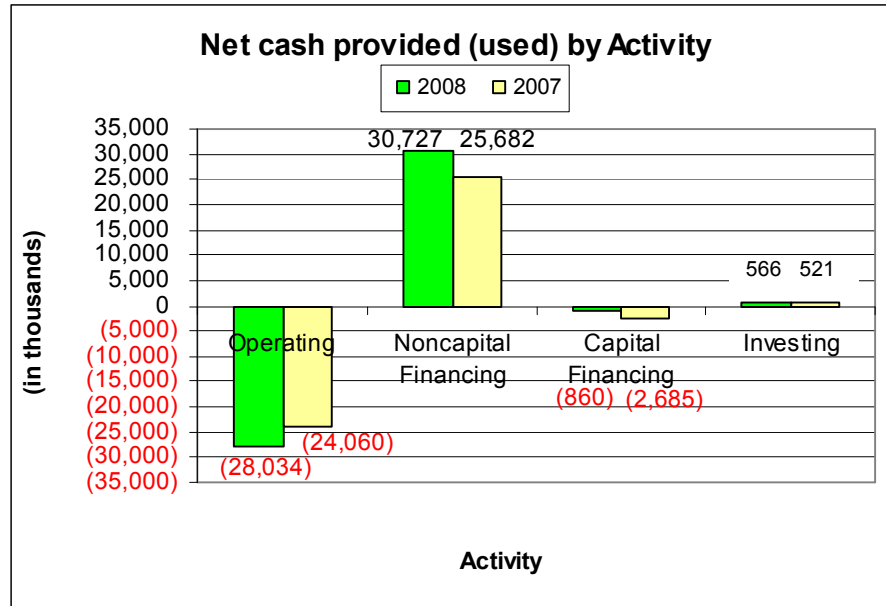
Economic Outlook for the Future

The State of Ohio is phasing out its corporate franchise tax in favor of a commercial activities tax which is more broad-based. The effects of this change on total state revenue have been positive, but declines in state sales taxes and income taxes have more than offset these gains. The economy has slowed considerably, and the state unemployment rate has increased this year with the implementation of the new minimum wage requirements. Continuing shortages in most revenue categories for the state of Ohio have already had an adverse affect on state appropriations. The State of Ohio has reduced its expenditures significantly for this fiscal year, and the revised allocations for the College have been cut by 10.5% in all state funded subsidies except for the State Share of Instruction. It is Management's opinion that there will be additional funding reductions by the state. State revenue may be severely reduced in the upcoming biennium if the economy tips into recession. management has planned for the possibility of a 15%+ reduction in state operating subsidies in FY2009 and 25%+ in FY2010.

Final Analysis

Stark State College's President Dr. John O'Donnell is committed to establishing new programs in emerging technologies that can increase enrollment and promote economic development in the College's service area. He is also committed to providing greater access through satellite locations and distance learning.

The economy has stretched the demand for the College's resources. The College is dependent on the State of Ohio for funding, and state revenues have not been meeting the budget projections to this point of the year. However, the Legislature has made the funding of higher education a priority with the goal of spurring economic development through workforce development. The first two rounds of state budget cuts in FY2009 spared the college's largest source of state subsidy, indicating the high level of commitment to higher education by the current state administration.



Stark State College of Technology
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2008

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 economic 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. These funds are allowing the College to open a new state-of-the-art Health Sciences building which will add to its capacity to meet the growing needs of the region.

Beyond this, Management has developed a wide-ranging set of contingency options to consider in the event of budget cuts by the legislature or a downturn in enrollment, with the intent of not compromising its philosophy, goals, objectives and values.

Management firmly believes that the overall financial position of the College is strong, and that the College has demonstrated improvement in its financial condition during the past year. Debt has been eliminated, revenues expanded and expenses have been constrained. The College's enrollment, reserves and cash position are sufficient to endure limited economic downturns in the near future.

