

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

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**Financial Report**  
**with Supplemental Information**  
**June 30, 2013 and 2012**





# Dave Yost • Auditor of State

Board of Trustees  
Owens State Community College  
PO Box 10000  
Toledo, Ohio 43699-1947

We have reviewed the *Independent Auditor's Report* of the Owens State Community College, Wood County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

October 24, 2013

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# Owens State Community College

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## Independent Auditor's Report

To the Board of Directors  
Owens State Community College

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Owens State Community College (the "College") and its discretely presented component unit (Owens State Community College Foundation), a component unit of the State of Ohio, as of and for the years ended June 30, 2013 and 2012 and the related notes to the financial statements, which collectively comprise the Owens State Community College's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Directors  
Owens State Community College

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Owens State Community College and its discretely presented component unit as of June 30, 2013 and 2012 and the changes in net position and, where applicable, cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1 to the basic financial statements, effective July 1, 2012, the College adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### **Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Owens State Community College's basic financial statements. The other supplemental information and schedule of expenditures of federal awards, as identified in the table of contents, are presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and are not a required part of the basic financial statements.



To the Board of Directors  
Owens State Community College

The other supplemental information and schedule of expenditures of federal awards, as identified in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information and schedule of expenditures of federal awards, as identified in the table of contents, are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013 on our consideration of the Owens State Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Owens State Community College's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

October 14, 2013

# **Owens State Community College**

## **Management's Discussion and Analysis - Unaudited**

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The following management's discussion and analysis (MD&A) provides an overview of the financial position and activities of Owens State Community College as of and for the year ended June 30, 2013 with comparative information for the years ended June 30, 2012 and 2011. The MD&A should be read in conjunction with the accompanying audited financial statements and footnotes.

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### **ABOUT OWENS STATE COMMUNITY COLLEGE**

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Founded in 1965, Owens Community College (the "College") continues to offer an affordable, quality education to those who are seeking an associate degree, continuing education courses, and professional development. The College allows you to complete the first two years of a bachelor's degree and then transfer to any four-year university or college. To enhance this process, the College has cultivated transfer agreements with over 20 area four-year colleges and universities.

The Toledo-area campus covers more than 280 acres and is located near downtown Toledo. The 60-acre Findlay-area campus is at 3200 Bright Road on Findlay's northeast side. The College also provides educational opportunities at Arrowhead Park Learning Center located in Maumee and the Source, Lucas County's One-Stop Employment Center in downtown Toledo. Between our four campus locations, over 45,000 credit and noncredit students are served annually. The College is a comprehensive community college accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools.

The College is governed by a board of trustees who are responsible for oversight of academic programs, budgets, general administration, and employment of faculty and staff. The College is currently governed by a nine voting member board of trustees. The trustees are appointed by the governor with the advice and consent of the state senate for staggered six-year terms.

The following financial statements reflect all assets, liabilities, and net position of the College and its discretely presented legally separate entity, Owens Community College Foundation (the "Foundation"). The Foundation's primary function is fundraising to supplement the resources that are available to the College in support of its programs. The Foundation is governed by a separate board of directors which is self-perpetuating and consists of graduates and friends of the College. Nearly all the assets of the Foundation are restricted by donors to activities of the College. The College does not control the timing or amount of receipts from the Foundation.

# Owens State Community College

## Management's Discussion and Analysis - Unaudited (Continued)

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### ABOUT THE FINANCIAL STATEMENTS

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The annual financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. In addition to this MD&A section, the audited financial statements include a statement of net position; statement of revenue, expenses, and changes in net position; statement of cash flows; and the notes to the financial statements.

The College has adopted GASB Statement No. 61, *Financial Reporting Entity: Omnibus*. This statement provides criteria for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the College has one component unit. The College has determined that the Owens Community College Foundation is a component unit of the College. The financial activity of the Foundation is included through a discrete presentation as part of the College's financial statements.

#### Using This Annual Report

The College's annual report consists of three basic financial statements: the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board principles.

The financial statements report the College's net position and changes in net position. Increases or decreases in the College's net position are indicative of the College's financial position. Changes of a nonfinancial nature are relevant as well, such as enrollment trends, program growth or decline, the functionality of facilities, and required maintenance.

The College's financial statements are prepared using the accrual basis of accounting.

Another important factor to consider when evaluating the financial viability of the College is its ability to meet financial obligations as they mature. The statement of cash flows presents the information related to cash inflows and outflows. This is broken down into four components: operating, investing, capital, and noncapital financing activities. The statement shows the College's sources and uses of cash.

# Owens State Community College

## Management's Discussion and Analysis - Unaudited (Continued)

### FINANCIAL HIGHLIGHTS

The net position by category for fiscal years 2013, 2012, and 2011 are shown below. Net position in aggregate decreased approximately \$9,984,000 from fiscal year 2012 and decreased approximately \$9,509,000 from fiscal year 2011. The factors that have affected net position include a drop in enrollment, state share of instruction support being reduced by 3.74 percent compared to fiscal year 2012, and the minimal state capital appropriations for fiscal years 2012 and 2013. However, for the biennium of fiscal years 2013 and 2014, the College capital appropriation allocation is approximately \$6,000,000.

	Net Position			
	Net Investment in Capital Assets	Restricted Expendable	Unrestricted	Total Net Position
FY 2013	\$ 84,152,531	\$ -	\$ 2,551,931	\$ 86,704,462
FY 2012	86,995,041	-	9,693,004	96,688,045
FY 2011	87,466,044	132,149	18,598,409	106,196,602

A summarization of the College's assets, liabilities, and net position at June 30, 2013, 2012, and 2011 follows:

	June 30		
	2013	2012	2011
<b>Assets</b>			
Current assets	\$ 37,784,174	\$ 43,173,233	\$ 53,471,958
Capital assets	90,114,854	93,268,656	94,943,498
Notes receivable	75,177	37,059	36,059
Total assets	127,974,205	136,478,948	148,451,515
<b>Liabilities</b>			
Current liabilities	34,363,386	32,296,360	33,653,677
Noncurrent liabilities	6,906,357	7,494,543	8,601,236
Total liabilities	41,269,743	39,790,903	42,254,913
<b>Net Position</b>			
Net investment in capital assets	84,152,531	86,995,041	87,466,044
Restricted	-	-	132,149
Unrestricted	2,551,931	9,693,004	18,598,409
Total net position	<u>\$ 86,704,462</u>	<u>\$ 96,688,045</u>	<u>\$ 106,196,602</u>

# **Owens State Community College**

## **Management's Discussion and Analysis - Unaudited (Continued)**

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### **2013 Variances**

Current assets decreased by approximately \$5,389,000 from 2012 to 2013 primarily due to decreases in investments, prepaid, and deferred charges offset by an increase in accounts receivable. Capital assets decreased by approximately \$3,154,000 due to capital asset depreciation offset by capital asset purchases. Current liabilities increased from 2012 to 2013 primarily due to an increase in accounts payable which is reduced by the decrease in unearned revenue. The noncurrent liabilities decreased from 2012 to 2013 due to principal payment on debt. Net position decreased primarily due to the decrease in capital assets and state appropriation and the decline in student enrollment as noted earlier.

### **2012 Variances**

Current assets decreased by approximately \$10,299,000 from 2011 to 2012 primarily due to decreases in investments, prepaid and deferred charges, and accounts receivable. Capital assets decreased by approximately \$1,675,000 due to capital asset depreciation offset by capital asset purchases. Current liabilities decreased from 2011 to 2012 primarily due to decrease in salaries, wages, and fringe benefits payable and accounts payable. The noncurrent liabilities decreased from 2011 to 2012 due to principal payment on debt. Net position decreased primarily due to the decrease in capital assets and state appropriation and the decline in student enrollment as noted earlier.

# Owens State Community College

## Management's Discussion and Analysis - Unaudited (Continued)

The following is a summary of the College's revenue, expenses, and changes in net position for the years ended June 30, 2013, 2012, and 2011:

	2013	2012	2011
<b>Operating Revenue</b>			
Student tuition and fees	\$ 27,472,048	\$ 27,920,158	\$ 30,204,904
Grants - Federal, state, and local	3,901,693	4,238,630	4,809,309
Sales and service	85,654	212,925	303,108
Auxiliary activities	9,626,742	11,491,639	12,323,542
Other operating revenue	<u>436,207</u>	<u>772,111</u>	<u>650,216</u>
Total operating revenue	41,522,344	44,635,463	48,291,079
<b>Operating Expenses</b>			
Educational and general	100,857,906	109,076,627	117,000,195
Depreciation	5,893,928	5,229,745	4,603,094
Auxiliary enterprises	<u>9,707,727</u>	<u>11,655,086</u>	<u>12,197,713</u>
Total operating expenses	<u>116,459,561</u>	<u>125,961,458</u>	<u>133,801,002</u>
<b>Operating Loss</b>	(74,937,217)	(81,325,995)	(85,509,923)
<b>Nonoperating Revenue</b>			
State appropriations, including federal stabilization funds	35,531,108	36,911,421	41,936,195
Pell Grant	28,622,293	34,748,942	39,984,218
Investment income	353,814	249,365	623,649
Other nonoperating expense	<u>(145,977)</u>	<u>(196,522)</u>	<u>(215,472)</u>
Total nonoperating revenue	<u>64,361,238</u>	<u>71,713,206</u>	<u>82,328,590</u>
<b>Loss Before Other Changes</b> - Before capital appropriations and grants	(10,575,979)	(9,612,789)	(3,181,333)
<b>Capital Appropriations and Grants</b>	<u>592,396</u>	<u>104,232</u>	<u>1,924,794</u>
<b>Decrease in Net Position</b>	(9,983,583)	(9,508,557)	(1,256,539)
<b>Net Position</b> - Beginning of year	<u>96,688,045</u>	<u>106,196,602</u>	<u>107,453,141</u>
<b>Net Position</b> - End of year	<u><u>\$ 86,704,462</u></u>	<u><u>\$ 96,688,045</u></u>	<u><u>\$ 106,196,602</u></u>

