Stark State College of Technology

Stark County, Ohio

Single Audit

July 1, 2008 through June 30, 2009

Balestra, Harr & Scherer, CPAs, Inc.
528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: (740) 289-4131 Fax: (740) 289-3639

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Stark State College of Technology, Stark County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 24, 2010

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Stark State College of Technology
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For the Fiscal Year Ended June 30, 2009

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Independent Accountants' Report

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

We have audited the accompanying basic financial statements of the business-type activities of Stark State College of Technology, Stark County, Ohio (the College), as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Stark State College of Technology as of June 30, 2009, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2010, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
January 29, 2010

Stark State College of Technology
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2009
(Unaudited)

The discussion and analysis of the financial statements of Stark State College of Technology (the "College") provide an overview of financial activities for the years ended June 30, 2009 and 2008. Management has prepared the financial statements and the related note disclosures along with this discussion and analysis. The responsibility for the completeness and fairness of this information rests with the preparers.

Using this Annual Report

The College is reporting its financial position in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities—an amendment of GASB Statement No. 34,* as amended by GASB Statements No. 37 and 38. Comparative condensed financial information has been presented for the current year and the prior year.

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

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

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

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

Condensed Statement of Net Assets

(in thousands)

	2009	2008
Assets		
Current Assets		
Cash & cash equivalents	$11,956	$10,746
Student accounts receivable, net	2,804	2,651
Intergovernmental receivables	4,368	2,542
Other current assets	1,692	1,380
Total current assets	20,820	17,319
Noncurrent Assets		
Capital assets, net	51,877	46,744
Other noncurrent assets	1,295	1,175
Total noncurrent assets	53,172	47,919
Total assets	$73,992	$65,238
Liabilities & Net Assets		
Current Liabilities		
Accounts payable & accrued liabilities	$2,379	$2,011
Deferred income	1,783	1,205
Other current liabilities	2,238	2,135
Total current liabilities	6,400	5,351
Long-Term Liabilities	994	1,046
Total liabilities	7,394	6,397
Net Assets		
Invested in capital assets, net of related debt	51,877	46,744
Restricted	975	1,020
Unrestricted	13,746	11,077
Total net assets	66,598	$58,841

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

Condensed Statement of Revenues, Expenses and Changes in Net Assets

(in thousands)

	2009	2008	Increase (Decrease) $	Increase (Decrease) %
Revenues				
Operating Revenues				
Tuition and fees, net	$23,133	$18,863	$4,270	22.6%
Federal grants and contracts	2,108	1,351	757	56.0%
Auxiliary enterprises: bookstore	4,945	4,210	735	17.5%
Other operating revenues	2,186	1,622	564	34.8%
Total operating revenues	32,372	26,046	6,326	24.3%
Expenses				
Operating Expenses				
Educational and general	62,884	51,500	11,384	22.1%
Auxiliary enterprises: bookstore	3,999	3,474	525	15.1%
Total operating expenses	66,883	54,974	11,909	21.7%
Operating income (loss)	(34,511)	(28,928)	(5,583)	-19.3%
Nonoperating Revenues (Expenses)				
State appropriations	21,309	18,569	2,740	14.8%
Federal grants	14,270	9,815	4,455	45.4%
Other nonoperating income	2,799	2,386	413	17.3%
Other nonoperating expenses	(69)	(76)	7	-9.2%
Net nonoperating revenues (expenses)	38,309	30,694	7,615	24.8%
Income (loss) before other revenues, expenses, gains or losses	3,798	1,766	2,032	115.1%
Capital appropriations, gifts & grants	3,959	3,433	526	15.3%
Increase in net assets	7,757	5,199	2,558	49.2%
Net assets, beginning of year	58,841	53,642	5,199	9.7%
Net assets - end of year	$66,598	$58,841	$7,757	13.2%

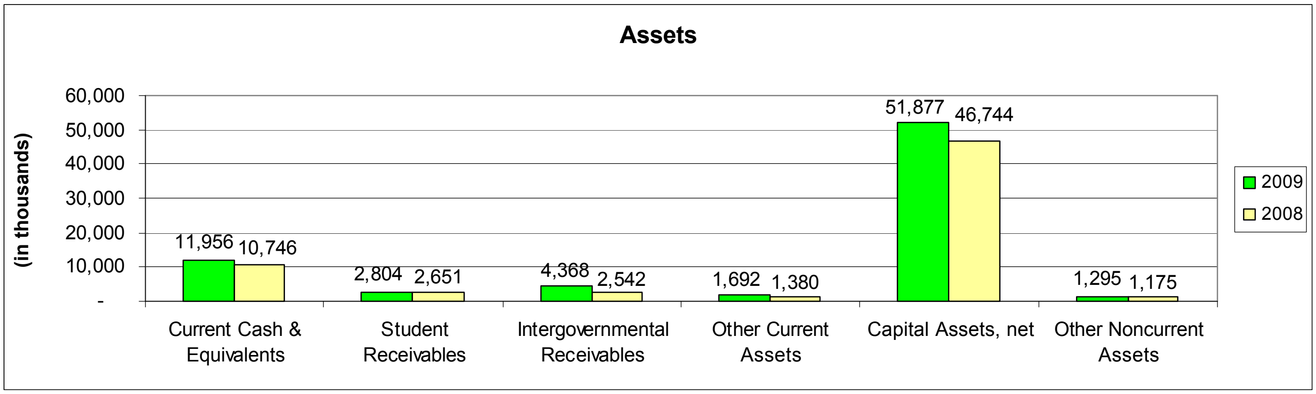
The Statement of Cash Flows presents the sources and uses of all cash transactions conducted by the College, broken down by type of functional activity. This statement assists the reader in determining the College's ability to generate future cash flows, meet its obligations as they become due and assess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

