

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

Financial Report
with Supplemental Information
June 30, 2011 and 2010



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, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The 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

March 14, 2012

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Owens State Community College

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Independent Auditor's Report

To the Board of Trustees
Owens State Community College

We have audited the accompanying statement of net assets of Owens State Community College (the "College") and its discretely presented component unit as of June 30, 2011 and 2010 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Owens State Community College and its discretely presented component unit as of June 30, 2011 and 2010 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the 2011 financial statements have been restated to correct a misstatement. The previously issued report (dated October 13, 2011) should not be relied upon as a result of this material misstatement. That previously issued report is replaced by this report.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2012 on our consideration of Owens State Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Trustees
Owens State Community College

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The management's discussion and analysis presented on pages 3 through 14 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

March 5, 2012

Owens State Community College

Management's Discussion and Analysis - Unaudited

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Owens State Community College for the year ended June 30, 2011 with comparative information for the years ended June 30, 2010 and 2009. The MD&A should be read in conjunction with the accompanying audited financial statements and footnotes.

ABOUT OWENS STATE COMMUNITY COLLEGE

Founded in 1965, Owens Community College (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 non-credit 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 assets of the College and its discretely presented legally separate entity, Owens Community College Foundation (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)

ABOUT THE FINANCIAL STATEMENTS

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 assets; statement of revenue, expenses, and changes in net assets; statement of cash flows; and the notes to the financial statements. In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which amends GASB Statement No. 14, the Foundation is discretely presented as a component unit of the College.

Using This Annual Report

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

The financial statements report the College's net assets and changes in net assets. Increases or decreases in the College's net assets are indicative of the College's financial position. Changes of a non-financial 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.

FINANCIAL HIGHLIGHTS

The net assets by category for fiscal years 2011, 2010, and 2009 are shown below. Net assets in aggregate decreased approximately \$1,300,000 from fiscal year 2010 and increased approximately \$9,200,000 from fiscal year 2009.

	Net Assets			Total Net Assets
	Invested in Capital Assets	Restricted Expendable	Unrestricted	
FY 2011	\$ 87,466,044	\$ 132,149	\$ 18,598,409	\$ 106,196,602
FY 2010	85,051,367	4,812,504	17,589,270	107,453,141
FY 2009	78,840,707	-	19,436,379	98,277,086

Owens State Community College

Management's Discussion and Analysis - Unaudited (Continued)

A summarization of the College's assets, liabilities, and net assets at June 30, 2011, 2010, and 2009 follows:

	June 30		
	2011	2010	2009
Assets			
Current assets	\$ 53,471,958	\$ 66,206,999	\$ 51,543,014
Capital assets	94,943,498	88,623,810	79,117,202
Notes receivable	36,059	35,559	35,559
Total assets	148,451,515	154,866,368	130,695,775
Liabilities			
Current liabilities	33,653,677	38,825,617	29,442,882
Noncurrent liabilities	8,601,236	8,587,610	2,975,807
Total liabilities	42,254,913	47,413,227	32,418,689
Net Assets			
Invested in capital assets - Net of debt	87,466,044	85,051,367	78,840,707
Restricted	132,149	4,812,504	-
Unrestricted	18,598,409	17,589,270	19,436,379
Total net assets	<u>\$ 106,196,602</u>	<u>\$ 107,453,141</u>	<u>\$ 98,277,086</u>

2011 Variances

Current assets decreased by approximately \$12,735,000 from 2010 to 2011 primarily due to decreases in cash and cash equivalents, prepaid and deferred charges and accounts receivable. Capital assets increased by approximately \$6,320,000 due to additions funded through capital appropriations and notes payable. Current liabilities decreased from 2010 to 2011 primarily due to decrease in deferred revenue and accounts payable. The noncurrent liabilities increased from 2010 to 2011 primarily due to an increase in notes payable. Net assets decreased primarily due to the offering of a retirement incentive plan to faculty and staff.

2010 Variances

Current assets increased by approximately \$14,664,000 from 2009 to 2010 primarily due to increases in cash and cash equivalents, prepaid and deferred charges and accounts receivable. Capital assets increased by approximately \$9,500,000 due to additions funded through capital appropriations and notes payable. Current liabilities increased from 2009 to 2010 primarily due to increases in deferred revenue and accounts payable. The noncurrent liabilities increased from 2009 to 2010 primarily due to an increase in notes payable. Net assets increased due to an increase in capital assets.