# Owens State Community College

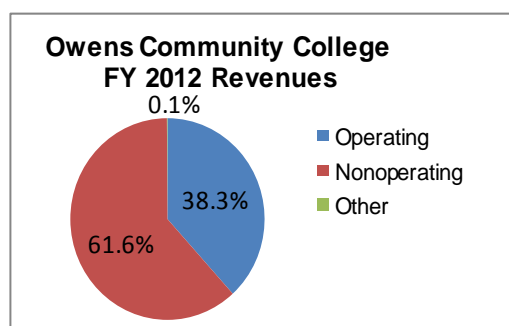
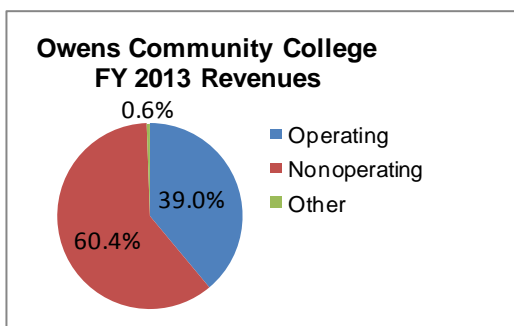
## Management's Discussion and Analysis - Unaudited (Continued)

### Statement of Revenue, Expenses, and Changes in Net Position

The College converted from a technical college to a state community college in 1994. Since that date, enrollment has increased by 84.6 percent and the full-time equivalent (FTE) increased by 95.9 percent (an FTE is defined as a student taking 15 credit hours in a semester). For the fall semester 2012, the headcount of 16,996 represented a 1.03 percent decrease from fall 2011; for the fall semester 2011, the headcount of 17,173 represented a 14.04 percent decrease from fall 2010, while for the fall semester 2010, the headcount of 19,980 represented a 15.35 percent increase over fall 2009. The FTEs for fall 2012, 2011, 2010, and 2009 were 9,717, 10,246, 12,003, and 12,988, respectively, and represented a decrease of 5.16 percent in 2012 and 14.63 percent in 2011 in comparison to prior years and an increase of 7.5 percent in 2010 compared to 2009.

The College's two major sources of revenue are operating (tuition and fees) and nonoperating (the state share of instruction). Both types of revenue are tied to enrollment, with tuition and fees being generated via an assessment mechanism. This mechanism focuses on individual credit hours of enrollment. In contrast, the state share of instruction is calculated using a methodology that aggregates credit hours from similar programs into model groups referred to as Arts and Humanities (AH); Business, Education, and Social Sciences (BES); and Sciences, Technology, Engineering, Mathematics, and Medical (STEM 2). Each of these groupings is then assigned a value based on historical cost. This value, less an assumed charge for the College's tuition and fees, provides a net value. This net value is then factored by the College's FTE students in that program (hours/30) to arrive at the monies due to the College for the state share of instruction.

The charts below present total revenue by category for the fiscal years ended June 30, 2013 and 2012:

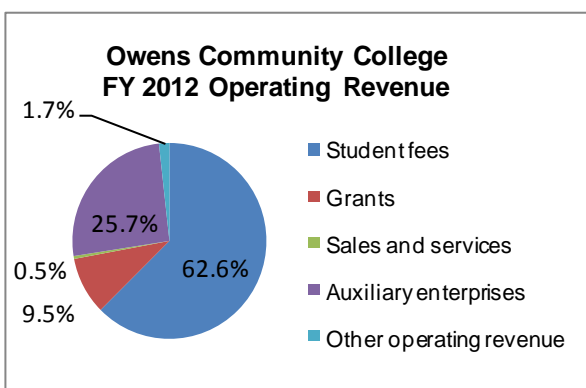
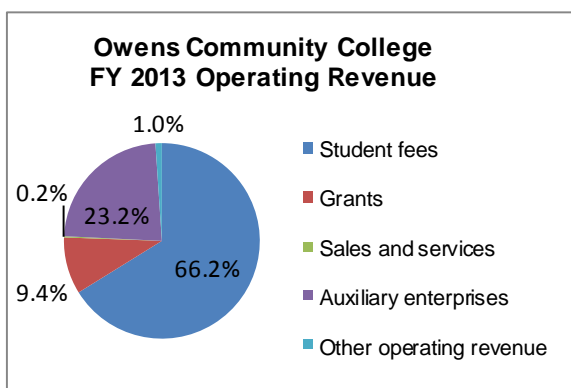


# Owens State Community College

## Management's Discussion and Analysis - Unaudited (Continued)

### Operating Revenue

The charts below reflect the College's operating revenue for the fiscal years ended June 30, 2013 and 2012:



The College fee that students were assessed on a per credit hour basis for summer 2003 (fiscal year 2004) was \$100.75. Effective for summer 2004 (fiscal year 2005), the per credit hour fee was increased to \$110, reflecting a \$6.00 per credit hour increase in the instructional fee and a \$3.25 per credit hour increase in the general fee. The general fee provides for noninstructional services such as student activities, library privileges, and technology. Presently, the College has allocated a portion of the general fees for technology initiatives. Effective for summer 2005 (fiscal year 2006), the per credit hour fee was increased to \$116, reflecting a \$6.00 per credit hour increase in the instructional fee only. For fall 2006, the per credit hour fee increased to \$122.50, reflecting a \$6.00 per credit hour increase in the instructional fee, and a \$.50 per credit hour general fee increase for student organization support. The State of Ohio issued a tuition freeze mandated for fiscal years 2007, 2008, and 2009, freezing tuition at \$123 per credit hour. This mandate was rescinded for fiscal year 2010. For fiscal year 2011, the per credit hour rate was \$131.75 for instructional and general fees. For fiscal year 2012, the state mandated the tuition increase could be increased by 3.5 percent or \$200 per year whichever was greater for the institution. As a result, tuition for fall 2011 was increase 3.5 percent with the remaining increase to \$200 per year implemented in spring 2012. Instructional and general fees were \$136.36 for fall 2011 and \$138.89 for spring 2012. For fiscal year 2013, the per credit hour rate was \$146.03 for instruction and general fees following the state mandated tuition increase which remained the same as fiscal year 2012.

Gross student tuition and fees revenue increased in fiscal year 2013, decreased in fiscal year 2012, and increased fiscal year 2011. Total tuition and fees for those years were \$52,222,285, \$51,136,226, and \$56,347,231, respectively.



# Owens State Community College

## Management's Discussion and Analysis - Unaudited (Continued)

Scholarship allowances and scholarship dollars per FTE have also increased. For 2013, scholarship allowances totaled \$24,750,237 and scholarship dollars per FTE were \$2,547. For 2012, scholarship allowances totaled \$23,216,068 and scholarship dollars per FTE were \$2,266. In 2011, scholarship allowances totaled \$26,142,327 and scholarship dollars per FTE were \$2,178.

Grant revenue decreased in fiscal years 2013 and 2012 by approximately \$337,000 and \$571,000, respectively. The decrease in grant revenue for fiscal years 2013 and 2012 was due to the timing of new grants beginning and existing grants ending during the year.

Auxiliary service activities (including food services, bookstore operations, childcare services, Center for Fine and Performing Arts, advertising, communications, and copy center) decreased primarily due to a decrease in bookstore revenue and an increase in the scholarship allowance.

### Nonoperating Revenue

The College's largest single source of revenue is the nonoperating revenue received from the State of Ohio. The College's state share of instruction amounted to \$35,531,108, \$36,911,421, and \$41,936,195 in fiscal years 2013, 2012, and 2011, respectively. The state share of instruction for fiscal year 2011 included \$6,112,380 of federal stabilization funding. There was no federal stabilization included with the state share of instruction for fiscal years 2013 and 2012. The state share of instruction was \$3,656, \$3,602, and \$3,494 per FTE for fiscal years 2013, 2012, and 2011, respectively.

Another component of nonoperating revenue is investment income. In 2013, investment income increased by approximately \$104,000 in comparison to 2012 due to a change in the composition of investments. In 2012, investment income decreased by approximately \$374,000 in comparison to 2011 due to the realized and unrealized loss on investments and reduced interest and dividends.

Pell grants declined in fiscal year 2013 by approximately \$6,100,000 and declined in fiscal year 2012 by approximately \$5,200,000. The decline in Pell grants is reflective of the decrease in enrollment and changes in financial aid regulations which eliminated the summer awards.