Condensed Statement of Cash Flows

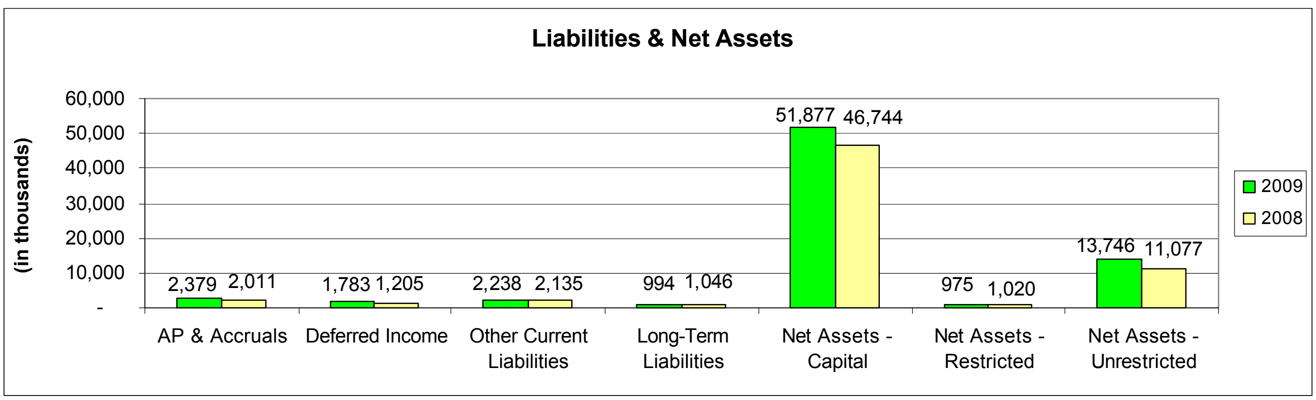
(in thousands)

	2009	2008	Increase (Decrease) $	Increase (Decrease) %
Net cash provided (used) by Operating Activities	($33,981)	($28,034)	($5,947)	-21.2%
Net cash provided (used) by Noncapital Financing Activities	38,284	30,727	7,557	24.6%
Net cash provided (used) by Capital Financing Activities	(3,258)	(860)	(2,398)	-278.8%
Net cash provided (used) by Investing Activities	166	566	(400)	-70.7%
Net increase in cash	1,211	2,399	($1,188)	-49.5%
Cash - beginning of year	10,786	8,387	2,399	28.6%
Cash - end of year	11,997	10,786	$1,211	11.2%

Analysis of Assets and Liabilities



Total assets increased by $8,754,000 during the year to a year-end amount of $73,992,000. Of this amount, $5,133,000 was related to net capital asset increases. Total cash and cash equivalents, including restricted cash classified as other noncurrent assets, increased by $1,211,000. Intergovernmental Receivables increased by $1,826,000. Changes to all other asset categories amounted to a net increase of $584,000.

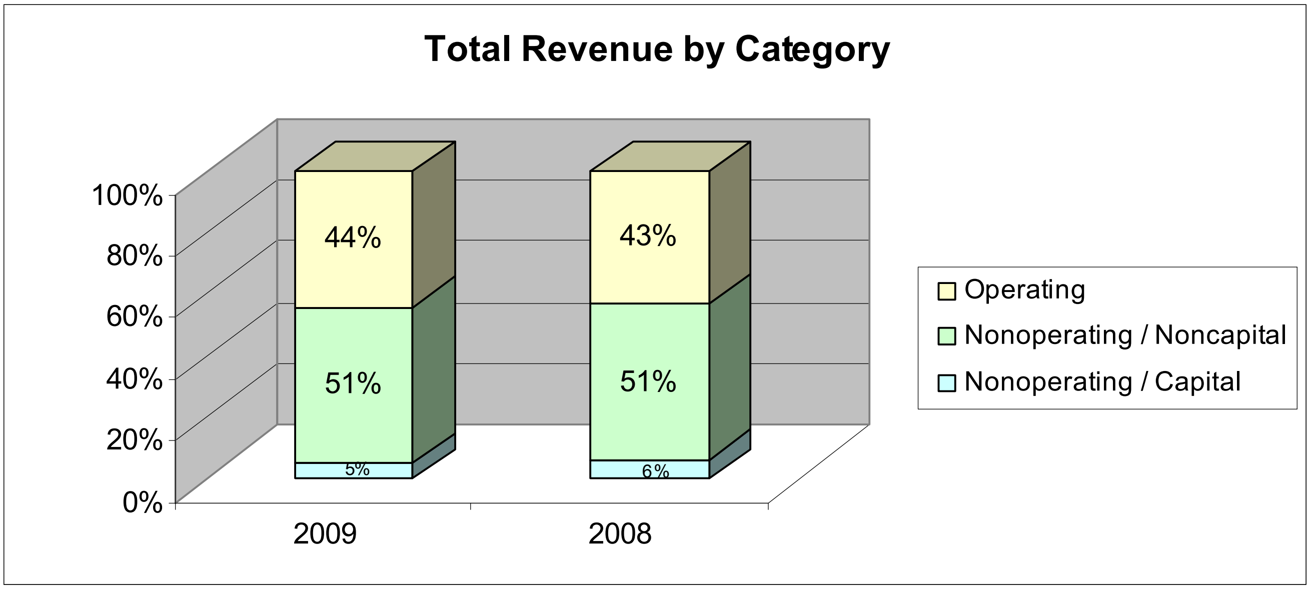


Total liabilities increased since the beginning of the year by $997,000 to a year-end amount of $7,394,000. The noncurrent long-term liabilities decreased $52,000 to $994,000. Current liabilities increased by $1,049,000 to $6,400,000.

Total net assets increased $7,757,000, of which $5,133,000 was related to net capital assets. Unrestricted net assets increased by $2,669,000, and net restricted assets decreased $45,000. The positive change in unrestricted net assets was the result of favorable operating results combined with large outlays of cash for capital projects, which are presented in the analysis of the Statement of Revenues, Expenses and Changes in Net Assets.