Stark State College of Technology
Statement of Net Assets
June 30, 2008

Assets

Current Assets	
Cash and cash equivalents	\$10,745,913
Student accounts receivable, net	2,651,084
Intergovernmental receivables	2,542,468
Other receivables, net	311,509
Prepaid expenses and deferred charges	214,435
Insurance reserve	527,323
Inventories at cost	326,177
Total current assets	<u>17,318,909</u>
Noncurrent Assets	
Restricted cash and cash equivalents	40,353
Restricted investments	2,032
Endowment investments	222,345
Prepaid expenses and deferred charges	17,485
Insurance reserve	893,117
Capital assets, net	46,743,739
Total noncurrent assets	<u>47,919,071</u>
Total assets	<u>65,237,980</u>

Liabilities

Current Liabilities	
Accounts payable and accrued liabilities	2,010,728
Deferred income	1,204,557
Accrued salaries and wages	1,237,707
Insurance claims payable	527,323
Compensated absences	125,711
Deposits held for others	201,668
Long-term liabilities - current portion	43,143
Total current liabilities	<u>5,350,837</u>
Noncurrent Liabilities	
Long-term liabilities	1,046,087
Total noncurrent liabilities	<u>1,046,087</u>
Total liabilities	<u>6,396,924</u>

Net Assets

Invested in capital assets	46,743,739
Restricted for	
Nonexpendable	
Scholarships	255,665
Expendable	
Student grants and scholarships	180,153
Public service	272,196
Instructional departments	230,467
Student services	23,624
Capital projects	37,335
Student loans	11,133
Institutional Support	10,085
Unrestricted	11,076,659
Total net assets	<u>\$58,841,056</u>

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, 2008

Revenues

Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$4,356,952)	\$18,863,324
Federal grants and contracts	1,350,743
State and local grants and contracts	416,042
Nongovernmental grants and contracts	603,142
Sales and services of educational departments	21,899
Auxiliary enterprises: bookstore	4,209,897
Other operating revenues	580,581
Total operating revenues	<u>26,045,628</u>

Expenses

Operating expenses:	
Educational and general:	
Instruction	21,166,709
Academic support	3,744,102
Student services	3,532,974
Institutional support	7,677,897
Operation and maintenance of plant	3,672,848
Student aid	7,844,360
Public service	2,073,744
Depreciation	1,786,718
Auxiliary enterprises: bookstore	3,474,258
Total operating expenses	<u>54,973,610</u>
Operating loss	<u>(28,927,982)</u>

Nonoperating Revenues (Expenses)

State appropriations	18,568,670
Federal grants	9,814,518
State and local grants	1,793,642
Gifts	134,256
Investment income	458,992
Other nonoperating revenues (expenses)	(75,976)
Net nonoperating revenues (expenses)	<u>30,694,102</u>
Income before other revenues, expenses, gains, or losses	<u>1,766,120</u>
Capital appropriations	2,968,788
Capital grants and gifts	463,879
Increase in net assets	<u>5,198,787</u>

Net Assets

Net assets, beginning of year	<u>53,642,269</u>
Net assets, end of year	<u><u>\$58,841,056</u></u>