### Operating Expense Changes

The College's operating expenses reflect changes related to student enrollment, college initiatives, and instructional program changes, in addition to changes in salaries, benefits, utilities, and other operating expenditures. Instructional and departmental research expenses decreased in fiscal year 2013 due to the reduction in course and lab supplies expenditures and decreased salary, wages, and fringe benefits compared to the fiscal year 2012 decrease in expenditures related to the cash separation program. Institutional research and public service expenses had a slight increase in fiscal years 2013 and 2012 due to funding of grant-related programs. Scholarships and other student aid decreased in fiscal years 2013 and 2012 due to a decline in enrollment and decline in Pell grants.

# Owens State Community College

## Management's Discussion and Analysis - Unaudited (Continued)

The depreciation expense for fiscal years 2013, 2012, and 2011 was \$5,893,928, \$5,229,745, and \$4,603,094, respectively.

### Capital Assets

At June 30, 2013, 2012, and 2011, the College had \$90,114,854, \$93,268,656, and \$94,943,498, respectively, invested in capital assets.

The details of the capital assets at June 30, 2013, 2012, and 2011 are shown below:

	2013	2012	2011
Land and land improvements	\$ 38,791,624	\$ 38,560,041	\$ 36,090,710
Buildings	106,787,101	106,027,608	104,778,711
Equipment	27,638,815	26,441,534	24,372,188
Leasehold improvements	488,773	488,773	488,773
Less accumulated depreciation	(84,005,143)	(78,426,948)	(73,805,804)
Net of depreciation	89,701,170	93,091,008	91,924,578
Construction in progress	413,684	177,648	3,018,920
Total	<u>\$ 90,114,854</u>	<u>\$ 93,268,656</u>	<u>\$ 94,943,498</u>

Debt associated with capital assets relates to equipment, information technology upgrades, and funding for the upgrade to the existing infrastructure with energy efficient resources. Total debt remaining at June 30, 2013, 2012, and 2011 was \$5,962,323, \$6,273,615, and \$7,477,454, respectively, with the majority of the debt related to the Energy Efficiency program.

### Capital Projects

Fiscal year 2013 has seen the completion of several renovation projects including the Math Lab, John Deere Equipment Lab, Dental Assisting Lab, and the expansion of the child care facility on the Findlay campus.

Fiscal year 2012 saw the completion of the information technology infrastructure, classroom renovation in Heritage Hall, College Hall, and transportation technology, and the development of Heritage Hall gaming area for the training of casino employees as well as several smaller projects.

# Owens State Community College

## Management's Discussion and Analysis - Unaudited (Continued)

### Cash Flows

The statement of cash flows for the years ended June 30, 2013, 2012, and 2011 is as follows:

	Year Ended June 30		
	2013	2012	2011
<b>Cash Flows from Operating Activities</b>			
Student tuition and fees	\$ 26,983,670	\$ 27,184,571	\$ 27,004,313
Grants - Federal, state, and local	3,131,473	6,733,151	2,949,306
Payments to employees, suppliers, students, and others	(106,614,667)	(119,911,372)	(128,393,383)
Auxiliary enterprises	9,701,908	11,389,302	12,264,539
Sales and services	(3,237,551)	523,494	80,546
Other receipts	452,284	732,359	662,704
Net cash used in operating activities	(69,582,883)	(73,348,495)	(85,431,975)
<b>Cash Flows from Noncapital Financing Activities</b>			
Pell grant	28,622,293	34,748,942	39,984,218
State appropriations	35,531,108	36,911,421	41,936,195
Agency transactions	4,856	135,299	(30,399)
Net cash provided by noncapital financing activities	64,158,257	71,795,662	81,890,014
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from notes payable	1,077,095	51,696	2,305,477
Principal payments on notes payable	(1,388,384)	(1,255,535)	(1,245,371)
Capital appropriations and grants	592,396	104,232	1,924,794
Interest paid on notes payable	(145,977)	(196,522)	(215,472)
Purchases of capital assets	(2,668,910)	(3,706,223)	(10,806,956)
Net cash used in capital and related financing activities	(2,533,780)	(5,002,352)	(8,037,528)
<b>Cash Flows from Investing Activities</b>			
Interest on investments	117,472	321,020	623,649
Purchase of investments	(1,837,905)	(4,519,606)	(30,057,459)
Proceeds from sale and maturity of investments	9,510,880	10,932,146	27,649,832
Net cash provided by (used in) investing activities	7,790,447	6,733,560	(1,783,978)
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(167,959)	178,375	(13,363,467)
<b>Cash and Cash Equivalents - Beginning of year</b>	5,550,989	5,372,614	18,736,081
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 5,383,030</b>	<b>\$ 5,550,989</b>	<b>\$ 5,372,614</b>

# Owens State Community College

## Management's Discussion and Analysis - Unaudited (Continued)

	Year Ended June 30		
	2013	2012	2011
Reconciliation of operating loss to net cash			
from operating activities:			
Operating loss	\$ (74,937,217)	\$ (81,325,995)	\$ (85,509,923)
Adjustments to reconcile operating loss to net cash			
from operating activities:			
Depreciation	5,893,928	5,229,745	4,603,094
Changes in assets and liabilities:			
Receivables - Net	(3,139,939)	1,303,637	2,020,039
Inventories	(406,149)	81,127	(19,508)
Prepaid expenses and deferred charges	872,897	2,340,493	(276,359)
Notes receivable - Net	(39,343)	(1,000)	(500)
Accounts payable	3,745,044	(200,965)	(2,031,544)
Salaries, wages, and benefits payable	12,054	(1,347,020)	1,932,336
Unearned revenue	(1,584,158)	571,483	(6,149,610)
Net cash used in operating activities	<u>\$ (69,582,883)</u>	<u>\$ (73,348,495)</u>	<u>\$ (85,431,975)</u>

Cash used in operating activities for fiscal year 2013 decreased over 2012 primarily to a decrease in operating expenses incurred by the College. Primary inflows of operating cash are from tuition and fees, grant revenue, and auxiliary enterprises. Primary outflows of operating cash are payments to employees and suppliers. Cash flows from noncapital financing activities decreased due to the decreased amount of Pell grants students received and a decrease in state appropriations. Cash flows from capital and related financing activities increased from 2012 due to the decrease in capital asset purchases which is offset by the issuance of a lease payable. Cash flows from investing activities increased during the fiscal year.

Cash used in operating activities for fiscal year 2012 decreased over 2011 due primarily to a decrease in operating expenses incurred by the College as well as a decrease in the scholarship discount. Primary inflows of operating cash are from tuition and fees, grant revenue, and auxiliary enterprises. Primary outflows of operating cash are payments to employees and suppliers. Cash flows from noncapital financing activities decreased due to the decreased amount of Pell grants students received and a decrease in state appropriations. Cash flows from capital and related financing activities increased from 2011 due to the decrease in capital appropriations which is offset by the issuance of a lease payable. Cash flows from investing activities increased during the fiscal year.

### Initiatives

The College is committed to identifying opportunities that will strengthen our mission of serving our students and community. Our commitment has been reinforced through our new program development leading to an associate degree or certificate, renovations of existing facilities, and providing assistance to the community.

# **Owens State Community College**

## **Management's Discussion and Analysis - Unaudited (Continued)**

The College began offering the new Cohorts Programs in Business Management Technology and Office Administration Technology with the spring semester 2013. The new programs are expanding the associate degree offering to area working professionals who are interested in advancing their career in the fields of business and office administration.

The commitment to providing assistance to the community is demonstrated through scholarship programs, community service programs, and grant initiatives. Community service programs are designed to provide students and employees with the opportunity to create collaborative efforts and give back to the community. The Harvest Food Pantry program is a new service learning program designed to provide students with free nonperishable food resources and various service learning opportunities. The Harvest Food Pantry began during the fall of 2011 through donations and collaboration with the Toledo Food Bank. The program is located on both the Toledo and Findlay campuses, serving over 500 people monthly and distributing over 3,500 pounds of food and hygiene items. Many other service programs are sponsored by student organizations and within academic programs. A few of the programs that took place during the year were Give Kids A Smile Day by the Dental Hygiene program, toy drive for area hospitals by the Findlay nursing students, winter clothing drive by the Diagnostic Medical Sonography program, and the electronic collection drives by the Environmental Club.

The focus of grant initiatives span many areas such as training programs, student preparedness, regional growth and development, and student success. The College was awarded the Federal Health Career Training Grant through our membership in the Health Professions Pathway Consortium. The Health Professions Pathway Consortium has 10 community college members from around the country. The Consortium has been awarded a \$19.6 million grant for workforce training that targets the health profession. Owens will receive \$1.4 million as part of the three-year grant. Part of this award is being used for equipment purchases in the new Magnetic Resonance Associate Degree program that began with the summer semester 2013. Gateway to College National Network has awarded a start-up grant to work with young adults who drop out of high school. The Gateway to College program is designed to enable the student to complete high school while earning college credit towards a certificate or associate degree. A total of 50 local residents began taking advantage of this unique opportunity with the start of fall 2012 classes.

With the allocation of capital funds from the State for fiscal years 2013 and 2014, the College has planned to expand the space to accommodate the two-year waiting period for the Culinary Arts program as well as complete the renovation of Heritage Hall by adding approximately 30 classrooms. The renovation is scheduled for completion in fall 2013 with an approximate cost of \$5,500,000.