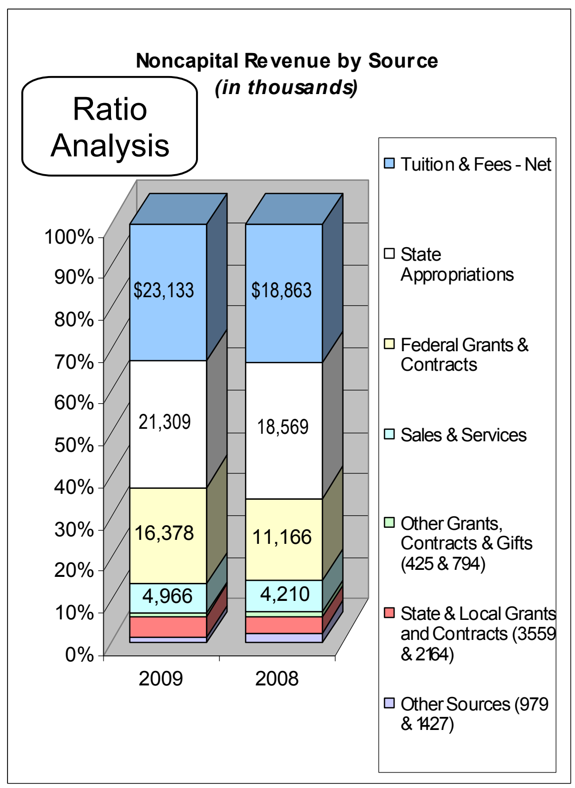
Analysis of Revenues

The following chart provides categorical ratios of the College's revenue as a whole for the years ended June 30, 2009 and 2008:



The State Share of Instruction and the Access Challenge appropriations are the statutory burden of the State of Ohio for operating the College. These are classified as nonoperating revenue under generally accepted accounting principles, and they accounted for 28% and 31% of total revenue in 2009 and 2008. Other revenue includes capital appropriations, and is a subset of nonoperating revenue.

A traditional comparison of the College revenue focuses on noncapital revenue. These are the funds which are spent for ongoing operations. The total of these revenues increased $13.56 million this year (23.7%). This analysis will focus on the traditional revenues used for ongoing operations which are comparable to prior years' financial statements.



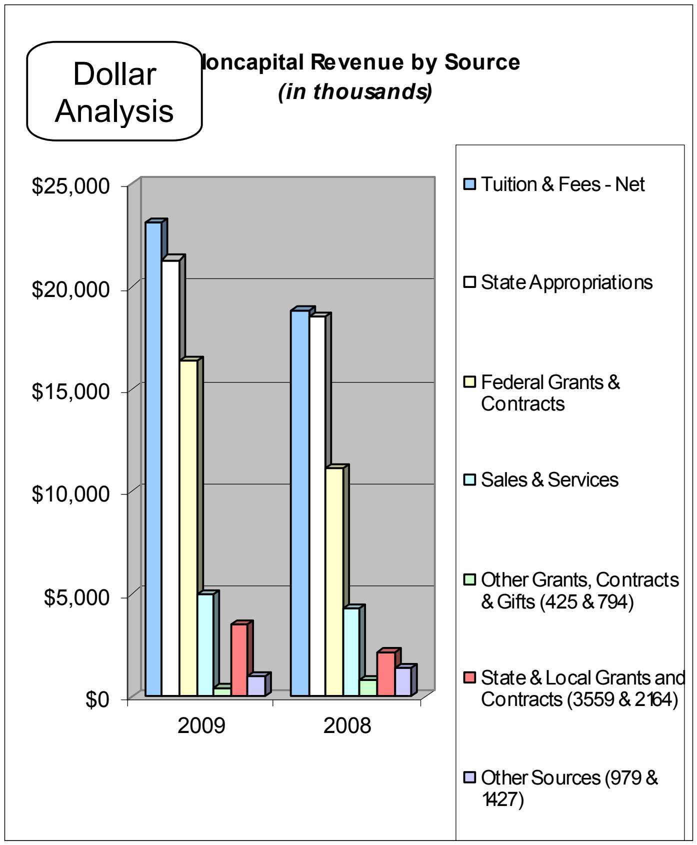
The Board of Trustees had been prohibited by temporary law from increasing tuition since the Summer 2006 semester. Tuition is currently $127 per credit hour. Enrollment increases resulted in additional fees of approximately $4,270,000 over the previous year.

The State Share of Instruction and the Access Challenge state appropriation, two sources of State funding dedicated to support the operations of the College, increased from prior year levels by $2,740,000 (14.8%). These sources were combined into the State Share appropriation in the FY2010 state budget. Additional Job Training appropriations revenue declined from the prior year, and was eliminated from the FY2010 state budget.

Sales & Services, which include Auxiliary enterprise revenue from the College bookstore, increased this year by $756,000 (18.0%) due to increased enrollment and significant textbook price inflation, along with increased sales of non-textbook items, which were somewhat offset by changes to the sales mix of new vs. used textbooks.

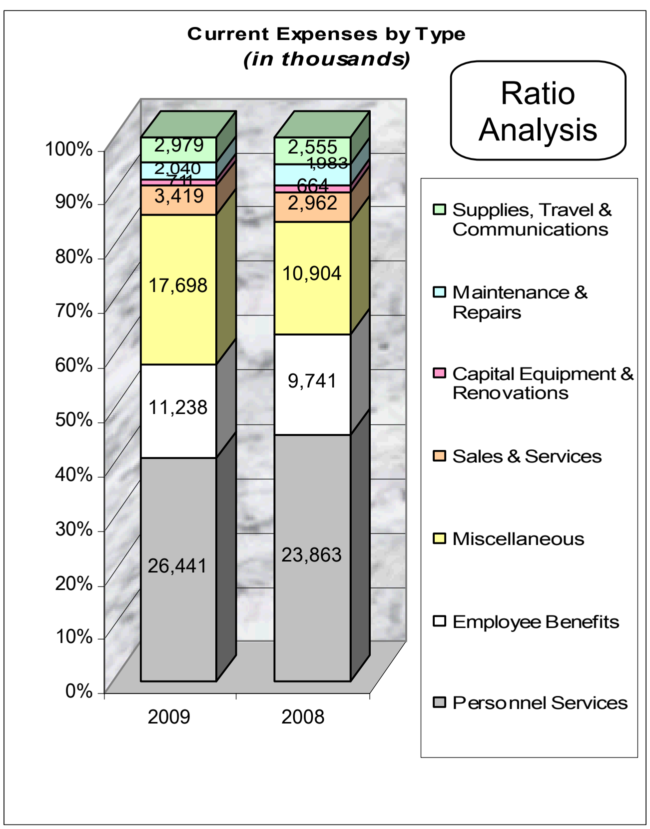
Increases in federal grants totaling $5,212,000 were due mainly to a large increase of financial aid grants to students. New grants for the purchase of fuel cell R&D equipment and curriculum development led state grants higher by $1,395,000.

