STARK STATE COLLEGE OF TECHNOLOGY
STARK COUNTY

SINGLE AUDIT

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

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

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

Dave Yost

Dave Yost
Auditor of State

January 24, 2012

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.auditor.state.oh.us

This page intentionally left blank.

Stark State College of Technology
Table of Contents
For the Fiscal Year Ended June 30, 2011

This page intentionally left blank.

Balestra, Harr & Scherer, CPAs, Inc.

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

www.bhscpas.com

Independent Auditor's Report

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

To the Board of Trustees:

We have audited the accompanying 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, 2011 as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the College's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
December 22, 2011

The discussion and analysis of the financial statements of Stark State College of Technology (the "College") provide an overview of financial activities for the years ended June 30, 2011 and 2010. 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—an amendment of GASB Statement No. 34,* 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.

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

Condensed Statement of Net Assets

(in thousands)

	2011	2010
Assets		
Current Assets		
Cash & cash equivalents	$19,217	$15,751
Student accounts receivable, net	8,204	4,047
Intergovernmental receivables	3,410	5,003
Other current assets	2,709	1,940
Total current assets	33,540	26,741
Noncurrent Assets		
Capital assets, net	76,258	61,665
Other noncurrent assets	12,977	1,743
Total noncurrent assets	89,235	63,408
Total assets	$122,775	$90,149
Liabilities & Net Assets		
Current Liabilities		
Accounts payable & accrued liabilities	$7,057	$3,013
Deferred income	2,593	2,128
Other current liabilities	4,191	2,577
Total current liabilities	13,841	7,718
Long-Term Liabilities	19,650	984
Total liabilities	33,491	8,702
Net Assets		
Invested in capital assets, net of related debt	64,372	61,665
Restricted	1,074	1,077
Unrestricted	23,838	18,705
Total net assets	89,284	81,447

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)

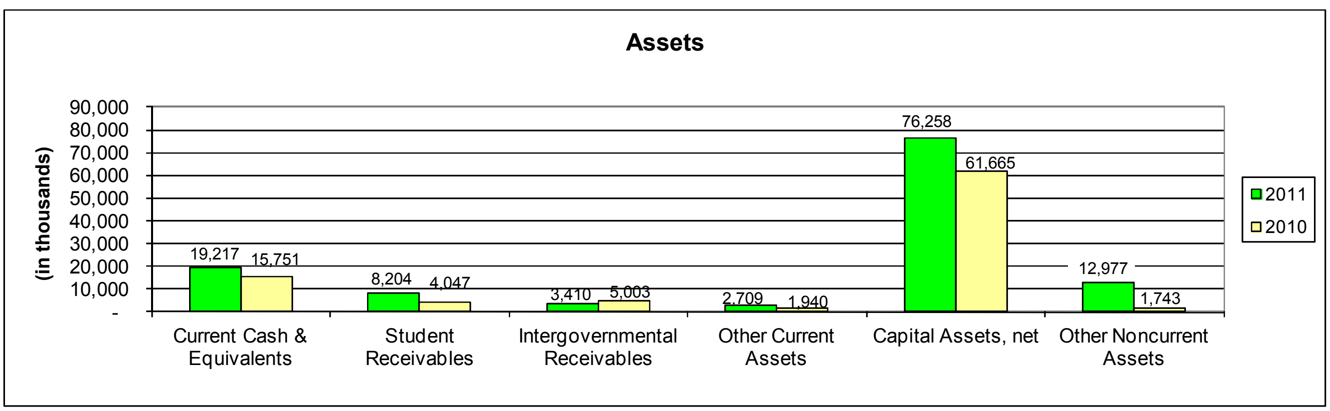
	2011	2010	Increase (Decrease) $	Increase (Decrease) %
Revenues				
Operating Revenues				
Tuition and fees, net	$31,076	$28,627	$2,449	8.6%
Federal grants and contracts	4,627	2,943	1,684	57.2%
Auxiliary enterprises: bookstore	7,573	6,244	1,329	21.3%
Other operating revenues	2,551	2,631	(80)	-3.0%
Total operating revenues	45,827	40,445	5,382	13.3%
Expenses				
Operating Expenses				
Educational and general	96,797	81,023	15,774	19.5%
Auxiliary enterprises: bookstore	6,192	5,107	1,085	21.2%
Total operating expenses	102,989	86,130	16,859	19.6%
Operating income (loss)	(57,162)	(45,685)	(11,477)	-25.1%
Nonoperating Revenues (Expenses)				
State appropriations	21,603	20,206	1,397	6.9%
Federal grants	40,641	31,458	9,183	29.2%
Other nonoperating income	381	340	41	12.1%
Other nonoperating expenses	(1,669)	(1,949)	280	-14.4%
Net nonoperating revenues (expenses)	60,956	50,055	10,901	21.8%
Income (loss) before other revenues, expenses, gains or losses	3,794	4,370	(576)	-13.2%
Capital appropriations, gifts & grants	4,043	5,526	(1,483)	-26.8%
Increase in net assets	7,837	9,896	(2,059)	-20.8%
Net assets, beginning of year	81,447	66,598	14,849	22.3%
Prior Year Adjustment - Capitalized Intangible Assets	-	4,953	(4,953)	-100.0%
Net assets - end of year	$89,284	$81,447	$7,837	9.6%

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.