# Owens State Community College

## Statement of Net Position

	June 30	
	2013	2012
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 5,383,030	\$ 5,550,989
Investments (Note 3)	621,588	8,412,035
Accounts receivable - Net (Note 4)	26,228,774	23,177,827
Receivable from Foundation (Note 9)	80,422	96,499
Prepaid expenses and other charges	3,860,401	4,733,298
Deposits	22,005	22,005
Inventories	1,580,454	1,174,305
Student loans receivable - Net	<u>7,500</u>	<u>6,275</u>
Total current assets	37,784,174	43,173,233
Noncurrent assets:		
Capital assets - Net (Note 5)	90,114,854	93,268,656
Student loans receivable - Net	<u>75,177</u>	<u>37,059</u>
Total noncurrent assets	<u>90,190,031</u>	<u>93,305,715</u>
Total assets	127,974,205	136,478,948
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	6,423,632	3,061,396
Notes payable (Note 6)	1,555,701	1,308,434
Salaries, wages, and fringe benefits payable	7,435,915	7,394,234
Unearned revenue	<u>18,948,138</u>	<u>20,532,296</u>
Total current liabilities	34,363,386	32,296,360
Noncurrent liabilities:		
Benefits payable (Note 6)	2,352,411	2,382,038
Notes payable (Note 6)	4,406,622	4,965,181
Nonfederal student loans (Note 6)	<u>147,324</u>	<u>147,324</u>
Total noncurrent liabilities	<u>6,906,357</u>	<u>7,494,543</u>
Total liabilities	<u>41,269,743</u>	<u>39,790,903</u>
<b>Net Position</b>		
Net investment in capital assets	84,152,531	86,995,041
Unrestricted	<u>2,551,931</u>	<u>9,693,004</u>
Total net position	<u>\$ 86,704,462</u>	<u>\$ 96,688,045</u>

# Owens State Community College

## Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30	
	2013	2012
<b>Revenue</b>		
Operating revenue:		
Student tuition and fees - Net of scholarship allowances of \$24,750,237 (2013) and \$23,216,068 (2012)	\$ 27,472,048	\$ 27,920,158
Grants - Federal, state, and local	3,901,693	4,238,630
Sales and services	85,654	212,925
Auxiliary enterprises - Net of scholarship allowances of \$814,012 (2013) and \$723,706 (2012)	9,626,742	11,491,639
Other operating revenue	436,207	772,111
Total operating revenue	41,522,344	44,635,463
<b>Expenses</b>		
Operating expenses - Educational and general:		
Salaries, wages, and benefits	73,873,245	74,601,278
Supplies	4,310,599	3,416,959
Travel, entertainment, and professional development	1,082,643	1,278,437
Information and communication	4,583,629	5,283,983
Occupancy	3,720,439	3,665,114
Cost of goods sold	7,130,311	8,920,558
Outside services	8,093,502	8,259,836
Scholarships and other student aid	5,325,348	12,858,831
Allowance for doubtful accounts	2,010,000	2,002,431
Depreciation	5,893,928	5,229,745
Other	435,917	444,286
Total operating expenses	116,459,561	125,961,458
<b>Operating Loss</b>	(74,937,217)	(81,325,995)
<b>Nonoperating Revenue</b>		
State appropriations	35,531,108	36,911,421
Investment income	353,814	249,365
Interest expense	(145,977)	(196,522)
Pell grants	28,622,293	34,748,942
Net nonoperating revenue	64,361,238	71,713,206
<b>Loss Before Other Revenue</b>	(10,575,979)	(9,612,789)
<b>Other Revenue</b>		
Capital appropriations	592,396	94,232
Capital grants	-	10,000
Total other revenue	592,396	104,232
<b>Decrease in Net Position</b>	(9,983,583)	(9,508,557)
<b>Net Position</b>		
Beginning of year	96,688,045	106,196,602
End of year	<b>\$ 86,704,462</b>	<b>\$ 96,688,045</b>

# Owens State Community College

## Statement of Cash Flows

	Year Ended June 30	
	2013	2012
<b>Cash Flows from Operating Activities</b>		
Student tuition and fees	\$ 26,983,670	\$ 27,184,571
Grants - Federal, state, and local	3,131,473	6,733,151
Payments to employees, suppliers, students, and others	(106,614,667)	(119,911,372)
Auxiliary enterprises	9,701,908	11,389,302
Sales and services	(3,237,551)	523,494
Other receipts	452,284	732,359
Net cash used in operating activities	(69,582,883)	(73,348,495)
<b>Cash Flows from Noncapital Financing Activities</b>		
Pell grant	28,622,293	34,748,942
State appropriations	35,531,108	36,911,421
Agency transactions	4,856	135,299
Net cash provided by noncapital financing activities	64,158,257	71,795,662
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from notes payable	1,077,095	51,696
Principal payments on notes payable	(1,388,384)	(1,255,535)
Capital appropriations and grants	592,396	104,232
Interest paid on notes payable	(145,977)	(196,522)
Purchases of capital assets	(2,668,910)	(3,706,223)
Net cash used in capital and related financing activities	(2,533,780)	(5,002,352)
<b>Cash Flows from Investing Activities</b>		
Interest on investments	117,472	321,020
Purchase of investments	(1,837,905)	(4,519,606)
Proceeds from sale and maturity of investments	9,510,880	10,932,146
Net cash provided by investing activities	7,790,447	6,733,560
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(167,959)	178,375
<b>Cash and Cash Equivalents - Beginning of year</b>	5,550,989	5,372,614
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 5,383,030</b>	<b>\$ 5,550,989</b>



# Owens State Community College

## Statement of Cash Flows (Continued)

	Year Ended June 30	
	2013	2012
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (74,937,217)	\$ (81,325,995)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	5,893,928	5,229,745
Changes in assets and liabilities:		
Receivables - Net	(3,139,939)	1,303,637
Inventories	(406,149)	81,127
Prepaid expenses and deferred charges	872,897	2,340,493
Notes receivable - Net	(39,343)	(1,000)
Accounts payable	3,745,044	(200,965)
Salaries, wages, and benefits payable	12,054	(1,347,020)
Unearned revenue	(1,584,158)	571,483
Net cash used in operating activities	<u>\$ (69,582,883)</u>	<u>\$ (73,348,495)</u>

# Owens State Community College

## Balance Sheet Discretely Presented Component Unit - Foundation

	June 30	
	2013	2012
<b>Assets</b>		
Cash and cash equivalents	\$ 638,740	\$ 717,608
Investments (Note 3)	2,317,780	1,978,296
Accounts receivable	-	3,110
Pledges receivable	176,449	94,868
Total assets	<b>\$ 3,132,969</b>	<b>\$ 2,793,882</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Due to Owens State Community College	\$ 80,422	\$ 96,499
Accounts payable	-	1,175
Funds in custody (agency funds)	52,640	56,425
Note payable	40,893	-
Total liabilities	173,955	154,099
<b>Net Assets</b>		
Unrestricted	270,638	190,173
Temporarily restricted	1,049,259	978,480
Permanently restricted	1,639,117	1,471,130
Total net assets	2,959,014	2,639,783
Total liabilities and net assets	<b>\$ 3,132,969</b>	<b>\$ 2,793,882</b>

# Owens State Community College

## Statement of Revenue, Expenses, and Changes in Net Position Discretely Presented Component Unit - Foundation

	Year Ended June 30	
	2013	2012
<b>Revenue and Support</b>		
Donations received	\$ 397,869	\$ 323,843
Investment income:		
Interest and dividend income	56,979	47,952
Unrealized gain (loss) on investments	91,775	(132,621)
Realized gain on investments	120,082	85,739
Grant revenue	<u>326,673</u>	<u>302,014</u>
Total revenue and support	993,378	626,927
<b>Expenses</b>		
Program services:		
Scholarships	199,058	185,738
Capital/Equipment grant	-	20,195
Outside grants expense	326,673	302,014
Other program services	<u>61,314</u>	<u>30,074</u>
Total program services	587,045	538,021
Management and general	73,117	22,694
Fundraising	<u>13,985</u>	<u>14,022</u>
Total expenses	<u>674,147</u>	<u>574,737</u>
<b>Increase in Net Assets</b>	319,231	52,190
<b>Net Assets - Beginning of year</b>	<u>2,639,783</u>	<u>2,587,593</u>
<b>Net Assets - End of year</b>	<u><u>\$ 2,959,014</u></u>	<u><u>\$ 2,639,783</u></u>

# Owens State Community College

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## Notes to Financial Statements June 30, 2013 and 2012

### NOTE I - ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### ORGANIZATION

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Owens State Community College (the "College") was created pursuant to Section 3357 of the Ohio Revised Code. In November 1994, the Ohio Board of Regents approved changing the status of the College from a technical college to a community college, pursuant to Section 3358 of the Ohio Revised Code. The College's purpose is to provide instruction in post-secondary education programs to residents of the College's district. Students who satisfactorily complete such programs receive associate degrees or certificates in liberal arts and sciences, technical, or professional fields. The College is a component unit of the State of Ohio and is discretely presented in the State of Ohio's Comprehensive Annual Financial Report.