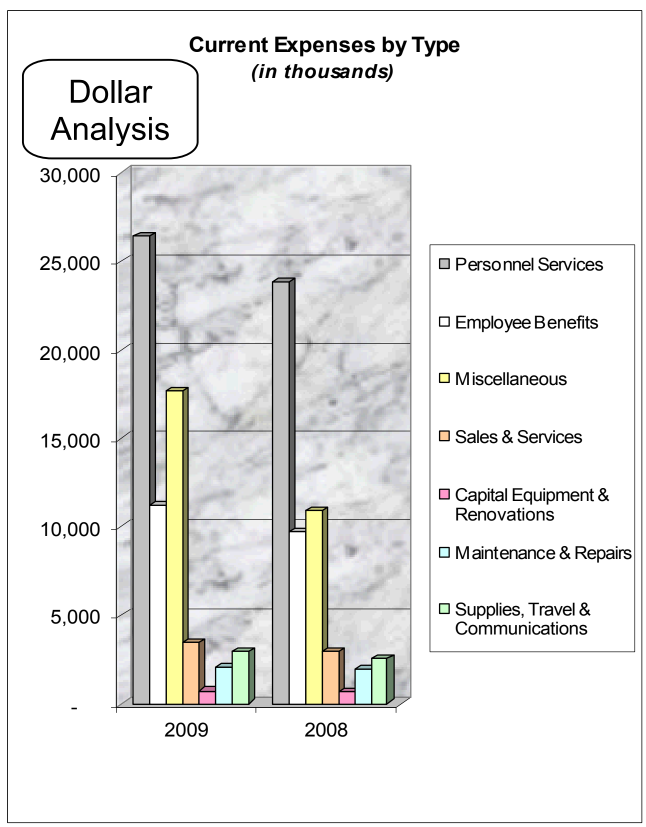
Other noncapital revenue decreased by $817,000 over the prior year, which included major decreases in interest earnings and corporate training grants, which were partially offset by increased rent receipts and the consumption of prior grant balances.



Analysis of Expenses

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





These expenses approximate the College's expenses reported in the Statement of Revenues, Expenses and Changes in Net Assets adjusted for depreciation and reduced by the capital equipment & renovations category, which were plant fund activities. While total enrollment only increased 13.7%, total expenses increased 22.5%

Total salary and wages increased 10.8%. The average general wage increased 4.6% for full time employees, and the College increased the usage of part-time instructors. Many full-time positions were created and filled over the staffing levels of the prior year. Additional adjunct faculty costs were incurred when larger than expected enrollment caused additional sections to be offered.

Employee benefits experienced a net increase of 15.4% over the prior year. The major factors affecting benefits included a 9.8% increase in health care premiums, and general cost increases due to higher staffing levels, netted against savings from an increased use of adjunct faculty, who do not receive health care benefits, thereby decreasing the average net benefit cost per labor unit. Significant positive experience decreased required health insurance reserves.

Miscellaneous expenses increased 62.3% over the prior year. Payments for Student Aid nearly doubled to $14.3 million. Grants from outside entities were the source for most of these costs. This item accounted for more than the total increase in this category. Library Services are provided by Kent State University's Stark Campus, for which the College pays based on enrollment. Therefore Library costs increased due to increased enrollment. Other costs were reduced, which included insurance, legal fees and other contracted services.

Sales & Services expenses increased by 15.4%. This was a result of increases in labor costs, slight wholesale book price increases, and sales volume increases due to higher enrollment.

Maintenance and Repairs increased 2.9% over the prior year due to stabilization of utilities costs and managements' decision to constrain spending in this area. Additional natural gas and electricity were purchased, which increased total costs. Other maintenance and repair items decreased as the College focused on limiting new maintenance projects. Numerous minor renovation projects were deferred to later years.

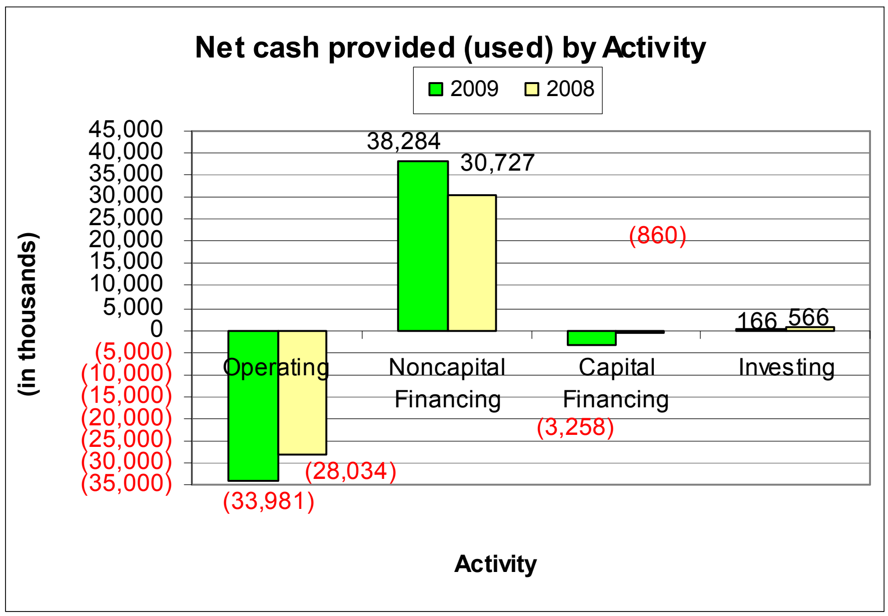
Equipment purchases from the operating budget increased 7.1% from the prior year due to large purchases of IT equipment needed to provide improved redundancy and data security.