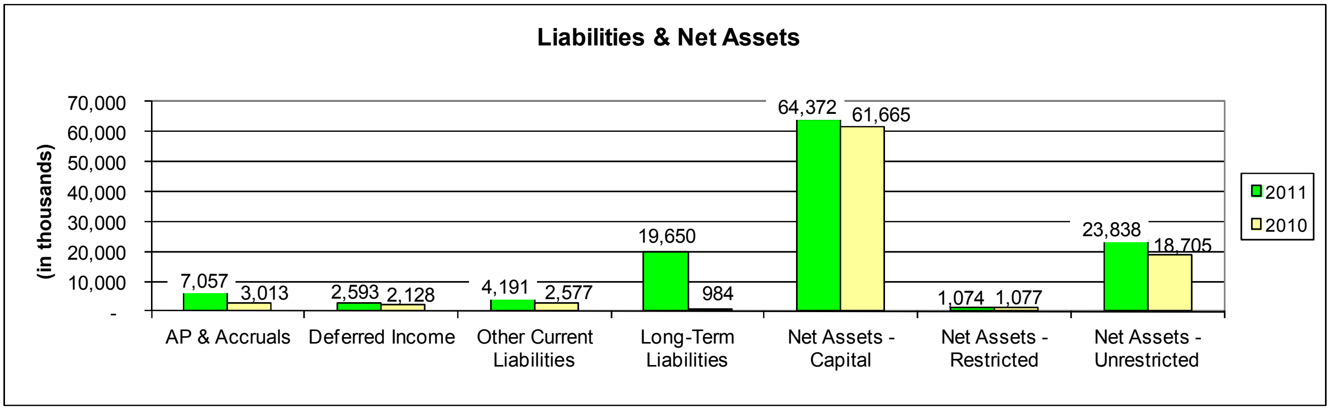
Condensed Statement of Cash Flows
(in thousands)

			Increase (Decrease)	
	2011	2010	$	%
Net cash provided (used) by Operating Activities	($56,644)	($42,370)	($14,274)	-33.7%
Net cash provided (used) by Noncapital Financing Activities	62,825	47,976	14,849	31.0%
Net cash provided (used) by Capital Financing Activities	7,538	(1,833)	9,371	511.2%
Net cash provided (used) by Investing Activities	1	22	(21)	-95.5%
Net increase in cash	13,720	3,795	$9,925	261.5%
Cash - beginning of year	15,792	11,997	3,795	31.6%
Cash - end of year	29,512	15,792	$13,720	86.9%

Analysis of Assets and Liabilities



Total assets increased by $32,626,000 during the year to a year-end amount of $122,775,000. Of this amount, $14,593,000 was related to net capital asset increases. Total cash and cash equivalents, including restricted cash classified as other noncurrent assets, increased by $13,720,000. Student Accounts Receivable increased by $4,157,000. Changes to all other asset categories amounted to a net increase of $156,000.

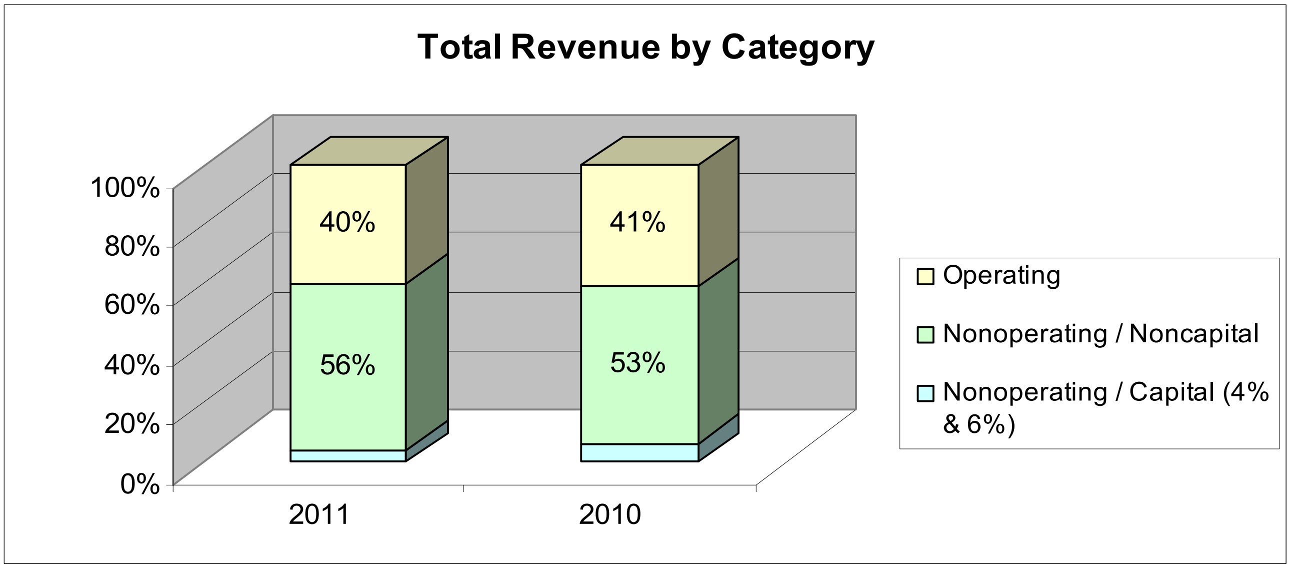


Total liabilities increased since the beginning of the year by $24,789,000 to a year-end amount of $33,491,000. The noncurrent long-term liabilities increased $18,666,000 to $19,650,000 due to the issuance of $20,145,000 in long-term bonds for construction. Current liabilities increased by $6,123,000 to $13,841,000, primarily due to construction payables for the construction of two new building projects funded by the long-term bonds.

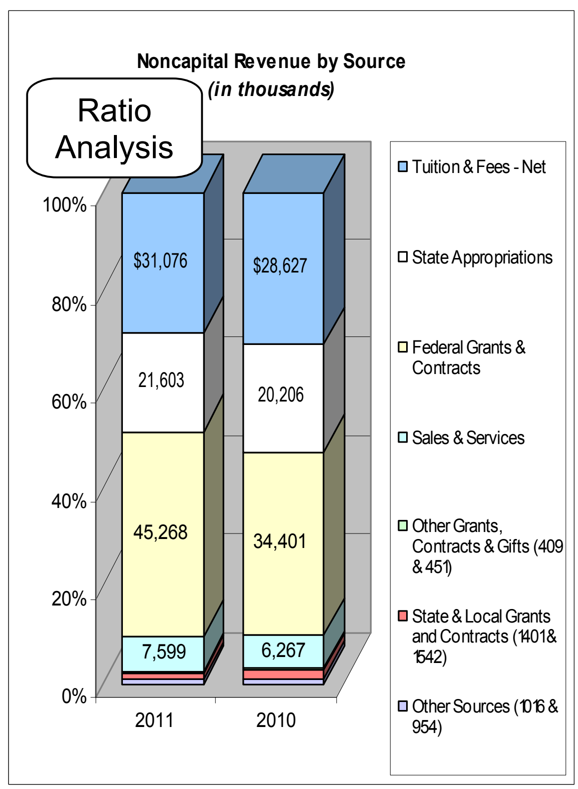
Total net assets increased $7,837,000, of which $2,707,000 was related to net capital assets. Unrestricted net assets increased by $5,133,000, and net restricted assets decreased $3,000. The positive change in unrestricted net assets was the result of favorable operating results combined with lesser outlays of cash for capital projects from operating funds, compared to prior years, which are presented in the analysis of the Statement of Revenues, Expenses and Changes in Net Assets.