The College is classified as a state instrumentality under Internal Revenue Code Section 115, and is also classified as a charitable organization under Internal Revenue Code Section 501(c)(3), and is therefore exempt from federal income taxes. Certain activities of the College may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 through 514.

The College is governed by a board of trustees, who is responsible for oversight of academic programs, budgets, general administration, and employment of faculty and staff. The College is currently governed by a nine voting member board of trustees. The trustees are appointed by the governor with the advice and consent of the State Senate for overlapping six-year terms.

#### BASIS OF PRESENTATION

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The financial statements have been prepared in accordance with accounting principles generally accepted in the United States as prescribed by the GASB. The College is a public institution engaged in business-type activities. In accordance with GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, the University presents a management's discussion and analysis; statement of net position; statement of revenue, expenses, and changes in net position; statement of cash flows; and notes to the financial statements.

In the determination of whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted nets assets are available, it is the College's practice to use restricted first.

The College has adopted GASB Statement No. 61, *Financial Reporting Entity: Omnibus*. This statement provides criteria for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on the criteria, the College has one component unit.

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# Owens State Community College

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## Notes to Financial Statements June 30, 2013 and 2012

The College has determined that the Owens State Community College Foundation is a component unit of the College. The financial activity of the Foundation is included through a discrete presentation as part of the College's financial statements. The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

The Foundation is a legally separate, tax-exempt entity that acts primarily as a fundraising organization to supplement the resources available to the College in support of its programs. The Foundation transferred \$581,045 and \$531,721 during fiscal years 2013 and 2012, respectively, to the College for both restricted and unrestricted purposes in support of its programs.

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### **SIGNIFICANT ACCOUNTING POLICIES**

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#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and demand deposits with banks. All investments with maturities less than 90 days are considered cash and cash equivalents.

#### **Investments**

Investments include publicly traded securities reported at fair market value as of the end of the fiscal year; any change in the unrealized gain (loss) during the fiscal year is included in investment income in the statement of revenue, expenses, and changes in net position.

#### **Accounts Receivable**

Accounts receivable are for transactions relating to tuition and fees, auxiliary enterprise sales, grants and contracts, and miscellaneous sales and services. Accounts receivable are recorded net of contractual allowances and allowances for uncollectible accounts based on historical analysis.

#### **Inventories**

Inventories are stated at the lower of cost or market (net realizable value) using the first-in, first-out (FIFO) method.

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# Owens State Community College

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## Notes to Financial Statements June 30, 2013 and 2012

### Capital Assets

Capital assets are stated at historical cost or fair value at date of donation in the case of gifts. When capital assets are sold or otherwise disposed of, the carrying value of such assets is removed from the asset accounts, along with the related accumulated depreciation. Depreciation has been recorded in accordance with the GASB.

### Unearned Revenue

Unearned revenue includes tuition and fees for summer and fall terms recorded in the current fiscal year but related to the subsequent accounting period, and related expenses are shown as prepaid expenses in the statement of net position and will be recognized in the following year. Additionally, unearned revenue includes amounts received from grant and contract sponsors that have not yet been earned.

### Net Position

GASB Statement No. 34, as amended by GASB Statement No. 63, establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net asset categories:

**Net investment in capital assets:** Includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement in those assets.

**Restricted:** Assets subject to externally imposed constraints so that they may be maintained permanently by the College, or net assets whose use by the College is subject to externally imposed constraints that can be fulfilled by actions of the College pursuant to those constraints or that expire by the passage of time. Restricted net position is classified further as nonexpendable and expendable. Nonexpendable restricted net position is available for investment purposes only and cannot be expended. Expendable restricted net position is available for expenditure by the College, but must be spent for purposes as determined by donors or external entities that have placed time or purpose restrictions on the use of the assets.

**Unrestricted:** Assets available to the College for any lawful purpose of the institution. Unrestricted net position may be designated for specific purposes by action of management or the board of trustees or may otherwise be limited by contractual agreements with outside parties. The College has committed unrestricted net position to provide for identified future needs, such as debt service, contractual obligations, capital outlay, academic programming, and postemployment benefits.

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# Owens State Community College

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## Notes to Financial Statements June 30, 2013 and 2012

### Operating and Nonoperating Revenue

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

### Compensated Absences

College employees earn vacation and sick leave based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding their limitation are forfeited. The liability and expense incurred are recorded at year end as long-term and short-term liabilities in the statement of net position, and as a component of operating expense in the statement of revenue, expenses, and changes in net position.

### State Subsidies

The College receives student-based subsidy and other subsidies from the State. These subsidies are determined biennially and released annually based upon allocations determined by the Ohio General Assembly and the Ohio Board of Regents.

In addition to subsidies, the State provides capital appropriations for construction of major plant facilities on the campus. The financing of construction is obtained by the State through issuance of State revenue bonds. State funds are pledged for the repayment of the revenue bonds. In the event these funds are insufficient to retire the revenue bonds, a pledge exists to assess a special student fee to students of State-assisted institutions of higher education. As a result of this financing arrangement, the outstanding debt relating to the revenue bonds is not included in the College's statement of net position. State appropriations are recognized when received. Restricted funds are recognized as revenue only to the extent expended.

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# Owens State Community College

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## Notes to Financial Statements June 30, 2013 and 2012

### Use of Estimates

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

### Change in Accounting Principle

Effective July 1, 2012, The college implemented the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provided a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

### Student Tuition and Fees

Student tuition and fee revenue is reported net of scholarship allowances in the statement of revenue, expenses, and changes in net position.

### Auxiliary Revenue

Auxiliary revenue represents revenue generated by the bookstore, dining services, and other departmental activities that provide services to the student body, faculty, and staff.

### Upcoming Accounting Pronouncements

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012.

(Continued)



# Owens State Community College

## Notes to Financial Statements June 30, 2013 and 2012

June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The College is currently evaluating the impact this standard will have on the financial statements when adopted. The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined, so the precise impact is not known. The provisions of this statement are effective for financial statements for periods beginning after June 30, 2014.

### **NOTE 2 - CASH AND CASH EQUIVALENTS**

At June 30, 2013, the carrying amount of the College's cash and cash equivalents for all funds is \$5,383,030, as compared to bank balances of \$5,810,226. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$623,035 is covered by federal deposit insurance. The remaining balances of cash and cash equivalents are collateralized by the depository institution per Ohio Revised Code 135.181B, which requires that the total market value of the securities so pledged is at least equal to 105 percent of the total amount of all public deposits.

At June 30, 2012, the carrying amount of the College's cash and cash equivalents for all funds is \$5,550,989, as compared to bank balances of \$6,448,746. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$538,000 is covered by federal deposit insurance. This reflects a temporary increase in the basic limit on federal deposit insurance coverage from \$100,000 to \$250,000 per depositor originally set to expire December 31, 2009 and since extended through December 31, 2012. The remaining balances of cash and cash equivalents are collateralized by the depository institution per Ohio Revised Code 135.181B, which requires that the total market value of the securities so pledged is at least equal to 105 percent of the total amount of all public deposits.

### **NOTE 3 - INVESTMENTS**

Investments at June 30, 2013 and 2012 consist of investments in STAR Ohio of \$32,783 and \$132,413, respectively. GASB Statement No. 3 does not require STAR Ohio's assets to be categorized. Also included in investments are Freddie Mac, Fannie Mae, FHLB notes, Ginnie Mae, and U.S. Treasury bills with market value at June 30, 2013 and 2012 of \$588,805 and \$6,784,005, respectively. Investments also include certificates of deposit with a market value at June 30, 2012 of \$1,495,617.

(Continued)

# Owens State Community College

## Notes to Financial Statements June 30, 2013 and 2012

STAR Ohio is an investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2013 and 2012.

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

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. At June 30, 2013, 20.4 percent of the College's investments were invested in Federal National Mortgage Association securities, and 74.3 percent in Federal Home Loan Mortgage securities with the remaining 5.3 percent in certificates of deposit and STAR Ohio. At June 30, 2012, 26.3 percent of the College's investments were invested in Federal National Mortgage Association securities, 37.7 percent in Federal Home Loan Mortgage securities, and 16.6 percent in Federal Home Loan Bank securities with the remaining 19.4 percent in certificates of deposit and STAR Ohio. All investments were rated AAA by Moody's at June 30, 2013 and 2012.