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 30,2008

Cash Flows from Operating Activities	
Tuition and fees	\$18,577,304
Grants and contracts	1,781,778
Payments to suppliers	(11,726,721)
Payments to employees and for benefits	(33,649,330)
Payments for student aid	(7,844,360)
Loans issued to students	1,000
Auxiliary enterprise charges: Bookstore	4,200,090
Sales and service of educational activities	21,077
Other receipts (payments)	604,538
Net cash used by operating activities	<u>(28,034,624)</u>
Cash Flows from Noncapital Financing Activities	
State appropriations	18,568,670
Gifts and grants for other than capital purposes	11,666,440
FFEL received	22,177,216
FFEL disbursed	(22,177,216)
Agency transactions	491,563
Net cash provided by noncapital financing activities	<u>30,726,673</u>
Cash Flows from Capital Financing Activities	
Capital appropriations	2,926,999
Capital grants and gifts received	845,399
Purchases of capital assets	(4,632,004)
Net cash used by capital financing activities	<u>(859,606)</u>
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	93,690
Interest on investments	472,903
Net cash provided by investing activities	<u>566,593</u>
Net increase in cash	2,399,036
Cash - beginning of the year	8,387,230
Cash - end of year	<u><u>\$10,786,266</u></u>
Reconciliation of net operating revenues (expenses) to net cash used by operating activities:	
Operating loss	(\$28,927,982)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	1,786,718
Changes in assets and liabilities:	
Receivables, net	(1,238,170)
Inventories	(28,345)
Other assets	(451,660)
Accounts payable	608,851
Deferred revenue	114,098
Compensated absences	101,866
Net cash used by operating activities	<u><u>(\$28,034,624)</u></u>

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

Stark State College of Technology
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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 48 associate degree programs and 11 certificate programs that prepare individuals to be technicians and paraprofessionals in business technologies, engineering technologies, health technologies, information technologies, public service technologies and general studies. Degrees awarded are the Associate of Applied Science, Associate of Applied Business, and Associate of Technical Studies. The College awards the Associate of Arts degree and the Associate of Science degree jointly with Kent State University. 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 2008 and all of the payments of student tuition and fees resulting from early registration for the fall session 2008 have been deferred.
- 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.

The College adheres to GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. This statement amends certain custodial risk provisions of GASB Statement No. 3 and addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

During fiscal year 2008, investments were limited to repurchase agreements, STAR Ohio, U.S. Treasury and agency items, mutual funds, money market funds, certificates of deposit, and corporate stock.

Stark State College of Technology
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and improvements, infrastructure, equipment, and library books are stated at original acquisition costs. 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 assets is removed from the accounts and the Invested in Capital Assets – net of related debt component of net assets is adjusted accordingly. Capital assets, with the exception of land and construction in progress, 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 and drainage systems are capitalized and reported. The College's capitalization threshold is \$5,000 for equipment, \$25,000 for land improvements, \$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 Schools Council of Governments:
- 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.

Stark State College of Technology
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- J. Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. 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. Of the College’s restricted net assets of \$1,020,658, none was restricted by enabling legislation.
- K. Grants and Scholarships – Student tuition and fees are presented net of grants and scholarships applied directly to student accounts.
- 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 Shared Risk Pool

Stark County Schools Council of Governments Health Benefit Plan – The Stark County Schools 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, with the exception of some endowment charitable gifts, 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.

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 105 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.

Stark State College of Technology
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

3. CASH AND INVESTMENTS (continued)

- B. Cash on Hand - At June 30, 2008, the College had \$8,084 in undeposited cash on hand which is reported as "Cash" on the Statement of Net Assets.
- C. Deposits - At June 30, 2008, the reported amount of the College's deposits was \$(548,556) and the bank balance was \$13,698, which was covered by the FDIC.
- D. Investments - As of June 30, 2008, the College had the following investments and maturities:

Investment Type	Fair Value	Investment Maturity (In Years)	
		1	1 - 5
Insurance Reserve	\$1,420,440	\$527,323	\$893,117
Repurchase Agreement	775,000	775,000	0
STAR Ohio	10,551,738	10,551,738	0
U.S. Treasuries	23,681	0	23,681
U.S. Agencies	55,487	0	55,487
Money Market	9,913	9,913	0
Mutual Funds	48,255	48,255	0
Certificate of Deposit	9,648	9,648	0
	12,894,162	\$11,921,877	\$972,285
Corporate Stock	77,393		
	<u>\$12,971,555</u>		

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's Investment Policy does not address investment maturities.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments had the following ratings by Standard & Poor's and their percentage of total investments:

CS	A	.13%
CS	A-	.07%
CS	AA	.05%
CS	AA-	.02%
CS	AAA	.08%
CS	A+	.12%
CS	BBB	.03%
CS	BBB-	.01%
CS	Not Rated	.08%
CD	Not Rated	.07%
U.S. Treasuries	AAA	.18%
U.S. Agencies	AAA	.43%
Mutual Funds	Not Rated	.38%
Money Market	AAAm	.08%
STAR Ohio	AAAm	81.35%
Repurchase Agreements	Not Rated	5.97%
Insurance Reserve	Not Rated	10.95%

Stark State College of Technology
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

3. CASH AND INVESTMENTS (continued)

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are held as follows:

Repurchase Agreements – Counterparty’s trust department in the College’s name.

Corporate Stock, CD, Money Market, Mutual Funds, U.S. Treasury Notes, U.S. Agencies – Counterparty

Concentration of Credit Risk: The College places no limit on the amount that may be invested in any one issuer. Eighty-one percent of the College’s investments are in STAR Ohio.

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, 2008.

4. CAPITAL ASSETS

A summary of the changes in capital assets and related accumulated depreciation during fiscal year 2008 follows:

	Balance 06/30/2007	Additions	Deletions	Balance 06/30/2008
Capital Assets, Not Being Depreciated:				
Land	\$5,116,798	\$0	\$0	\$5,116,798
Construction in Progress	3,602,710	3,610,095	3,206,890	4,005,915
Total Capital Assets, Not Being Depreciated	8,719,508	3,610,095	3,206,890	9,122,713
Capital Assets, Being Depreciated:				
Land Improvements	3,324,242	1,055,513	0	4,379,755
Buildings and Improvements	45,328,543	3,008,043	0	48,336,586
Equipment	4,465,662	248,673	25,450	4,688,885
Library Books	45,837	286	3,228	42,895
Infrastructure	193,127	0	0	193,127
Total Capital Assets, Being Depreciated	53,357,411	4,312,515	28,678	57,641,248

(continued)

Stark State College of Technology
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

4. CAPITAL ASSETS (continued)

	Balance 06/30/2007	Additions	Deletions	Balance 06/30/2008
Less Accumulated Depreciation For:				
Land Improvements	\$1,079,190	\$156,323	\$0	\$1,235,513
Buildings and Improvements	14,186,097	1,222,094	0	15,408,191
Equipment	2,876,956	395,397	25,449	3,246,904
Library Books	19,995	4,213	3,228	20,980
Infrastructure	99,943	8,691	0	108,634
Total Accumulated Depreciation	<u>18,262,181</u>	<u>1,786,718</u>	<u>28,677</u>	<u>20,020,222</u>
Capital Assets, Being Depreciated, Net	<u>35,095,230</u>	<u>2,525,797</u>	<u>1</u>	<u>37,621,026</u>
Capital Assets Net	<u>\$43,814,738</u>	<u>\$6,135,892</u>	<u>\$3,206,891</u>	<u>\$46,743,739</u>

5. LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2008, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences	\$987,364	\$101,866	\$0	\$1,089,230	\$43,143
Total	<u>\$987,364</u>	<u>\$101,866</u>	<u>\$0</u>	<u>\$1,089,230</u>	<u>\$43,143</u>

6. PENSION PLANS

A. State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

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

Stark State College of Technology
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

6. PENSION PLANS (continued)

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

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

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

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

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

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

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

Stark State College of Technology
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

6. PENSION PLANS (continued)

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2008 were 10% of covered payroll for members and 14% for employers. The College's employer contributions to STRS Ohio for fiscal years ended June 30, 2008, 2007 and 2006 were \$2,216,120, \$2,034,558, and \$1,639,090, respectively.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Board St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

B. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and employer contributions were consistent across all three plans.

Stark State College of Technology
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

6. PENSION PLANS (continued)

The member contribution rate was 9.5% for members from July 1, 2007 through December 31, 2007 and 10.0% from January 1, 2008 through June 30, 2008. The employer contribution rate was 13.77% from July 1, 2007 through December 31, 2007 and 14.0% from January 1, 2008 through June 30, 2008. The College's employer contributions to OPERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$1,142,149, \$1,084,098, and \$929,501, respectively.