Communications expenses decreased by 0.1%. Most costs increased slightly, including memberships, advertising, and postage costs, which increased due to postal increases, additional direct marketing efforts, and increased enrollment-driven mailing activity. The College incurred significant increases for Marketing and Advertising to promote satellite locations in downtown Canton, Carrollton and Alliance, Ohio. Telecommunications costs associated with increased distance learning and additional locations rose substantially. Telecommunications costs relating to telephone service were constrained by procurement of better terms. Printing costs were reduced due to increased on-line content and the delay of the printing of the college catalog. This was enough to offset all the other small cost increases.

Supplies costs increased 40.5% this year. Much of this increase was due to the reclassification of PC purchases from the Equipment category to the Supplies category. Improved procurement procedures helped contain costs, despite the large increase in enrollment. Materials costs for minor renovation projects by the Maintenance Department were incurred, but not capitalized under the College's capitalization policy.

Travel costs increased 3.1%. The College made efforts to constrain the use of the general budget for travel to help cover the cost of participating in a grant program called Pathways, sponsored by the Ohio Rehabilitation Services Commission. The instructional division also developed in-house professional development programs which helped constrain the rate of growth. Management has made a commitment to holding the line on travel costs for the next year.

Analysis of Cash Flows



The College's liquidity increased during the year, primarily due to higher enrollment and aggressive cost containment measures which generated increased cash flows from operations, while proceeds from state funding for general operations increased over the prior year. By definition, noncapital financing activities include the subsidy from the Board of Regents called State Share of Instruction, and the Access Challenge appropriation. These line items have increased due to the College's proportional enrollment increases compared to all other state assisted institutions of higher education over the past two years.

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

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

Capital financing activities provided greater proceeds from state appropriations and federal and state grants. Substantially higher cash outflows were related to facilities projects. The construction of a building for the new Health Sciences Building was completed in the summer of 2008, with additional funds being spent for the renovation of space vacated by the health programs. Additional capital outlays were used for starting construction of a new building for Fuel Cell development by private partners of the College, various building renovations, grounds improvements and other capital equipment related to the purchase of a new enterprise resource plan system. These purchases constituted the majority of the College's capital activity.

Lower interest rates offset a larger average daily cash balance to provide less cash flow from investing activities this year.

Economic Outlook for the Future

The economy in Ohio has suffered under the current recession. Large job losses have affected all sectors of the state's economy. The total unemployment estimate, including those who have run out of unemployment benefits, those who desire work but are not on unemployment, and those who have stopped looking for work because they believe there is not any work available now exceeds 17% in Ohio.

The state of Ohio is receiving less tax revenue than last year from most sources, including income, sales, and property taxes as unemployment rose and the corporate franchise tax has been phased out in favor of a broad-based commercial activities tax. The state of Ohio has reduced its budget for higher education significantly for this biennium.

It is Management's opinion that there may be additional funding reductions by the state. Without legislative action to raise taxes, state revenue will be reduced in the current biennium due to continued economic decline in the state and the delay of potential gambling revenue pending referendum by Ohio voters. Management has planned for the possibility of a 15%+ reduction in state operating subsidies in FY2010 and 25%+ in FY2011.

Final Analysis

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

The economy has stretched the demand for the College's resources. The College is dependent on the State of Ohio for funding, and state revenues have not been meeting the budget projections to this point of the year. However, the Legislature has made the funding of higher education a priority, with the reductions for funding being much less severe than for other non-entitlement GRF programming.

Between the increased productivity in the classroom, cost saving measures implemented, and increased enrollment (i.e.: additional tuition dollars), the College is maintaining its position despite the current state economic situation. Even as the state's funding of capital projects declines, the College has provided for the renewal of, and addition to, its facilities by establishing a dedicated fee for such purposes. These funds will allow the College to open a new state-of-the-art Business and Entrepreneurship center which will add to its capacity to meet the growing needs of the region, and may also be used to pay for debt service on bonds that may be used to finance much-needed facilities, as the College's annual growth in the 2009-2010 academic year will be around 30%.

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

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

Stark State College of Technology
Statement of Net Assets
June 30, 2009

Assets	
Current Assets	
Cash and cash equivalents	11,956,143
Student accounts receivable, net	2,804,304
Intergovernmental receivables	4,367,999
Other receivables, net	429,953
Prepaid expenses and deferred charges	312,342
Insurance reserve	567,328
Inventories at cost	381,883
Total current assets	20,819,952
Noncurrent Assets	
Restricted cash and cash equivalents	40,635
Restricted investments	1,078
Endowment investments	193,869
Prepaid expenses and deferred charges	25,489
Insurance reserve	1,033,945
Capital assets, net	51,876,786
Total noncurrent assets	53,171,802
Total assets	73,991,754
Liabilities	
Current Liabilities	
Accounts payable and accrued liabilities	2,378,729
Deferred income	1,783,149
Accrued salaries and wages	1,339,921
Insurance claims payable	567,328
Compensated absences	136,131
Deposits held for others	149,614
Long-term liabilities - current portion	45,749
Total current liabilities	6,400,621
Noncurrent Liabilities	
Long-term liabilities	993,562
Total noncurrent liabilities	993,562
Total liabilities	7,394,183
Net Assets	
Invested in capital assets	51,876,786
Restricted for	
Nonexpendable	
Scholarships	227,381
Expendable	
Student grants and scholarships	122,876
Public service	340,971
Instructional departments	252,853
Student services	11,731
Student loans	11,273
Institutional Support	7,930
Unrestricted	13,745,770
Total net assets	$66,597,571

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

Stark State College of Technology
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2009