Analysis of Revenues

The following chart provides categorical ratios of the College's revenue as a whole for the years ended June 30, 2011 and 2010:



The State Share of Instruction appropriation is the statutory burden of the state of Ohio for operating the College. This is classified as nonoperating revenue under generally accepted accounting principles, and it accounted for 20% and 21% of total revenue in 2011 and 2010. Other revenue includes capital appropriations, which is a subset of nonoperating revenue.



A traditional comparison of College revenue focuses on noncapital revenue. These are the funds which are spent for ongoing operations. The total of these revenues increased $15.9 million this year (17.2%). This analysis will focus on the traditional revenues used for ongoing operations which are comparable to prior years' financial statements.

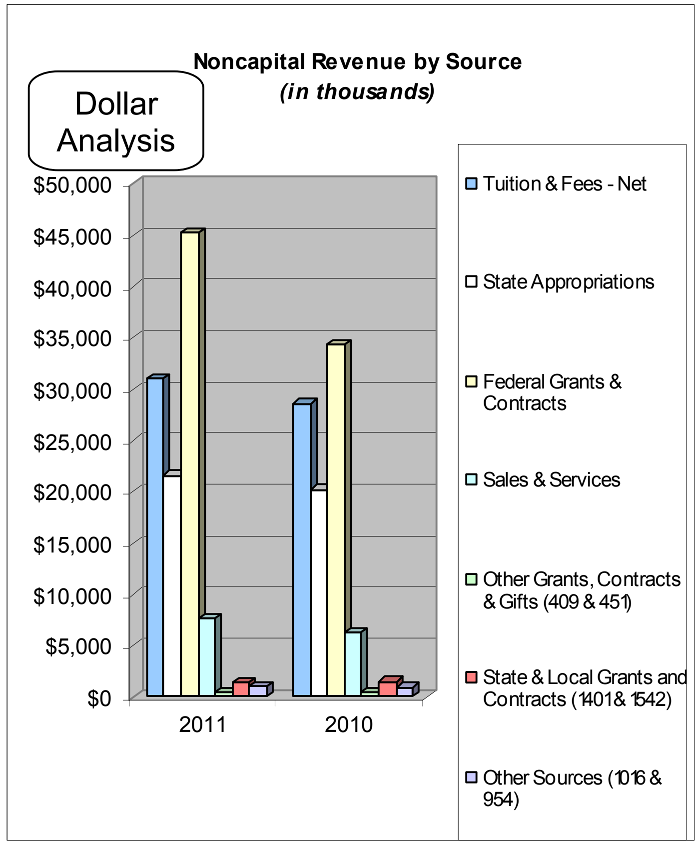
The Board of Trustees increased tuition for the Spring 2010 semester from $127 per credit hour to $131.25, and for the Summer 2010 semester to $135.75 at which it remained until the Fall 2011 semester. The tuition rate increases increased net revenue by $479,000. Enrollment increases resulted in additional fees of approximately $1,970,000 over the prior year.

The State Share of Instruction appropriation, which is the primary source of state funding dedicated to support the operations of the College, increased from prior year levels by $1,397,000 (6.9%) because the College grew more than the average rate of growth during the prior two years compared to other Ohio two-year colleges.

Sales & Services, which include Auxiliary enterprise revenue from the College bookstore, increased this year by $1,332,000 (21.3%) due to increased enrollment and significant textbook price inflation, along with increased sales of non-textbook items, which were somewhat offset by changes to the sales mix of new vs. used textbooks.

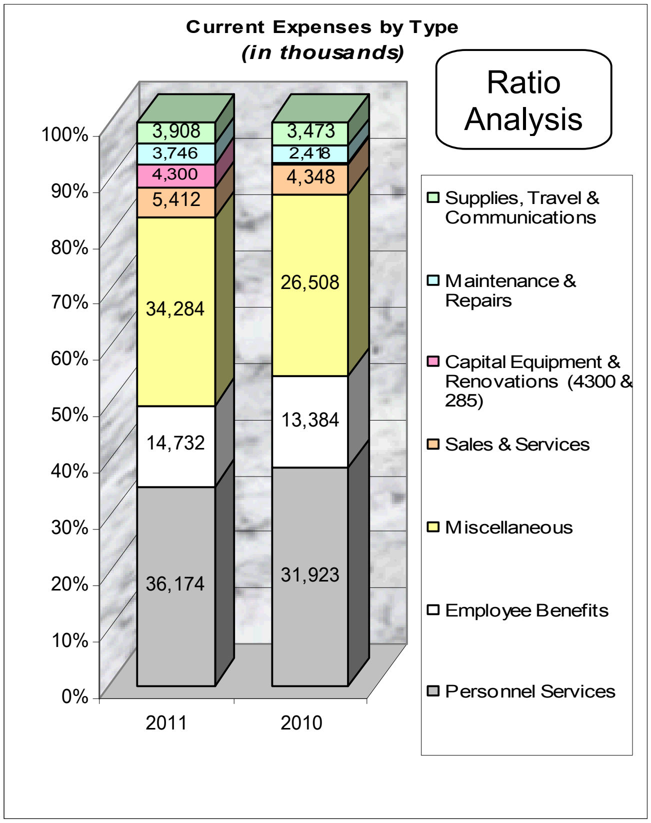
Increases in Federal grants totaling $10,867,000 were due mainly to an increase of financial aid grants to students of over $8,691,000. ARRA funds of $3,674,000 were used by the state to supplant state general revenue funds.