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 assets for the years ended June 30, 2011, 2010, and 2009:

	2011	2010	2009
Operating Revenue			
Student tuition and fees	\$ 30,204,904	\$ 29,133,497	\$ 21,470,296
Grants - Federal, state, and local	4,809,309	6,771,399	9,279,324
Sales and service	303,108	66,781	118,591
Auxiliary activities	12,323,542	12,441,711	10,846,786
Other operating revenue	650,216	636,572	1,164,276
Total operating revenue	48,291,079	49,049,960	42,879,273
Operating Expenses			
Educational and general	117,000,195	111,317,939	95,745,782
Depreciation	4,603,094	5,124,547	4,512,307
Auxiliary enterprises	12,197,713	12,774,771	10,151,856
Total operating expenses	133,801,002	129,217,257	110,409,945
Operating Loss	(85,509,923)	(80,167,297)	(67,530,672)
Nonoperating Revenue			
State appropriations, including federal stabilization funds	41,936,195	43,266,082	44,207,728
Pell Grant	39,984,218	35,892,560	20,197,827
Investment income	623,649	618,460	828,744
Other nonoperating expense	(215,472)	(55,392)	-
Total nonoperating revenue	82,328,590	79,721,710	65,234,299
Loss Before Other Revenue - Before capital appropriations and grants	(3,181,333)	(445,587)	(2,296,373)
Capital Appropriations and Grants	1,924,794	9,621,642	2,360,609
(Decrease) Increase in Net Assets	(1,256,539)	9,176,055	64,236
Net Assets - Beginning of year	107,453,141	98,277,086	98,212,850
Net Assets - End of year	<u>\$ 106,196,602</u>	<u>\$ 107,453,141</u>	<u>\$ 98,277,086</u>

Owens State Community College

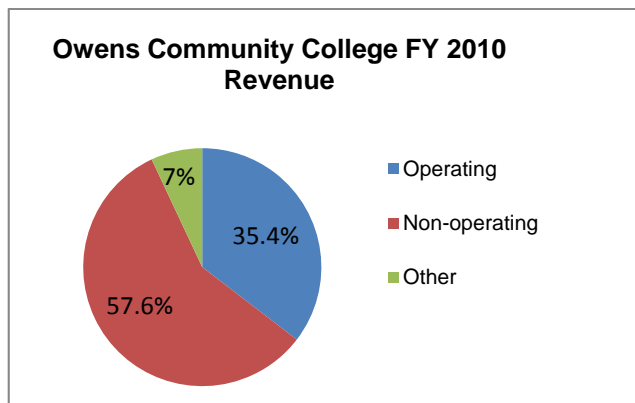
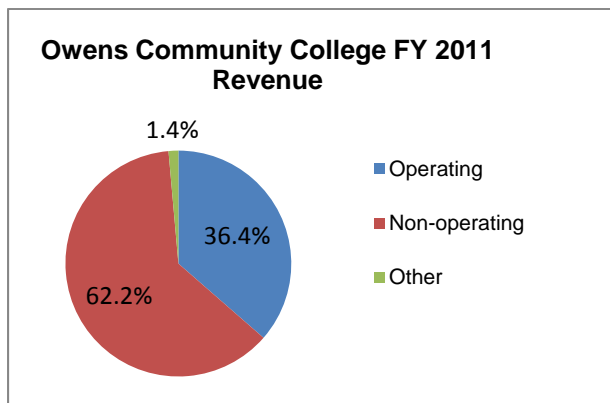
Management's Discussion and Analysis - Unaudited (Continued)

Statement of Revenue, Expenses, and Changes in Net Assets

The College converted from a technical college to a state community college in 1994. Since that date, enrollment has increased by 117 percent and the full-time equivalent (FTE) increased by 142 percent (an FTE is defined as a student taking 15 credit hours in a semester). For the fall semester 2010, the headcount of 19,980 represented a 15.35 percent decrease; for the fall semester 2009, the headcount of 23,602 represented a 9.8 percent increase, while for the fall semester 2008, the headcount of 21,328 represented a 4.4 percent increase. The FTEs for fall 2010, 2009, and 2008 were 12,003, 12,988, and 11,216, respectively, and represented a decrease of 7.5 percent in 2010 and an increase of 15.8 percent in 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 & 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 the College for the State Share of Instruction.