Revenues	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of $3,871,422)	$23,133,468
Federal grants and contracts	2,107,919
State and local grants and contracts	1,037,668
Nongovernmental grants and contracts	284,391
Sales and services of educational departments	21,789
Auxiliary enterprises: bookstore	4,944,680
Other operating revenues	842,472
Total operating revenues	32,372,387
Expenses	
Operating expenses:	
Educational and general:	
Instruction	23,693,848
Academic support	4,108,736
Student services	4,322,991
Institutional support	7,851,937
Operation and maintenance of plant	4,662,226
Student aid	14,316,098
Public service	2,084,129
Depreciation	1,844,469
Auxiliary enterprises: bookstore	3,999,347
Total operating expenses	66,883,781
Operating loss	(34,511,394)
Nonoperating Revenues (Expenses)	
State appropriations	21,309,454
Federal grants	14,270,280
State and local grants	2,521,207
Gifts	140,999
Investment income	136,411
Other nonoperating revenues (expenses)	(68,785)
Net nonoperating revenues (expenses)	38,309,566
Income before other revenues, expenses, gains, or losses	3,798,172
Capital appropriations	2,855,736
Capital grants and gifts	1,102,607
Increase in net assets	7,756,515
Net Assets	
Net assets, beginning of year	58,841,056
Net assets, end of year	$66,597,571

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

Stark State College of Technology
Statement of Cash Flows
For the Fiscal Year Ended June 30,2009

Cash Flows from Operating Activities	
Tuition and fees	$22,780,303
Grants and contracts	2,238,030
Payments to suppliers	(12,862,871)
Payments to employees and for benefits	(37,598,883)
Payments for student aid	(14,316,098)
Loans issued to students	(775)
Auxiliary enterprise charges: Bookstore	4,899,107
Sales and service of educational activities	22,093
Other receipts (payments)	857,824
Net cash used by operating activities	(33,981,270)
Cash Flows from Noncapital Financing Activities	
State appropriations	21,309,454
Gifts and grants for other than capital purposes	16,987,319
FFEL received	38,818,505
FFEL disbursed	(38,818,505)
Agency transactions	(12,546)
Net cash provided by noncapital financing activities	38,284,227
Cash Flows from Capital Financing Activities	
Capital appropriations	3,044,631
Capital grants and gifts received	105,137
Purchases of capital assets	(6,408,054)
Net cash used by capital financing activities	(3,258,286)
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	784
Interest on investments	165,057
Net cash provided by investing activities	165,841
Net increase in cash	1,210,512
Cash - beginning of the year	10,786,266
Cash - end of year	$11,996,778
Reconciliation of net operating revenues (expenses) to net cash used by operating activities:	
Operating loss	($34,511,394)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	1,844,469
Changes in assets and liabilities:	
Receivables, net	(1,418,721)
Inventories	(55,706)
Other assets	(286,744)
Accounts payable	(81,847)
Deferred revenue	578,592
Compensated absences	(49,919)
Net cash used by operating activities	($33,981,270)

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

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

1. DESCRIPTION OF THE ENTITY

Stark State College of Technology (the "College") was originally chartered in 1966 under provisions of the Ohio Revised Code as a Technical College. The College offers over 200 associate degree programs, options, one-year and career enhancement certificates in arts and sciences, business and entrepreneurial studies, engineering technologies, health sciences, information technologies, and public service. Degrees awarded are the Associate of Arts, Associate of Science, Associate of Applied Science, Associate of Applied Business, and Associate of Technical Studies. The College also offers degrees in conjunction with Kent State University in Associate of Arts, Associate of Applied Business, and Associate of Science. A wide range of short-term career enhancement certificates help employees improve skills and gain a competitive edge in a society with rapidly-changing technology. Career enhancement certificates lead to associate degrees and one-year certificates in various fields of study. The College also offers noncredit continuing education classes and customized contract-training services to companies and employees in the region. A seven-member Board of Trustees governs the College, which is a political subdivision of the State of Ohio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Deferred Income – Deferred income arises when assets are recognized before revenue recognition criteria have been satisfied. The unearned portion of student tuition and fees for the summer session 2009 and all of the payments of student tuition and fees resulting from early registration for the fall session 2009 have been deferred.

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

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

During fiscal year 2009, investments were limited to STAR Ohio, U.S. Treasury and Agency items, mutual funds, corporate notes, and corporate stock.

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

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

G. Capital Assets – Land, land improvements, buildings and improvements, infrastructure, equipment, and library books are stated at original acquisition costs. Donated capital assets are capitalized at estimated fair market value on the date of the gift. When capital assets are sold or otherwise disposed of, the net carrying value of such assets is removed from the accounts and the Invested in Capital Assets – net of related debt component of net assets is adjusted accordingly. Capital assets, with the exception of land, are depreciated on the straight-line method over the following estimated useful lives:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost. Infrastructure assets consisting of roads and drainage systems are capitalized and reported. The College's capitalization threshold is $5,000 for equipment, $25,000 for land improvements, $50,000 for buildings, and $250,000 for infrastructure.

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use. The College identifies net assets restricted as either nonexpendable or expendable. Nonexpendable net assets represent endowment contributions from donors that are permanently restricted as to principal. Expendable net assets relate to grants and contract activity, whose use is subject to externally imposed restrictions. Unrestricted net assets are not subject to restrictions and may be designated for specific purposes by the Board of Trustees. Of the College's restricted net assets of $975,015, none was restricted by enabling legislation.

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

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

M. Public Entity Risk Pools

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

3. CASH AND INVESTMENTS

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

The investment and deposit of College monies is governed by the Ohio Revised Code. In accordance with the Ohio Revised Code, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. Also, the investment of the College's monies is restricted to certificates of deposit, savings accounts, money market accounts and the State Treasurer's Investment Pool (STAR Ohio), obligations of the United States Government or certain agencies thereof and certain industrial revenue bonds issued by other governmental entities. The College may also enter into repurchase agreements with any eligible depository for a period not exceeding thirty days. Public depositories must give security for all public funds on deposit. These institutions may specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities with the face value of which is at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for the public deposits and investments to be maintained in the College's name.

B. Cash on Hand - At June 30, 2009, the College had $13,228 in undeposited cash on hand which is reported as "Cash" on the Statement of Net Assets.

C. Deposits - At June 30, 2009, the reported amount of the College's deposits was $(757,202) and the bank balance was $9,030, which was covered by the FDIC.