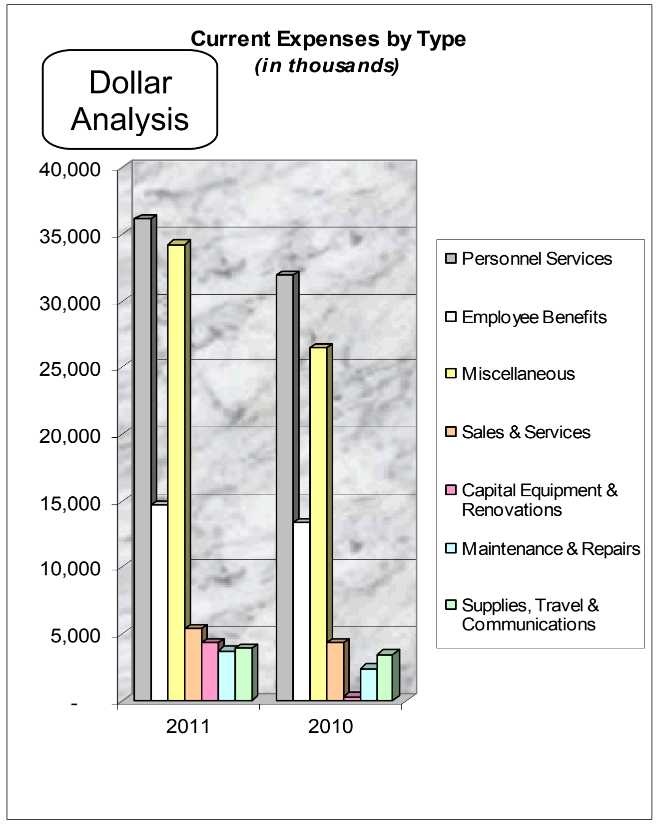
Other noncapital revenue decreased by $121,000, including decreases in interest earnings and corporate training grants, which were partially offset by rent receipts and using grant fund balances.



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. 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 expenses increased 18.8%, total enrollment only increased 18.3%.





Total salary and wages increased 13.3%. The average general wage increased 4.3% for full time employees, and the College increased the usage of part-time instructors. Many 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 10.1% over the prior year. The major factors affecting benefits included a 6.75% 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. Significant positive experience required little increase in the required health insurance reserve.

Miscellaneous expenses increased 29.3% over the prior year. Total payments for Student Aid increased by over 1/3. Grants from outside entities were the source for most of these costs. This item accounted for almost 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. Software and professional services increased modestly. Bad debts increased significantly due to students who left the College after receiving aid for which the College remains responsible for repaying. Other costs were reduced, included the cost of insurance and other miscellaneous expenses.

Sales & Services expenses increased by 24.5%. This was primarily the result of sales volume increases due to higher enrollment. While the College shifted the sales mix of new vs. used books toward used, which lowered the average cost, textbook manufacturers increased the use of bundled software, requiring students to purchase new books at a higher cost.

Maintenance and Repairs increased 54.9% over the prior year due to an effort to eliminate deferred maintenance and to complete renovation projects that were deferred from the prior year. Additional electricity was needed due to extended use of the facilities to accommodate increased enrollment, while more natural gas was used due to new building rentals as the College expanded its operations in downtown Canton and downtown North Canton.

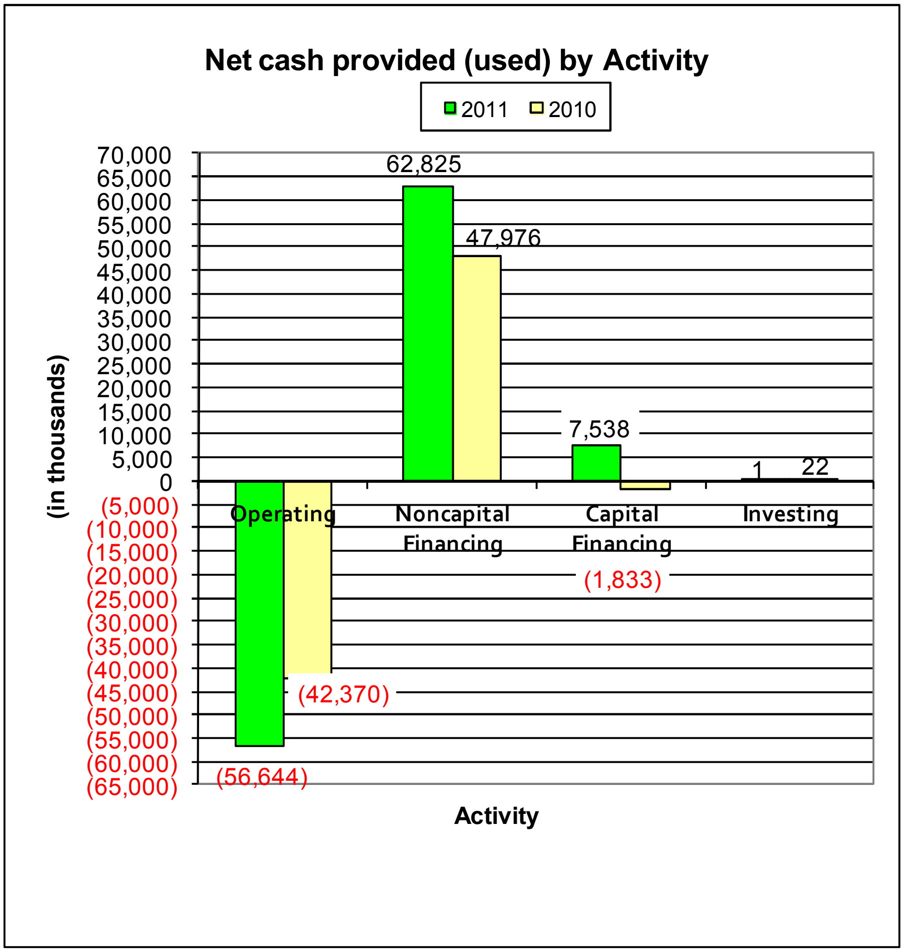
Equipment purchases from the operating budget increased by over $4 million dollars from the prior year. Most major purchases were for College IT equipment and scientific equipment as part of multiple federal grants in the fuel cell development arena.