C. Alternative Retirement Plan

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 2008, authorizing an alternative retirement program for academic and administrative employees of public institutions of higher education, who were currently covered by the Ohio Public Employees Retirement System (OPERS) or the State Teachers Retirement System of Ohio (STRS Ohio). The alternative retirement plan is a defined contribution plan under IRS Section 401(a).

Full-time employees have 90 days from their date of hire to make an irrevocable election to participate in an alternative retirement plan. Under this plan, employees who would have otherwise been required to be in OPERS or STRS Ohio who elect to participate in the alternative retirement program must contribute the employee's share of retirement contributions (9.5% and 10.0% OPERS effective January 1, 2007 and January 1, 2008, respectively, 10.0% STRS Ohio) to one of eight private providers approved by the State Department of Insurance. The employee's share of retirement contributions is actually paid by the College as an employee benefit. The legislation mandates that the employer must contribute 3.5% of the 14% employer contribution to STRS Ohio with the remainder being sent to the ARP vendor selected by the employee. All of the 13.77% (14.0% effective January 1, 2008) employer contribution for the non-academic employees is sent to the ARP vendor selected by the employee. The College plan provides these employees with immediate plan vesting. The total employer contributions to the alternative retirement plan for the fiscal years ended June 30, 2008, 2007, and 2006 were \$81,806, \$78,894, and \$57,611, respectively.

7. POST-EMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007, and 2006. The 14% employer contribution rate is the maximum rate established under Ohio law. The College's employer contributions allocated to post-employment benefits for the fiscal years ended June 30, 2008, 2007 and 2006 were \$144,419, \$132,114, and \$116,878, respectively.

Stark State College of Technology
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

7. POST-EMPLOYMENT BENEFITS (continued)

B. Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both the defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In fiscal year 2008, employers contributed 13.77% from July 1, 2007 through December 31, 2007 and 14.0% from January 1, 2008 through June 30, 2008. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For fiscal year 2008, the employer contribution allocated to the health care plan was 6.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The College's employer contributions allocated to post-employment benefits for the fiscal years ended June 30, 2008, 2007, and 2006 were \$411,224, \$357,329, and \$277,043, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004 was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Stark State College of Technology
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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 tort, 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 \$250,000 per individual and \$120,939,556 for the group as a whole.

The insurance claims payable of \$527,323 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 is as follows:

	Balance at Beginning of Fiscal Year	Current Fiscal Year Claims	Claims Payments	Balance at End of Fiscal Year
2007	\$420,527	\$3,041,673	\$2,986,800	\$475,400
2008	475,400	3,471,617	3,419,694	527,323

10. RELATED ORGANIZATION

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, 2008 financial statements. At June 30, 2008, the total net assets of the Foundation were \$2,060,514. During the year ended June 30, 2008, the Foundation contributed to the College \$678,443 for scholarships, professional development, instructional equipment and supplies, and other projects.

11. CHANGE IN ACCOUNTING PRINCIPLES

The College implemented GASB Statements No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions," and No. 50, "Pension Disclosures – An Amendment of GASB Statements No. 25 and 27." Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements. These implementations had no effect on previously reported net asset balances.