3. CASH AND INVESTMENTS (continued)

D. Investments – As of June 30, 2009, the College had the following investments and maturities:

		Investment Maturity (In Years)	
Investment Type	Fair Value	1	1 - 5
Insurance Reserve	$1,601,273	567,328	1,033,945
Repurchase Agreement	670,000	670,000	0
STAR Ohio	12,164,261	12,164,261	0
U.S. Treasuries	15,408	9,261	6,147
U.S. Agencies	36,941	0	36,941
Corporate Notes	5,997	0	5,997
Mutual Funds	30,282	30,282	0
	14,524,162	13,441,132	1,083,030
Corporate Stock	106,319		
	$14,630,481		

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

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

CS	A+	.09%
CS	A	.10%
CS	A-	.04%
CS	AA+	.01%
CS	AA	.03%
CS	AA-	.04%
CS	AAA	.05%
CS	BB+	.01%
CS	BB	.01%
CS	BBB+	.02%
CS	BBB	.02%
CS	BBB-	.02%
CS	Not Rated	.31%

U.S. Treasuries	AAA	.08%
U.S. Agencies	AAA	.25%
Mutual Funds	Not Rated	.21%
Corporate Notes	A	.03%
Corporate Notes	AA-	.03%
STAR Ohio	AAAm	83.14%
Repurchase Agreements	Not Rated	4.58%
Insurance Reserve	Not Rated	10.94%

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

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

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

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

STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds together for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price that is the price that the investment could be sold for on June 30, 2009.

4. CAPITAL ASSETS

A summary of the changes in capital assets and related accumulated depreciation during fiscal year 2009 follows:

	Balance 06/30/2008	Additions	Deletions	Balance 06/30/2009
Capital Assets, Not Being Depreciated:				
Land	$5,116,798			5,116,798
Construction in Progress	4,005,915	5,590,481	88,923	9,507,473
Total Capital Assets, Not Being Depreciated	9,122,713	5,590,481	88,923	14,624,271
Capital Assets, Being Depreciated:				
Land Improvements	4,379,755	49,013	0	4,428,768
Buildings and leasehold improvements	48,336,586	875,871	0	49,212,457
Equipment	4,688,885	551,074	107,373	5,132,586
Library Books	42,895	0	1,231	41,664
Infrastructure	193,127	0	0	193,127
Total Capital Assets, Being Depreciated	57,641,248	1,475,958	108,604	59,008,602
Less Accumulated Depreciation For:				
Land Improvements	1,235,513	181,152	0	1,416,665
Buildings and leasehold improvements	15,408,191	1,264,747	0	16,672,938
Equipment	3,246,904	385,727	107,373	3,525,258
Library Books	20,980	4,152	1,231	23,901
Infrastructure	108,634	8,691	0	117,325
Total Accumulated Depreciation	20,020,222	1,844,469	108,604	21,756,087
Capital Assets, Being Depreciated, Net	37,621,026	(368,511)	0	37,252,515
Capital Assets Net	$46,743,739	5,221,970	88,923	51,876,786

5. LONG-TERM LIABILITIES

A. Long-term liabilities activity for the year ended June 30, 2009, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences	$1,089,230	0	49,919	1,039,311	45,749
Total	$1,089,230	0	49,919	1,039,311	45,749

B. The College has no outstanding capital leases.

6. PENSION PLANS

A. State Teachers Retirement System

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

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

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

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

6. PENSION PLANS (continued)

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

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

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

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

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

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

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

6. PENSION PLANS (continued)

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2009 were 10% of covered payroll for members and 14% for employers. The College's employer contributions to STRS Ohio for fiscal years ended June 30, 2009, 2008 and 2007 were $2,492,697, $2,216,120, and $2,034,558, respectively.

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

B. Ohio Public Employees Retirement System

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

1. The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan.

2. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

3. The Combined Plan – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

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

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

6. PENSION PLANS

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and employer contributions were consistent across all three plans.

The 2009 member contribution rate was 10.0%. The 2009 employer contribution rate was 14.0% of covered payroll. The College's employer contributions to OPERS for the fiscal years ended June 30, 2009, 2008 and 2007 were $1,260,476, $1,142,149, and $1,084,098, respectively.

C. Alternative Retirement Plan

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 2998, authorizing an alternative retirement program for academic and administrative employees of public institutions of higher education, who were currently covered by the Ohio Public Employees Retirement System (OPERS) or the State Teachers Retirement System of Ohio (STRS Ohio). The alternative retirement plan is a defined contribution plan under IRS Section 401(a).

Full-time employees have 90 days from their date of hire to make an irrevocable election to participate in an alternative retirement plan. Under this plan, employees who would have otherwise been required to be in OPERS or STRS Ohio who elect to participate in the alternative retirement program must contribute the employee's share of retirement contributions (10.0% OPERS, 10.0% STRS Ohio) to one of eight private providers approved by the State Department of Insurance. The employee's share of retirement contributions is actually paid by the College as an employee benefit. The legislation mandates that the employer must contribute 3.5% of the 14% employer contribution to STRS Ohio with the remainder being sent to the ARP vendor selected by the employee. All of the 14% OPERS employer contribution for the non-academic employees is sent to the ARP vendor selected by the employee. The College plan provides these employees with immediate plan vesting. The total employer contributions to the alternative retirement plan for the fiscal years ended June 30, 2009, 2008, and 2007 were $69,668, $81,806, and $78,894, respectively.

7. POST-EMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

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

7. POST-EMPLOYMENT BENEFITS (continued)

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2009, 2008, and 2007. The 14% employer contribution rate is the maximum rate established under Ohio law. The College's employer contributions allocated to post-employment benefits for the fiscal years ended June 30, 2009, 2008 and 2007 were $178,050, $144,419, and $132,114, respectively.

B. Ohio Public Employees Retirement System

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

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

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

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

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

7. POST-EMPLOYMENT BENEFITS (continued)

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In fiscal year 2009, employers contributed at a rate of 14.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For fiscal year 2009, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The College's employer contributions allocated to post-employment benefits for the fiscal years ended June 30, 2009, 2008, and 2007 were $630,238, $411,224, and $357,329, respectively.