Communications expenses increased by 1.5%. Postage costs fell as the College moved further into internal electronic communications. Memberships increased due to higher enrollment levels. Printing and advertising increased slightly due to additional direct marketing efforts. The College incurred significant increases for Marketing and Advertising to promote satellite locations in downtown Canton, Carrollton, Alliance and Barberton, Ohio. Telecommunications costs associated with increased distance learning and additional locations also rose slightly.

Supplies costs increased 25.1% this year. Much of this increase was due to increases in the number of PC purchases, which are included in 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 5.6%. The College made efforts to constrain the use of the general budget for travel. The instructional division also developed in-house professional development programs which helped constrain the rate of growth. Management has made a commitment to holding the line on the amount of travel for the next year.

Analysis of Cash Flows



The College's liquidity increased during the year, primarily due to higher enrollment, and aggressive cost containment measures which generated increased 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 (SSI), and Federal ARRA Education funds appropriated as SSI subsidy. These line items 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 tuition rates, increased enrollment and successful grant applications. Significant increases in the use of cash included larger payments for labor, payments to suppliers and student aid, while other receipts increased modestly.

Noncapital financing increased due to additional support from the State of Ohio, which was partially offset by an increase in grant expenditures and unapplied student aid payments made on behalf of other entities over the prior year.

Capital financing activities provided proceeds from state appropriations, Federal and state grants and gifts. Bond proceeds were received as needed to make vendor payments on construction projects. More cash outflows were required for facilities projects. Capital funds were used for the renovation of space in the Phase IV building for a new Mathematics Lab. Additional capital outlays were used for a new academic building and a new Business Center, various building renovations, grounds improvements and other capital equipment. These purchases constituted the majority of the College's capital activity.

Lower interest rates approaching zero provided little cash flow from investing activities this year.

Economic Outlook for the Future

The economy in Ohio has suffered under the current recession. Large job losses have affected all sectors of the state's economy. The total unemployment estimate, including those who have run out of unemployment benefits, those who desire work but are not on unemployment, and those who have stopped looking for work because they believe there is not any work available now exceeds 19% in Ohio. While the unemployment rate has declined slightly in recent months, it is due to people dropping out of the official count and a reduction in the official estimate of the number of jobs in the economy rather than there being an increase in employment. To date, there has been little improvement in the employment situation in Ohio.

The state of Ohio is receiving slightly more tax revenue than last year from most sources, including income, sales, property taxes and the commercial activities tax. The state of Ohio has reduced total appropriations for higher education significantly for this biennium.

It is Management's opinion that there may be additional funding reductions by the state in the current year. Management has planned for the possibility of additional reductions in state operating subsidies in FY2012. The State's operating budget for the current year included reductions in distributions to local governments, and savings from reduced labor costs contained in Senate Bill 5, which repealed most public collective bargaining laws and reduced benefits for public employees. The bill was not enacted because of a successful referendum petition. Voters overturned Senate Bill 5 on November 8, 2011. The state will have to address the negative impact on its budget. Officials at the Office of Budget and Management have announced they are planning to conduct budget reviews in the next several months.

Final Analysis

Stark State College's President Dr. John O'Donnell resigned to take a position at another institution of higher education at the end of July, 2011. However, the Board of Trustees is committed to establishing new programs in emerging technologies that can increase enrollment and promote economic development in the College's service area. It is also committed to providing greater access through satellite locations, academic outreach and distance learning.

The economy continues to increase the demand for the College's services and resources. The College is dependent on the State of Ohio for funding, and state revenue has been meeting the budget projections to this point of the year. The Legislature has made the funding of higher education a priority, by adding a significant amount of general revenue to the state's subsidy for higher education institutions to partially offset the loss of ARRA federal stimulus funds which had been used during the prior two years to help the state balance its budget without cutting back on funding higher education.

Between 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. Additionally, the College was among the first of the two-year institutions to participate in a new bond issuance program through the Ohio Building Authority to issue bonds in the name of the College which are backed by the state and allow the College to take advantage of the state's credit rating. This program will be transferred to the Treasurer of State on January 1, 2012. These funds allowed the college to open a new 43,000 square foot academic building for the Fall 2011 semester, and will allow the College to open a new state-of-the-art Business and Entrepreneurship center, which will add to its capacity to meet the growing needs of the region.

During the Fall 2011 academic term, 70% of Ohio's two-year colleges have seen a decline in enrollment since the last academic year. Management has developed a wide-ranging set of contingency options to consider in the event of a downturn in enrollment or further budget cuts by the legislature or executive officers, 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. Prior to the issuance of bonds to finance construction, debt had been almost nonexistent, revenues were expanded and expenses have been constrained. The College's enrollment, reserves and cash position are sufficient to endure worsening economic conditions into the near future.