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

	2013	2012
Bond mutual fund	\$ 646,927	\$ 480,312
Equity mutual fund	346,832	418,582
Common stock	1,323,981	1,079,362
Other	40	40
Total	<u>\$ 2,317,780</u>	<u>\$ 1,978,296</u>

(Continued)

# Owens State Community College

## Notes to Financial Statements June 30, 2013 and 2012

### NOTE 4 - ACCOUNTS RECEIVABLE

The composition of accounts receivable at June 30, 2013 and 2012 is summarized as follows:

	2013	2012
Student receivables for fees and auxiliary services	\$ 27,581,255	\$ 24,219,863
Allowance for doubtful accounts	(2,533,536)	(2,302,523)
Grants - Federal, state, and local	951,329	581,735
Capital appropriations	173,786	46,500
Interest receivable	1,181	9,766
Other	54,759	622,486
Total	<u>\$ 26,228,774</u>	<u>\$ 23,177,827</u>

### NOTE 5 - CAPITAL ASSETS

Capital assets consist of the following as of June 30, 2013:

2013	Balance June 30, 2012	Additions	Retirements/ Transfers	Balance June 30, 2013
Nondepreciated capital assets:				
Land	\$ 10,744,583	\$ -	\$ -	\$ 10,744,583
Construction in progress	177,648	413,684	(177,648)	413,684
Total nondepreciated capital assets	10,922,231	413,684	(177,648)	11,158,267
Depreciable capital assets:				
Land improvements	27,815,458	231,583	-	28,047,041
Buildings and improvements	106,516,381	581,845	177,648	107,275,874
Equipment	26,441,534	1,513,014	(315,733)	27,638,815
Total other capital assets	160,773,373	2,326,442	(138,085)	162,961,730
Less accumulated depreciation	(78,426,948)	(5,893,928)	315,733	(84,005,143)
Total depreciable assets, net	82,346,425	(3,567,486)	177,648	78,956,587
	<u>\$ 93,268,656</u>	<u>\$ (3,153,802)</u>	<u>\$ -</u>	<u>\$ 90,114,854</u>

The College has active construction projects resulting in total commitments to vendors of approximately \$82,000 at June 30, 2013.

(Continued)

# Owens State Community College

## Notes to Financial Statements June 30, 2013 and 2012

Capital assets consist of the following as of June 30, 2012:

2012	Balance June 30, 2011	Additions	Retirements/ Transfers	Balance June 30, 2012
Nondepreciated capital assets:				
Land	\$ 10,744,583	\$ -	\$ -	\$ 10,744,583
Construction in progress	3,018,920	177,648	(3,018,920)	177,648
Total nondepreciated capital assets	13,763,503	177,648	(3,018,920)	10,922,231
Depreciable capital assets:				
Land improvements	25,346,127	267,533	2,201,798	27,815,458
Buildings and improvements	105,267,484	690,441	558,456	106,516,381
Equipment	24,372,188	2,476,268	(406,922)	26,441,534
Total other capital assets	154,985,799	3,434,242	2,353,332	160,773,373
Less accumulated depreciation	(73,805,804)	(5,229,745)	608,601	(78,426,948)
Total depreciable assets, net	81,179,995	(1,795,503)	2,961,933	82,346,425
Capital assets, net	\$ 94,943,498	\$ (1,617,855)	\$ (56,987)	\$ 93,268,656

Assets are capitalized with a cost of \$50,000 or greater for buildings and land improvement, \$20,000 or greater for building improvements and infrastructures, and \$5,000 or greater for library books and equipment. Depreciation and amortization are recognized on a straight-line basis over the estimated useful life of the asset, as follows:

Land improvements	5 to 20 years
Buildings	40 years
Building improvements	10 to 20 years
Equipment	3 to 10 years

### NOTE 6 - DEBT

In November 2012, the College entered into a lease agreement for Storage Area Network (SANS) equipment totaling \$1,077,092 with an interest rate of zero percent and a maturity date of November 2017.

In February 2012, the College entered into a lease agreement for equipment totaling \$51,696 with an interest rate of 8.4 percent and a maturity date of August 2015.

In October 2010, the College entered into a lease agreement for information technology infrastructure upgrade, including two telepresence systems, hardware equipment, and software totaling \$2,238,848 with interest at 3 percent and a maturity date of October 2014. In November 2010, the College entered into an agreement for three vehicles totaling \$66,629 with interest at 4.67 percent and a maturity date of December 2013.

(Continued)

# Owens State Community College

## Notes to Financial Statements June 30, 2013 and 2012

In March 2010, the College entered into a loan agreement with the Ohio Air Quality Development Authority (the "Authority") totaling \$6,250,000 to finance energy conservation measures, facility improvement measures, and operational efficiency improvements. The Authority financed the loan through Series A and B general receipts bonds for \$3,125,000 each, which bear interest rates of 3.48 percent and 6.024 percent, respectively, and are passed onto the College through the loan. The maturity dates for Series A and Series B are March 15, 2015 and March 15, 2019, respectively.

In January 2008, the College entered into two separate lease agreements totaling \$338,885 for equipment with interest at 4.7 percent and 5.2 percent. The lease agreements mature on February 28, 2011 and December 31, 2013.

Long-term liabilities consist of the following for the years ended June 30, 2013 and 2012:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013	Amount Due Within One Year
Compensated absences	\$ 2,507,407	\$ -	\$ 31,186	\$ 2,476,221	\$ 123,810
Notes and leases payable	6,273,615	1,077,092	1,388,384	5,962,323	1,555,701
Nonfederal student loans	147,324	-	-	147,324	-

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012	Amount Due Within One Year
Compensated absences	\$ 2,509,977	\$ -	\$ 2,570	\$ 2,507,407	\$ 125,369
Notes and leases payable	7,477,454	51,696	1,255,535	6,273,615	1,308,434
Nonfederal student loans	147,324	-	-	147,324	-

Schedule of maturities for the notes payable are as follows:

	Principal	Interest	Total
2014	\$ 736,000	\$ 98,313	\$ 834,313
2015	761,000	70,638	831,638
2016	782,000	48,877	830,877
2017	797,000	33,555	830,555
2018	813,000	17,935	830,935
2019	310,000	4,534	314,534
Total	<u>\$ 4,199,000</u>	<u>\$ 273,852</u>	<u>\$ 4,472,852</u>

(Continued)

# Owens State Community College

## Notes to Financial Statements June 30, 2013 and 2012

Schedule of maturities for the lease payables are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 819,701	\$ 19,156	\$ 838,857
2015	419,708	2,406	422,114
2016	218,737	36	218,773
2017	215,419	-	215,419
2018	89,758	-	89,758
Total	<u>\$ 1,763,323</u>	<u>\$ 21,598</u>	<u>\$ 1,784,921</u>

Assets under capital leases are recorded in capital assets with cost of \$3,674,464 and \$2,589,745 and accumulated depreciation of \$612,207 and \$472,039 at June 30, 2013 and 2012, respectively.

### **NOTE 7 - RETIREMENT BENEFITS**

College employees are covered by one of two retirement systems. The College faculty is covered by the State Teachers Retirement System of Ohio (STRS). Other employees are covered by the State Employees Retirement System of Ohio (SERS). These plans are statewide, multi-employer, cost sharing defined benefit plans. Employees may opt out of STRS or SERS and participate in the alternative retirement plan (ARP) if they meet certain eligibility requirements.

A retiree of STRS or SERS is eligible for re-employment following the elapse of two months from the date of retirement. Contributions are made by the re-employed member and employer during the re-employment. Upon termination of re-employment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a re-employed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

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#### State Employees Retirement System of Ohio

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SERS provides retirement, disability, survivor, and death benefits and annual cost-of-living adjustments to members. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code (ORC). SERS financial reports are available on the Ohio SERS website, [www.ohsers.org](http://www.ohsers.org).

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# Owens State Community College

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## Notes to Financial Statements June 30, 2013 and 2012

The 2013 and 2012 member contribution rates were 10 percent for members in state and local classifications. The 2013 and 2012 employer contribution rate for state employees was 14 percent of covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS's Retirement Board. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2013, the allocation to pension and death benefits is 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. Total required employer contributions for all plans are equal to 100 percent of employer charges and should be extracted from the employer's records.

The College's total employer contributions to SERS for the years ended June 30, 2013, 2012, and 2011 were \$2,966,632, \$2,946,868, and \$2,970,055, respectively.

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### State Teachers Retirement System of Ohio

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STRS is a state-wide retirement plan for licensed teachers and other faculty members and provides a choice of three retirement plan options. Separately issued financial statements are available at the STRS website, [www.strsoh.org](http://www.strsoh.org).

**Defined Benefit Plan (DB Plan)** - 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 maximum 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 determined by multiplying final average salary by 2.2 percent for the first 30 years of credited service.

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# Owens State Community College

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## Notes to Financial Statements June 30, 2013 and 2012

Each year over 30 years is incrementally increased by .1 percent, starting at 2.5 percent for the 31<sup>st</sup> year of contributing service up to a maximum allowance of 100 percent of final average salary. Upon reaching 35 years of Ohio service, the first 31 years of Ohio contributing service is multiplied by 2.5 percent, and each year over 31 years is incrementally increased by .1 percent starting at 2.6 percent for the 32<sup>nd</sup> year. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from contributed employer funds. This total is then divided by an actuarially determined annuity factor to compute the maximum annual retirement allowance. Since the plan is tax-qualified, benefits are subject to limits established by Section 415 of the Internal Revenue Code. Benefits are increased annually by 3 percent of the original based amount.

**Defined Contribution Plan (DC Plan)** - Benefits are established under Sections 3307.80 to 3307.89 of the ORC. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. The remaining 3.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. 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** - 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 percent 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.

A DB or combined plan member with five or more years of 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.

(Continued)



# Owens State Community College

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## Notes to Financial Statements June 30, 2013 and 2012

The ORC provides statutory authority for employee and employer contributions. During 2013 and 2012, STRS employees contributed 10 percent of their salary to the plan and the College contributed 14 percent of covered payrolls to the plan. The College's total employer contributions to STRS for the years ended June 30, 2013, 2012, and 2011 were \$4,324,994, \$4,436,854, and \$4,852,699, respectively.