Stark State College of Technology
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Disbursements
<u>U.S. Department of Education</u>				
Student Financial Assistance Programs Cluster:				
Federal Work-Study Program	84.033	-	\$184,786	\$242,790
Federal Supplemental Educational Opportunity Grants	84.007	-	152,309	158,347
Federal Pell Grant Program	84.063	-	9,321,652	9,633,496
Federal Family Education Loans	84.032	-	22,177,216	22,177,216
Academic Competitiveness Grants	84.375	-	22,150	22,150
Total Student Financial Assistance Programs Cluster			31,858,113	32,233,999
TRIO Cluster:				
TRIO - Student Support Services	84.042	-	107,442	218,282
TRIO - Upward Bound	84.047	-	0	98,149
Total TRIO Cluster			107,442	316,431
<i>Passed Through Ohio Department of Education:</i>				
Vocational Education - Basic Grants to States	84.048	063420-CDP-P-2007	85,945	0
Vocational Education - Basic Grants to States	84.048	063420-CDP-P-2008	63,617	176,121
Vocational Education - Basic Grants to States	84.048	063420-VENT-IT-2008	300	3,000
Total Vocation Education - Basic Grants to States			149,862	179,121
Tech-Prep Education	84.243	063420-TP-FB-2007	50,145	0
Tech-Prep Education	84.243	063420-TP-FB-2008	103,797	170,033
Total Tech-Prep Education			153,942	170,033
Total U.S. Department of Education			32,269,359	32,899,584
<u>U.S. Department of Labor</u>				
WIA Pilots, Demonstrations, and Research Projects	17.261	-	173,521	98,466
<i>Passed through Workforce Initiative Association:</i>				
WIA Adult Program	17.258	NA	19,414	25,632
Total U.S. Department of Labor			192,935	124,098
<u>U.S. Department of Health and Human Services</u>				
Health Care and Other Facilities	93.887	-	335,880	61,875
<i>Passed through Ohio Department of Job and Family Services and Ohio Board of Regents:</i>				
Temporary Assistance for Needy Families	93.558	NA	525	525
Total U.S. Department of Health and Human Services			336,405	62,400
<u>National Science Foundation Program</u>				
Education and Human Resources	47.076	-	163,764	309,565
<i>Passed through Ohio State University Research Center</i>				
Education and Human Resources	47.076	NA	4,964	8,436
Total National Science Foundation Program			168,728	318,001
Total Federal Assistance			\$32,967,427	\$33,404,083

NA - Pass-Through Entity Identifying Number not available

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

Stark State College of Technology
Note to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2008

Note A – Significant Accounting Policies

The accompanying Schedule of Federal Awards Expenditures 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.

Note B – Federal Family Education Loans

During the fiscal year ended June 30, 2008, the College processed new loans under the Guaranteed Student Loan Program. Several banks act as lenders for the College. The amount shown only reflects the fiscal year amount that has been certified by the College.

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Ohio Society of Certified Public Accountants

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

Stark State College of Technology
Board of Trustees
6200 Frank Ave. N.W.
North Canton, Ohio 44720-7299

We have audited the financial statements of the business-type activities and the discretely presented component unit of Stark State College of Technology, Stark County, Ohio (the College) as of and for the year ended June 30, 2008, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 22, 2008, wherein we noted the College implemented GASB Statements No. 45 and 50. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the College's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the College's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the College's management in a separate letter dated December 22, 2008.

Stark State College of Technology

Board of Trustees

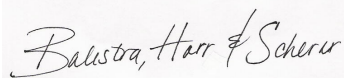
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Page 2

Compliance and Other Matters

As part of reasonably assuring whether the College's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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



Balestra, Harr & Scherer, CPAs, Inc.

December 22, 2008

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Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Stark State College of Technology
Board of Trustees
6200 Frank Ave. N.W.
North Canton, Ohio 44720-7299

Compliance

We have audited the compliance of 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 apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the College's major federal program. The College's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The College's management 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 the College's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of 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 College's internal control over compliance.

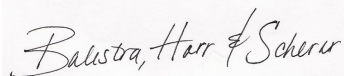
Internal Control Over Compliance (Continued)

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the College's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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. However, we noted certain matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the College's management in a separate letter dated December 22, 2008.

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



Balestra, Harr & Scherer, CPAs, Inc.
December 22, 2008

Stark State College of Technology
Schedule of Findings
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2008

SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Student Financial 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; Academic Competitiveness Grants, CFDA #84.375
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$1,002,122 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

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
MAY 7, 2009