Stark State College of Technology
Statement of Net Assets
For the Year Ended June 30, 2011

ASSETS	
Current Assets	
Cash & cash equivalents	$ 19,216,996
Student accounts receivable, net	8,203,893
Intergovernmental receivables	3,410,448
Other receivables, net	937,189
Prepaid expenses and deferred charges	464,554
Insurance reserve	726,784
Inventories at cost	572,907
Bond Underwriting	7,250
Total current assets	33,540,021
Noncurrent Assets	
Restricted cash & cash equivalents	10,294,710
Restricted investments	1,765
Endowment investments	244,368
Prepaid expenses and deferred charges	7,759
Insurance reserve	2,296,511
Bond Underwriting	131,709
Capital assets, net	76,258,284
Total noncurrent assets	89,235,106
Total assets	$ 122,775,127
LIABILITIES	
Current Liabilities	
Accounts payable & accrued liabilities	$ 7,056,829
Deferred income	2,592,785
Accrued salaries & wages	2,276,505
Insurance claims payable	726,784
Compensated absences	133,486
Deposits held for others	185,043
Long-term liabilities - current portion	869,211
Total current liabilities	13,840,643
Noncurrent Liabilities	
Long-term liabilities	19,650,115
Total noncurrent liabilities	19,650,115
Total liabilities	33,490,758
NET ASSETS	
Invested in capital assets, net of related debt	64,371,835
Restricted for	
Nonexpendable	
Scholarships	358,657
Expendable	
Student grants and scholarships	50,363
Public service	318,375
Instructional departments	287,654
Student services	11,895
Capital projects	31,567
Student loans	11,489
Academic support	2,000
Institutional Support	2,325
Unrestricted	23,838,209
Total net assets	$ 89,284,369

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 Year Ended June 30, 2011

REVENUES		
Operating revenues:		
Student tuition and fees (net of scholarship allowances of $ 10,687,424)	$	31,075,657
Federal grants and contracts		4,627,083
State and local grants and contracts		1,254,908
Nongovernmental grants and contracts		286,066
Sales and services of educational departments		26,208
Auxiliary enterprise: bookstore		7,572,641
Other operating revenues		984,505
Total operating revenues		45,827,068
EXPENSES		
Operating expenses:		
Educational and general:		
Instruction		34,503,760
Research		1,079,261
Academic support		5,712,396
Student services		6,673,000
Institutional support		9,259,996
Operation and maintenance of plant		6,624,577
Student aid		28,482,384
Public service		2,081,062
Depreciation		2,379,885
Auxiliary enterprise: bookstore		6,192,432
Total operating expenses		102,988,753
Operating loss		(57,161,685)
NONOPERATING REVENUES (EXPENSES)		
State appropriations		21,603,186
Federal grants		40,640,635
State and local grants		225,333
Gifts		122,645
Investment income		33,077
Interest on capital asset-related debt		(786,033)
Other nonoperating expenses		(882,999)
Net nonoperating revenues		60,955,844
Income (loss) before other revenues, expenses, gains, or losses		3,794,159
Capital appropriations		2,810,816
Capital grants and gifts		1,232,170
Increase in net assets		7,837,145
NET ASSETS		
Net assets, beginning of year		81,447,224
Net assets - end of year	$	89,284,369

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

Stark State College of Technology
Statement of Cash Flows
For the Year Ended June 30,2011

Cash Flows from Operating Activities	
Tuition and fees	$ 27,292,644
Grants and contracts	5,700,902
Payments to suppliers	(18,946,662)
Payments to employees and for benefits	(50,285,191)
Payments for student aid	(28,482,384)
Loans issued to students	(2,882)
Auxiliary enterprise charges: Bookstore	7,530,547
Sales and service of educational activities	27,031
Other receipts (payments)	522,470
Net cash provided (used) by operating activities	(56,643,525)
Cash Flows from Noncapital Financing Activities	
State appropriations	21,603,186
Gifts and grants for other than capital purposes	40,105,614
Stafford, PLUS, NEALP and other loans received	77,863,849
Stafford, PLUS, NEALP and other loans disbursed	(77,863,849)
Agency transactions	1,116,059
Net cash provided by noncapital financing activities	62,824,859
Cash Flows from Capital Financing Activities	
Proceeds from capital debt	20,006,041
Capital appropriations	2,938,134
Capital grants and gifts received	2,065,191
Purchases of capital assets	(15,984,298)
Principal paid on capital debt and leases	(701,006)
Interest paid on capital debt and leases	(786,033)
Net cash provided by capital financing activities	7,538,029
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	6,970
Interest on investments	(6,366)
Net cash provided by investing activities	604
Net increase in cash	13,719,967
Cash - beginning of the year	15,791,739
Cash - end of year	29,511,706
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:	
Operating income (loss)	(57,161,685)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	2,379,885
Changes in assets and liabilities:	
Receivables, net	(5,256,390)
Inventories	8,724
Other assets	(1,002,710)
Accounts payable	3,889,104
Deferred revenue	464,535
Compensated absences	35,012
Net cash provided (used) by operating activities	**$** (56,643,525)

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

1. DESCRIPTION OF THE ENTITY

Stark State College (the "College") was originally chartered in 1966 under provisions of the Ohio Revised Code as a Technical College. The College offers more than 230 associate degrees, options, one-year and career enhancement certificates in business and entrepreneurial studies, education and human services, engineering technologies, health sciences, information technologies, math and sciences and liberal arts. Degrees awarded are: associate of arts, associate of science, associate of applied science, associate of applied business, and associate of technical studies. The College also offers degrees in conjunction with Kent State University in associate of arts, associate of applied business, and associate of science. A wide range of short-term career enhancement certificates help employees improve skills and gain a competitive edge in a society with rapidly-changing technology. Career enhancement certificates lead to associate degrees and one-year certificates in various fields of study. 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 2011 and all of the payments of student tuition and fees resulting from early registration for the fall session 2011 have been deferred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 2011, investments were limited to STAR Ohio, U.S. Treasury and Agency items, mutual funds, corporate notes, and corporate stock.

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

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

G. Capital Assets – Land, land improvements, buildings and improvements, infrastructure, equipment, software 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, 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 & Software	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 and software, $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 Council of Governments:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

J. Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use. The College identifies net assets restricted as either nonexpendable or expendable. Nonexpendable net assets represent endowment contributions from donors that are permanently restricted as to principal. Expendable net assets relate to grants and contract activity, whose use is subject to externally imposed restrictions. Unrestricted net assets are not subject to restrictions and may be designated for specific purposes by the Board of Trustees. Of the College's restricted net assets of $1,074,325, none were 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 Risk Pools

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.