### Alternative Retirement Plan

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 1998, authorizing an alternative retirement plan (ARP) for academic and administrative College employees of public institutions of higher education who are currently covered by the State Teachers Retirement System or Public Employees Retirement System. The College board of trustees adopted such a plan effective April 1999.

Eligible employees (those who are full-time and salaried) have 120 days from their date of hire to make an irrevocable election to participate in the alternate retirement plan. Under this plan, employees who would have otherwise been required to be in STRS and who elect to participate in the alternate retirement plan must contribute their share of retirement contributions (10 percent for STRS) to one of eight private providers approved by the State Department of Insurance. For employees who elect an ARP, employers are required to remit employer contributions to STRS Ohio at a rate of 3.5 percent. The employer contribution is the lower of a rate determined by an independent actuarial study or the portion of the STRS Ohio DC Plan employer contribution rate that is allocated to the defined benefit unfunded liability. The College plan provides these employees with immediate plan vesting.

The ARP is a defined contribution plan under IRS Section 401(a). The College's total employer contribution to the ARP for the years ended June 30, 2013, 2012, and 2011 was \$235,678, \$198,805, and \$215,029, respectively.

### NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS

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

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# Owens State Community College

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## Notes to Financial Statements June 30, 2013 and 2012

SERS provides postretirement healthcare coverage to age-and-service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Healthcare coverage for disability recipients is available. The healthcare coverage provided by the retirement system is considered another post-employment benefit (OPEB) as described in GASB Statement No. 12. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their healthcare premium. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply. A portion of each employer's contribution to SERS is set aside for the funding of postretirement healthcare. The Ohio Revised Code provides statutory authority for employer contributions. The 2011 and 2010 employer contribution rate for state employers was 14 percent of covered payroll; 1.3 percent was the portion that was used to fund healthcare. In addition, SERS levies a surcharge to fund healthcare benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2013, the minimum pay established was reduced to \$20,525 from \$35,800 for fiscal years 2012 and 2011.

OPEBs are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree healthcare, along with investment income on allocated assets and periodic adjustments in healthcare provisions, are expected to be sufficient to sustain the program indefinitely. For the year ended June 30, 2012, expenditures for OPEBs as a whole for SERS were \$210 million. The number of eligible benefit recipients for SERS was 46,439.

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

By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer's contribution rate, currently 14 percent of covered payroll. The STRS board currently allocates employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund, from which payments for healthcare benefits are paid. The balance in the Health Care Reserve Fund was approximately \$3.1 billion at June 30, 2012.

For the year ended June 30, 2012, the net healthcare costs paid by the STRS system as a whole were \$381.6 million. There were 143,256 eligible benefit recipients.

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# Owens State Community College

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## Notes to Financial Statements June 30, 2013 and 2012

### NOTE 9 - RELATED ORGANIZATION

The College is affiliated with the Owens State Community College Foundation (the "Foundation"), which was established in June 1996 by the trustees of the College through signing a resolution that transferred all assets, liabilities, principal, and income from the Michael J. Owens Technical College Charitable Trust (the "Trust") to the Foundation. The Foundation has been determined to be exempt from federal income taxes under IRC Section 501(c)(3). The Foundation also reimburses the College for certain educational expenses. Total assets of the Foundation as of June 30, 2013 and 2012 were \$3,132,969 and \$2,793,882, respectively. The College received \$581,045 and \$531,721 from the Foundation in 2013 and 2012, respectively. The Foundation owed the College \$80,422 and \$96,499 as of June 30, 2013 and 2012, respectively. Complete financial statements for the Foundation can be obtained from Owens State Community College, 30335 Oregon Road, Perrysburg, OH 43551.

The following is a summary of the Foundation's significant accounting and reporting policies presented to assist the reader in interpreting the financial statements and other data in this report.

Investments: The following tables represent information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2013 and 2012 and the valuation techniques used by the Foundation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access. Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

(Continued)

# Owens State Community College

## Notes to Financial Statements June 30, 2013 and 2012

Disclosures concerning assets measured at fair value are as follows:

### Fair Value Measurements at June 30, 2013

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2013
Mutual funds:				
Equity investments	\$ 346,832	\$ -	\$ -	\$ 346,832
Fixed income investments	<u>646,927</u>	<u>-</u>	<u>-</u>	<u>646,927</u>
Total mutual funds	993,759	-	-	993,759
Common stock:				
Basic industry	46,088	-	-	46,088
Capital goods	63,500	-	-	63,500
Consumer cyclical	147,308	-	-	147,308
Consumer staples	234,465	-	-	234,465
Energy/Utilities	213,802	-	-	213,802
Financial	276,328	-	-	276,328
Technology	<u>342,490</u>	<u>-</u>	<u>-</u>	<u>342,490</u>
Total common stock	1,323,981	-	-	1,323,981
Money market mutual funds	396,756	-	-	396,756

(Continued)

# Owens State Community College

## Notes to Financial Statements June 30, 2013 and 2012

### Fair Value Measurements at June 30, 2012

Description	Quoted Prices	Significant	Significant	Balance at June 30, 2012
	in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Mutual funds:				
Equity investments	\$ 418,582	\$ -	\$ -	\$ 418,582
Fixed income investments	480,312	-	-	480,312
Total mutual funds	898,894	-	-	898,894
Common stock:				
Basic industry	71,679	-	-	71,679
Capital goods	97,966	-	-	97,966
Consumer cyclical	109,539	-	-	109,539
Consumer staples	327,193	-	-	327,193
Energy/Utilities	158,326	-	-	158,326
Financial	129,146	-	-	129,146
Technology	185,513	-	-	185,513
Total common stock	1,079,362	-	-	1,079,362
Money market mutual funds	468,411	-	-	468,411

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the years ended June 30, 2013 and 2012, there were no transfers between levels of the fair value hierarchy.

(Continued)

# Owens State Community College

## Notes to Financial Statements June 30, 2013 and 2012

Restrictions and Limitations on Net Asset Balances: The Foundation's temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Gifts and other donations available for:		
Library	\$ 12,504	\$ 33,968
Equipment and other program expenses	433,112	381,406
Scholarships	<u>603,643</u>	<u>563,106</u>
Total gifts and other donations	<u>\$ 1,049,259</u>	<u>\$ 978,480</u>

Foundation net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors as follows:

	<u>2013</u>	<u>2012</u>
Equipment and other program expenses	\$ 55,990	\$ 39,768
Scholarships	<u>196,717</u>	<u>182,905</u>
Total	<u>\$ 252,707</u>	<u>\$ 222,673</u>

The Foundation's permanently restricted net assets consist of endowment funds. In certain cases, the donors of these funds have restricted the use of the income from such funds for scholarships. These expenses are reflected in the appropriate program services category on the statement of activities and changes in net assets. Permanently restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Equipment and other program expenses	\$ 298,286	\$ 298,285
Scholarships	<u>1,340,831</u>	<u>1,172,845</u>
Total	<u>\$ 1,639,117</u>	<u>\$ 1,471,130</u>

Donor- and Board-restricted Endowments: The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(Continued)

# Owens State Community College

## Notes to Financial Statements June 30, 2013 and 2012

The board of directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historical value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

### Endowment Net Asset Composition by Type of Fund as of June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment	\$ -	\$ 511,538	\$ 1,639,117	\$ 2,150,655
(Quasi) Endowment	<u>17,713</u>	<u>-</u>	<u>-</u>	<u>17,713</u>
Total funds	<u>\$ 17,713</u>	<u>\$ 511,538</u>	<u>\$ 1,639,117</u>	<u>\$ 2,168,368</u>

(Continued)

# Owens State Community College

## Notes to Financial Statements June 30, 2013 and 2012

### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
Beginning of the year	\$ 15,794	\$ 356,852	\$ 1,471,130	\$ 1,843,776
Investment return:				
Investment income	1,231	136,385	1,544	139,160
Net depreciation	688	80,341	553	81,582
Total investment return	1,919	216,726	2,097	220,742
Contributions	-	1,466	165,890	167,356
Appropriation of endowment assets for expenditures	-	(43,837)	-	(43,837)
Administrative fees	-	(6,303)	-	(6,303)
Other changes -				
Transfers to other temporarily restricted funds	-	(13,366)	-	(13,366)
Endowment net assets -				
End of the year	<u>\$ 17,713</u>	<u>\$ 511,538</u>	<u>\$ 1,639,117</u>	<u>\$ 2,168,368</u>

### Endowment Net Asset Composition by Type of Fund as of June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment	\$ -	\$ 356,852	\$ 1,471,130	\$ 1,827,982
(Quasi) Endowment	<u>15,794</u>	<u>-</u>	<u>-</u>	<u>15,794</u>
Total funds	<u>\$ 15,794</u>	<u>\$ 356,852</u>	<u>\$ 1,471,130</u>	<u>\$ 1,843,776</u>

(Continued)



# Owens State Community College

## Notes to Financial Statements June 30, 2013 and 2012

### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
Beginning of the year	\$ 15,795	\$ 413,583	\$ 1,284,212	\$ 1,713,590
Investment return:				
Investment income	925	99,619	1,468	102,012
Net depreciation	(926)	(99,689)	(226)	(100,841)
Total investment return	(1)	(70)	1,242	1,171
Contributions	-	4,322	185,676	189,998
Appropriation of endowment assets for expenditures	-	(39,959)	-	(39,959)
Administrative fees	-	(5,184)	-	(5,184)
Other changes -				
Transfers to other temporarily restricted funds	-	(15,840)	-	(15,840)
Endowment net assets -				
End of the year	<u>\$ 15,794</u>	<u>\$ 356,852</u>	<u>\$ 1,471,130</u>	<u>\$ 1,843,776</u>

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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# Owens State Community College

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## Notes to Financial Statements June 30, 2013 and 2012

The Foundation's spending policy stipulates that 3 percent to 6 percent of a three-year moving average of the value of the endowment is available to spend and the remaining income is to be reinvested. If an investment loss is realized, the loss is allocated entirely as currently expendable. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of CPI annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

### **NOTE 10 - RISK MANAGEMENT**

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

The College carries commercial insurance to cover various general liability risks, auto liability, property and boiler, and umbrella excess liability. The College believes in minimizing its risks through the procurement of the aforementioned coverage. Liabilities exceeding the umbrella excess and deductible amounts are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The amount of settlements has not exceeded insurance coverage for the years ended June 30, 2013, 2012, or 2011. Management believes those incurred but not reported claims, if any, are immaterial.