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

8. CONTINGENCIES

A. Federal and State Grants

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

B. Litigation

There are no claims pending against the College as of June 30, 2009.

9. RISK MANAGEMENT

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

The College is a member of the Stark County Schools Council of Governments, a shared risk pool (see Note 2), which was established to provide a partially self-funded health benefits program to its members. The College pays a monthly premium to the Council of Governments for its health care coverage. The health plan is self-sustaining through member premiums and reinsures through an insurance company to pay claims in excess of $250,000 per individual and $131,604,819 for the group as a whole.

The insurance claims payable of $567,328 is based on the requirements of GASB Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the Council of Governments. A summary of the claims liability during the past two fiscal years is as follows:

	Balance at Beginning of Fiscal Year	Current Fiscal Year Claims	Claims Payments	Balance at End of Fiscal Year
2008	$475,400	3,471,617	3,419,694	$527,323
2009	$527,323	3,845,420	3,805,415	$567,328

10. RELATED ORGANIZATIONS

The Stark State College Foundation (the Foundation) is a not-for-profit organization, which operates under a separate board exclusively for the benefit of the College. The Foundation meets the definition of a component unit of the College. However in accordance with Auditor of State Bulletin 2004-001, the Foundation is not significant to the College for purposes of Government Accounting Board Statement Number 39 and is therefore not included in the College’s June 30, 2009 financial statements. At June 30, 2009, the total net assets of the Foundation were $1,781,824. During the year ended June 30, 2009, the Foundation contributed to the College $98,455 for scholarships, professional development, instructional equipment and supplies, and other projects.

Stark State College of Technology
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Disbursements
U.S. Department of Education				
Direct from the Federal Government				
Student Financial Assistance Programs Cluster:				
Federal Work-Study Program	84.033	-	322,297	266,594
Federal Supplemental Educational Opportunity Grants	84.007	-	208,743	221,174
Federal Pell Grant Program	84.063	-	12,648,522	14,213,547
Federal Family Educational Loans	84.032	-	36,640,658	36,640,658
Federal Academic Competitiveness Grants	84.375	-	18,200	18,200
Total Student Financial Assistance Programs Cluster			**49,838,420**	**51,360,173**
TRIO Cluster				
Direct from the Federal Government				
Student Support Services	84.042	-	348,171	237,052
Upward Bound Math and Science Program	84.047	-	361,457	314,485
Passed Through Ohio Department of Education:				
Upward Bound Math and Science Program	84.047	063420-SSC UB	2,629	2,558
Total TRIO Cluster			**712,257**	**554,095**
Passed Through Ohio Department of Education:				
Vocational Education - Basic Grants to States	84.048	063420-CDP-P-2008	112,504	0
Vocational Education - Basic Grants to States	84.048	063420-CDP-P-2009	231,473	288,550
Vocational Education - Basic Grants to States	84.048	063420-VENT-IT-2008	2,700	0
Total Vocation Education - Basic Grants to States			**346,677**	**288,550**
Tech-Prep Education	84.243	063420-TP-FB-2008	66,236	0
Tech-Prep Education	84.243	063420-TP-FB-2009	156,205	163,439
Total Tech-Prep Education			**222,441**	**163,439**
Total Federal Assistance - U.S. Department of Education			**51,119,795**	**52,366,257**
U.S. Department of Energy				
Direct from the Federal Government				
Renewable Energy Research and Development	81.087	-	60,864	108,670
Total Federal Assistance - U.S. Department of Energy			**60,864**	**108,670**
U.S. Department of Labor				
Workforce Investment Act Cluster				
Direct from the Federal Government				
Workforce Investment Act	17.261	-	140,598	158,520
Community Based Job Training Grant	17.269	-	269,077	283,710
Passed through Workforce Initiative Association:				
Workforce Investment Act	17.258	N/A	7,113	0
Total Workforce Investment Act Cluster			**416,788**	**442,230**
Total Federal Assistance - U.S. Department of Labor			**416,788**	**442,230**
U.S. Department of Health and Human Services				
Direct from the Federal Government				
Health Care and Other Facilities	93.887	-	46,160	40,071
Total Federal Assistance - U.S. Department of Health and Human Services			**46,160**	**40,071**
National Science Foundation Program				
Direct from the Federal Government				
Education and Human Resources	47.076	-	264,454	54,090
Passed through the Ohio State University Research Foundation				
Education and Human Resources	470.76	N/A	45,841	47,610
Total Federal Assistance - National Science Foundation			**310,295**	**101,700**
Total Federal Assistance - All Sources			**51,953,902**	**53,058,928**

NA - Pass-Through Entity Identifying Number not available

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

Stark State College of Technology
Note to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2009

Note A – Significant Accounting Policies

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

Note B – Federal Family Education Loans

During the fiscal year ended June 30, 2009, the College processed new loans under the Guaranteed Student Loan Program. Several banks act as lenders for the College. The amount shown only reflects the fiscal year amount that has been certified by the College.

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

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

We have audited the financial statements of the business-type activities of Stark State College of Technology, Stark County, Ohio (the College) as of and for the year ended June 30, 2009, which collectively comprise the College's basic financial statements and have issued our report thereon dated January 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

We did note certain noncompliance and other matters that we reported to the College's management in a separate letter dated January 29, 2010.

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
January 29, 2010

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

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

Compliance

We have audited the compliance of Stark State College of Technology (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the College's major federal program. The College's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009.

In a separate letter to the College's management date January 29, 2010, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

Internal Control over Compliance

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

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

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

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

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
January 29, 2010

1. SUMMARY OF AUDITOR′ S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Aid Cluster: Federal Work-Study Program, CFDA# 84.033; Federal Pell Grant Program, CFDA# 84.063; Federal Supplemental Educational Opportunity Grants, CFDA# 84.007; Federal Family Educational Loan Program, CFDA# 84.632; Federal Academic Competitiveness Grant, CFDA# 84.375:Trio Cluster: Upward Bound, CFDA# 84.047; Student Support Services, CFDA# 84.042
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $492,548 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number	None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None

Mary Taylor, CPA
Auditor of State

STARK STATE COLLEGE OF TECHNOLOGY

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 9, 2010

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