B. Cash on Hand - At June 30, 2011, the College had $15,552 in undeposited cash on hand which is reported as "Cash" on the Statement of Net Assets.

C. Deposits - At June 30, 2011, the reported amount of the College's deposits was $(1,603,753) and the bank balance was $24,798, which was covered by the FDIC.

D. Investments – As of June 30, 2011, the College had the following investments and maturities:

		Investment Maturity (In Years)	
Investment Type	Fair Value	1	1 - 5
Insurance Reserve	$ 3,023,295	726,784	2,296,511
Repurchase Agreement	8,905,000	8,905,000	-
STAR Ohio	11,940,882	11,940,882	-
U.S. Treasuries	2,460	2,460	-
U.S. Agencies	13,567	5,127	8,440
Corporate Notes	27,648	-	27,648
Mutual Funds–Treasury Obligations	10,254,024	10,254,024	-
Mutual Funds	32,552	32,552	-
	34,199,428	31,866,829	2,332,599
Corporate Stock	169,907		
	$ 34,369,335		

3. CASH AND INVESTMENTS *(continued)*

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 prohibits the purchase of securities that will mature more than five years from the date of settlement.

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 & Poors and their percentage of total investments:

Corporate Stock	A+	.03%
Corporate Stock	A	.05%
Corporate Stock	A-	.04%
Corporate Stock	AA-	.02%
Corporate Stock	BB+	.01%
Corporate Stock	BBB+	.02%
Corporate Stock	BBB	.02%
Corporate Stock	BBB-	.01%
Corporate Stock	Not Rated	.30%
U.S. Treasuries	AA+	.01%
U.S. Agencies	AA+	.04%
Mutual Funds	Not Rated	.09%
Mutual Funds-Treasury Obligations	AAAm	29.83%
Corporate Notes	A-	.01%
Corporate Notes	AA-	.01%
Corporate Notes	AA+	.03%
Corporate Notes	A+	.03%
Corporate Notes	BBB+	.01%
STAR Ohio	AAAm	34.73%
Repurchase Agreements	Not Rated	25.91%
Insurance Reserve	Not Rated	8.80%

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, Corporate Notes, 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. Thirty-four 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 together 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 that the investment could be sold for on June 30, 2011.

4. CAPITAL ASSETS

A summary of the changes in capital assets and related accumulated depreciation during fiscal year 2011 follows:

	Balance 06/30/2010	Additions	Deletions	Balance 06/30/2011
Capital Assets, Not Being Depreciated:				
Land	$ 5,116,798	$ 201,824	$ -	$ 5,318,622
Construction in Progress	4,363,972	11,136,210	-	15,500,182
Software	5,231,542	-	-	5,231,542
Total Capital Assets, Not Being Depreciated	14,712,312	11,338,034		26,050,346
Capital Assets, Being Depreciated:				
Land Improvements	4,616,545	4,052	-	4,620,597
Buildings and leasehold improvements	60,175,401	5,010,939	-	65,186,340
Equipment	5,535,619	507,710	30,550	6,012,779
Library Books	40,493	-	6,500	33,993
Infrastructure	193,127	112,131	-	305,258
Total Capital Assets, Being Depreciated	70,561,185	5,634,832	37,050	76,158,967
Less Accumulated Depreciation For:				
Land Improvements	1,602,991	190,296	-	1,793,287
Buildings and leasehold improvements	18,113,164	1,648,801	-	19,761,965
Equipment	3,739,615	526,346	30,550	4,235,411
Library Books	26,410	3,136	6,500	23,046
Infrastructure	126,015	11,305	-	137,320
Total Accumulated Depreciation	23,608,195	2,379,884	37,050	25,951,029
Capital Assets, Being Depreciated, Net	46,952,990	3,254,948	-	50,207,938
Capital Assets Net	$ 61,665,302	$ 14,592,982	$ -	$ 76,258,284

5. LONG-TERM LIABILITIES

A. Long-term liabilities activity for the year ended June 30, 2011, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Bond Obligations	$ -	$20,145,000	$701,006	$19,443,994	$806,750
Compensated Absences	1,040,320	35,012	-	1,075,332	62,461
Total	$ 1,040,320	$20,180,012	$701,006	$20,519,326	$869,211

In August, 2010, the College issued $7,635,000 in State of Ohio (Ohio Building Authority) State Community and Technical College Facilities Bonds (Stark State College) 2010 Series A1 (Tax Exempt Bonds) and $12,510,000 in State of Ohio (Ohio Building Authority) State Community and Technical College Facilities Bonds (Stark State College) 2010 Series A2 (Federally Taxable-Build America Bonds-Direct Payment) to secure funding for the improvement of the facilities at the College.

B. The College has no outstanding capital leases.

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.

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

6. PENSION PLANS (continued)

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.

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, 2011 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, 2011, 2010 and 2009 were $3,453,525, $3,076,185, and $2,492,697, respectively.

6. PENSION PLANS (continued)

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, but less than, 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, 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 2011, member and employer contributions were consistent across all three plans.

The 2011 member contribution rate was 10.0%. The 2011 employer contribution rate was 14.0% of covered payroll. The College's employer contributions to OPERS for the fiscal years ended June 30, 2011, 2010 and 2009 were $1,621,223, $1,388,370, and $1,260,476, respectively.

C. Alternative Retirement Plan

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 1998, 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 (10.0% OPERS, 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 and .77% of the 14% employer contribution to OPERS with the remainder being sent to the ARP vendor selected by the employee. The College plan provides these employees with immediate plan vesting. The total employer contributions to the alternative retirement plan for the fiscal years ended June 30, 2011, 2010, and 2009 were $83,942, $82,221, and $69,668, 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 Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit Plan and the 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 heath 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, 2010, 2009, and 2008. 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, 2011, 2010 and 2009 were approximately $224,252, $200,715, and $162,638, respectively.