The College maintains a split-funded health insurance program. Prevention of catastrophic losses is maintained through both individual and aggregate stop-loss coverage. Stop-loss per individual is \$150,000. The College's cost during the year for this program is for the payment of claims, third-party claims administration, and stop-loss coverage. The amount accrued at June 30, 2013 and 2012 for potential claims was \$650,000.

The College is self-insured for workers' compensation with aggregate stop-loss coverage of \$350,000. The amount accrued at June 30, 2013 and 2012 for potential claims was \$150,000.

(Continued)

# Owens State Community College

## Notes to Financial Statements June 30, 2013 and 2012

### NOTE 11 - FUNCTIONAL CLASSIFICATION OF EXPENSES

Operating expenses by functional classification for the years ended June 30 are summarized as follows:

	2013	2012
Instructional and departmental research	\$ 48,308,734	\$ 49,338,060
Institutional research	366,854	373,593
Public service	3,686,459	3,212,777
Academic support	5,164,243	5,042,536
Student services	10,491,608	10,974,933
Institutional support	17,553,209	17,228,943
Operation and maintenance of plant	9,872,174	9,725,668
Scholarships and other student aid	5,414,625	13,180,117
Depreciation	5,893,928	5,229,745
Auxiliary enterprises - Net of scholarship allowances	9,707,727	11,655,086
Total operating expenses	<u>\$ 116,459,561</u>	<u>\$ 125,961,458</u>

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## **Supplemental Information**

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Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Trustees  
Owens State Community College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Owens State Community College (the "College") and its discretely presented component unit as of and for the year ended June 30, 2013 and related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 14, 2013.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2013-001 that we consider to be a significant deficiency.

To Management and the Board of Trustees  
Owens State Community College

### **Compliance and Other Matters**

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

### **Owens Community College's Response to Findings**

Owens State Community College's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Owens Community College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Plante & Moran, PLLC*

October 14, 2013

Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Trustees  
Owens State Community College

**Report on Compliance for Each Major Federal Program**

We have audited Owens State Community College's (the "College") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. Owens State Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Owens State Community College's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Owens State Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



To the Board of Trustees  
Owens State Community College

### ***Opinion on Each Major Federal Program***

In our opinion, Owens State Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of Owens State Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Owens State Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Plante & Moran, PLLC*

October 14, 2013

# Owens State Community College

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Number	Federal Expenditures
U.S. Department of Education - Direct:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Program	84.007	N/A	\$ 400,990
Federal Direct Loans	84.268	N/A	48,975,103
Federal Work-Study Program	84.033	N/A	436,107
Federal Pell Grant Program	84.063	N/A	<u>28,622,293</u>
Total Student Financial Assistance Cluster			78,434,493
TRIO Cluster - Upward Bound	84.047A	N/A	106,112
Passed through from the State of Ohio Board of Regents Vocational Education (Perkins II)	84.048	VECPHIII-P01	360,175
Passed through from the State of Ohio Board of Regents Adult Basic and Literacy Education (ABLE) Grants:			
Adult Basic and Literacy Education	84.002	074864-AB-S1-13	355,646
Adult Basic and Literacy Education	84.002	074864-AB-SL-13	267,709
Adult Basic and Literacy Education - EL/Civics	84.002	074864-AB-S2-13	<u>47,634</u>
Total Adult Basic and Literacy Education Grants			670,989
Passed through from University of Toledo - Technical preparation	84.243	N/A	<u>4,082</u>
Total U.S. Department of Education			1,141,358
U.S. Department of Health and Human Services -			
Passed through from Ohio Board of Regents and OARNet Third Frontier Network support of Inter-institutional Collaboration	93.211	N/A	2,938
U.S. Department of Labor:			
Employment and Training Administration:			
Passed through from BioOhio - ARRA - Ohio Bioscience Industry Workforce Preparedness	17.275 Contract #	DOL6 GJ-20076-10-60-A-39	27,559
Passed through from Cincinnati State Technical & Community College - Trade Adjustment Assistance Community College & Career Training Grants - The Health Professions Pathways (H2P)	17.282	TC-22486-11-60-A-39	<u>353,035</u>
Total U.S. Department of Labor			380,594
U.S. Department of Commerce:			
Passed through Connected Nation and Connect Ohio ARRA - Broadband Technology Opportunities "Public Adoption through Libraries (OPAL II) Every Community Online"	11.257	N/A	14,553

# Owens State Community College

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Number	Federal Expenditures
U.S. Department of State Bureau of Education and Cultural Affairs:			
Passed through from Community Colleges for International Development:			
Community College Summit Initiative Program FY12	19.009	N/A	\$ 3,427
Community College Summit Initiative Program FY13	19.009	N/A	<u>143,598</u>
Total U.S. Department of State Bureau of Education and Cultural Affairs			147,025
Department of Defense - U.S. Defense Logistic Agency - Passed through from the Ohio Department of Development Ohio Procurement Technical Assistance Center			
	12.002	MBDD-12-016	23,375
National Science Foundation:			
Passed through from Bowling Green State University - NSF - SET-GO: Science, Engineering & Technology Gateway Ohio			
	47.076	DUE-0757001	24,865
Passed through from Bowling Green State University - NSF - SET-GO Scholarships			
	47.076	DUE-850026	<u>22,168</u>
Total National Science Foundation			47,033
Department of Transportation - Federal Motor Carrier Safety Administration (FMCSA) - Owens-Trainco Truck Driver Initiative			
	20.235	N/A	83,600
National Endowment for the Humanities - America's Music: A Film History			
	45.164	N/A	2,329
Environmental Protection Agency - Passed through from Harrisburg University of Science and Technology - STEM Mastery Through Great Lakes Stewardship: GLISTEN			
	66.951	NE 00E01029	<u>1,781</u>
Total expenditures of federal awards			<u><b>\$ 80,279,079</b></u>

# Owens State Community College

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## **Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2013**

### **Note - Basis of Presentation and Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Owens State Community College under programs of the federal government for the year ended June 30, 2013. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Owens State Community College, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of Owens State Community College. Pass-through entity identifying numbers are presented where available.

# Owens State Community College

## Schedule of Findings and Questioned Costs Year Ended June 30, 2013

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.268, 84.033,	
84.063	Student Financial Assistance Cluster
84.048	Vocational Education
17.282	Health Professions

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

# Owens State Community College

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2013

### Section II - Financial Statement Audit Findings

Reference Number	Finding
2013-001	<p><b>Finding Type</b> - Significant deficiency</p> <p><b>Criteria</b> - Bank reconciliations should be prepared monthly for all bank accounts held by the College and monthly activity in these bank accounts should be properly recorded in the general ledger.</p> <p><b>Condition</b> - The College did not have proper bank reconciliation procedures in place during the year for the health reimbursement accounts.</p> <p><b>Context</b> - Bank reconciliations were not prepared during the year for the health reimbursement accounts and activity for these accounts was not properly reflected in the general ledger.</p> <p><b>Cause</b> - The College did not have proper bank reconciliation procedures for the health reimbursement cash accounts in place during the year.</p> <p><b>Effect</b> - The bank reconciliations for the health reimbursement accounts were not prepared during the year. This resulted in an audit adjustment of approximately \$253,000 to properly reconcile the accounts at June 30, 2013.</p> <p><b>Recommendation</b> - We recommend preparing bank reconciliations for all bank accounts monthly to reconcile to the general ledger and that the general ledger is appropriately adjusted monthly for the health reimbursement activity.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Owens State Community College will incorporate the Health Reimbursement account into their monthly bank reconciliation procedures, which includes specifically assigning an accountant to perform the monthly bank reconciliations, contacting the Health Reimbursement administrator to obtain a listing of monthly disbursements and contacting the bank to ensure monthly bank statements are received by the College.</p>

### Section III - Federal Program Audit Findings

None



# Dave Yost • Auditor of State

**OWENS STATE COMMUNITY COLLEGE**

**WOOD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 7, 2013**