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, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

7. POST-EMPLOYMENT BENEFITS (continued)

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 2011, employers contributed at a rate of 14.0% of covered payroll. 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 Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care coverage 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, 2011, 2010, and 2009 were approximately $551,322, $544,267 and $417,473, 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.

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

There are no claims pending against the College as of June 30, 2011.

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 insurance claims payable of $726,784 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
2010	$567,328	4,423,668	4,348,043	$642,953
2011	$642,953	5,012,486	4,928,655	$726,784

10. RELATED ORGANIZATIONS

The Stark State College Foundation (the Foundation) is a not-for-profit organization, which operates under a separate board exclusively for the benefit of the College and is therefore not included in the College’s June 30, 2011 financial statements. At June 30, 2011, the total net assets of the Foundation were $2,519,077. During the year ended June 30, 2011, the Foundation contributed $51,800 to the College for scholarships and instructional equipment and supplies.

Stark State College of Technology
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Expenditures
U.S. Department of Education				
Direct from the Federal Government				
Student Financial Assistance Programs Cluster:				
Federal Work-Study Program	84.033	N/A	$ 281,599	$ 281,599
Federal Supplemental Educational Opportunity Grants	84.007	N/A	202,280	238,214
Federal Pell Grant Program	84.063	N/A	36,394,438	36,605,025
Federal Direct Student Loans	84.268	N/A	78,750,254	77,606,344
Federal Academic Competitiveness Grants	84.375	N/A	1,864	1,376
Total Student Financial Assistance Programs Cluster			**115,630,435**	**114,732,558**
TRIO Cluster:				
Student Support Services	84.042	N/A	228,259	225,945
Upward Bound Math and Science Program	84.047	N/A	283,088	263,855
Total TRIO Cluster			**511,347**	**489,800**
Fund for the Improvement of Postsecondary Education	84.116	N/A	118,097	104,873
Passed Through Ohio Department of Education:				
Career and Technical Education - Basic Grants to States	84.048	3L90	331,751	322,043
Tech-Prep Education	84.243	3G90	164,384	163,439
Passed Through the Ohio Board of Regents:				
State Fiscal Stabilization Fund Cluster				
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	235-644	3,202,060	3,202,060
State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	N/A	472,388	472,388
Total State Fiscal Stabilization Fund Cluster			**3,674,448**	**3,674,448**
Total Federal Assistance - U.S. Department of Education			**120,430,462**	**119,487,161**
Research and Development Cluster				
U.S. Department of Energy				
Direct from the Federal Government				
Renewable Energy Research and Development	81.087	N/A	1,054,822	1,159,202
Total Federal Assistance - U.S. Department of Energy			**1,054,822**	**1,159,202**
U.S. Department of Development				
Direct from the Federal Government				
Collaborative Research and Development	12.114	N/A	659,652	1,079,261
Total Federal Assistance - U.S. Department of Development			**659,652**	**1,079,261**
Total Research and Development Cluster			**1,714,474**	**2,238,463**
U.S. Department of Labor				
Direct from the Federal Government				
H 1B Job Training Grant	17.268	N/A	826,506	635,373
Total Federal Assistance - U.S. Department of Labor			**826,506**	**635,373**
U.S. Department of Health and Human Services				
Direct from the Federal Government				
Inoperable Emergency Communications	97.055	N/A	0	80,736
Total Federal Assistance - U.S. Department of Health and Human Services			**0**	**80,736**
National Science Foundation Program				
Direct from the Federal Government				
Education and Human Resources	47.076	N/A	354,055	343,157
Total Federal Assistance - National Science Foundation			**354,055**	**343,157**
Small Business Administration				
Direct from the Federal Government				
Congressional Grants	59.059	N/A	0	79,953
Total Federal Assistance - National Science Foundation			**0**	**79,953**
U.S. Environmental Protection Agency				
Passed through the City of Canton				
Brownfield Job Training	66.815	N/A	125,064	94,146
Total Federal Assistance - U.S. Environmental Protection Agency			**125,064**	**94,146**
Total Federal Assistance - All Sources			**$ 123,450,561**	**$ 122,958,989**

NA - Pass-Through Entity Identifying Number not available or not applicable

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule

Stark State College of Technology
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2011

Note A – Significant Accounting Policies

The accompanying Schedule of Federal Awards Receipts and 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, 2011, the College processed new loans under the Federal Direct 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.

bhs

Balestra, Harr & Scherer, CPAs, Inc.

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

www.bhscpas.com

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

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

We have audited the financial statements of the business-type activities of the Stark State College of Technology, Stark County, Ohio (the College), as of and for the year ended June 30, 2011 and have issued our report thereon dated December 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards.*

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
December 22, 2011

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

Board of Trustees
Stark State College of Technology
Stark County
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 could directly and materially affect each of Stark State College of Technology's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the College's major federal programs. The College's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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

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

Balestra, Harr & Scherer, CPAs, Inc.
December 22, 2011

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant internal control 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 internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control 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 Aid Cluster: Federal Supplemental Educational Opportunity Grants, CFDA# 84.007; Federal Work-Study Program, CFDA# 84.033; Federal Pell Grant Program, CFDA# 84.063; Federal Direct Student Loans, CFDA# 84.268; Academic Competitiveness Grant, CFDA# 84.375 State Fiscal Stabilization Fund Cluster: State Fiscal Stabilization Fund – Education State Grants – ARRA, CFDA # 84.394; State Fiscal Stabilization Fund – Government Services – ARRA, CFDA# 84.397 Research and Development Cluster: Collaborative Research and Development, CFDA# 12.114; Renewable Energy Research and Development, CFDA# 81.087

		TRIO Cluster: Student Support Services, CFDA# 84.042; Upward Bound Math and Science Program, CFDA# 84.047 Education and Human Resources, CFDA# 47.076 H-1B Job Training Grants, CFDA# 17.268 Career and Technical Education – Basic Grants to States, CFDA# 84.048
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number	None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

This page intentionally left blank.

STARK STATE COLLEGE OF TECHNOLOGY

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 7, 2012