The charts below present total revenue by category for the fiscal years ended June 30, 2011 and 2010:

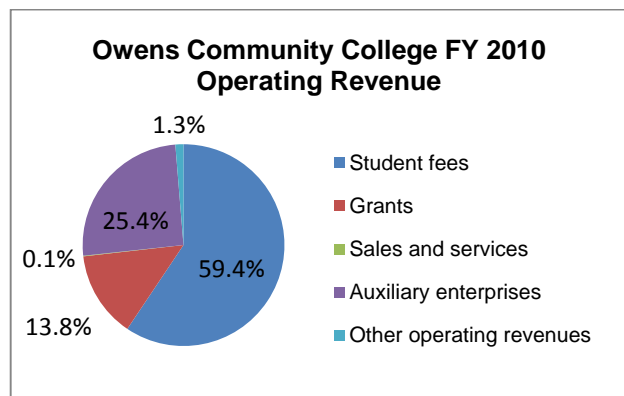
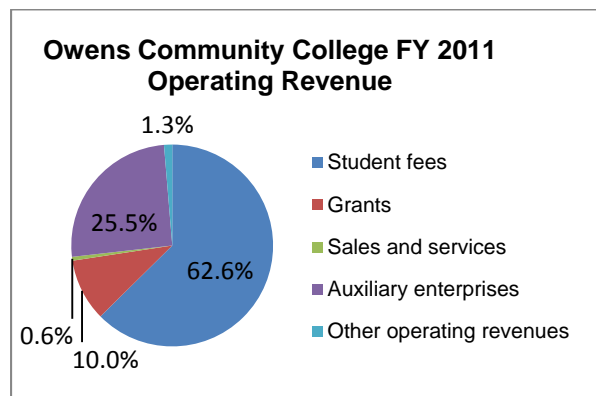


Owens State Community College

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, 2011 and 2010:



The College fee that students were assessed on a per credit hour basis for summer 2003 (fiscal year 2004) was \$100.75. Effective for summer 2004 (fiscal year 2005), the per credit hour fee was increased to \$110, reflecting a \$6.00 per credit hour increase in the instructional fee and a \$3.25 per credit hour increase in the general fee. The general fee provides for non-instructional services such as student activities, library privileges, and technology. Presently, the College has allocated a portion of the general fees for technology initiatives. Effective for summer 2005 (fiscal year 2006), the per credit hour fee was increased to \$116, reflecting a \$6.00 per credit hour increase in the instructional fee only. For fall 2006, the 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 FY 2007 freezing tuition at \$123 per credit hour. This mandate was rescinded for FY 2010. For fiscal year 2011, the per credit hour rate was \$131.75 for instructional and general fees.

Gross student tuition and fees revenue has increased during the past three fiscal years; 2011, 2010, and 2009 total tuition and fees were \$56,347,231, \$55,336,093, and \$45,611,948, respectively.

Scholarship allowances and scholarship dollars per FTE have also increased. In 2011, scholarship allowances totaled \$26,142,327 and scholarship dollars per FTE was \$2,178. In fiscal year 2010, scholarship allowances totaled \$26,202,596 and scholarship dollars per FTE was \$2,017. For 2009, scholarship allowances totaled \$24,141,652 and scholarship dollars per FTE was \$1,859.

Grant revenue decreased in fiscal years 2011 and 2010 by approximately \$1,962,000 and \$2,508,000, respectively. During fiscal year 2009, the College received several training grants funded through the federal stimulus program. These grants were completed during fiscal year 2010. The federal stimulus grants were non-renewable.

Owens State Community College

Management's Discussion and Analysis - Unaudited (Continued)

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 an increase in the scholarship allowance.

Non-operating Revenue

The College's largest single source of revenue is the non-operating revenue received from the State of Ohio. The College's State share of instruction amounted to \$41,936,195, \$43,266,082, and \$44,207,728 in fiscal years 2011, 2010, and 2009, respectively. The State share of instruction for fiscal years 2011 and 2010 included \$6,112,380 and \$6,196,030, respectively, of federal stabilization funding.

Another component of nonoperating revenue is investment income. In 2011, investment income increased by approximately \$5,200 in comparison to 2010 and 2009, when investment earnings declined. However, because of the diversity of Owens' portfolio in 2010 and 2009, we managed to have only a partial drop in investment income. The market value of the investments has increased over the base for the first time since Owens changed the types of investments held.

Pell grants continue to increase.

Operating Expense Changes

The College's operating expenses reflect changes related to student enrollment changes, college initiatives, and instructional program changes, in addition to changes in salaries, benefits, utilities, and other operating expenditures. Instructional and departmental research expenses increased in fiscal years 2011 and 2010 due to increased adjunct and faculty overload expenses. Institutional research and public service expenses decreased in fiscal years 2011 and 2010 due to reduced funding of grant-related programs. Academic support and student services expense increased with the development of a Teaching and Learning Center for academic staff and a Learning Center for students. The College had a decline in utility cost due to the completion of the energy conservation project in 2011 and plant investment caused plant operation and maintenance expense to decrease in fiscal year 2010. Scholarships and other student aid were higher in fiscal years 2011 and 2010 due to an increase in Pell grants.

The depreciation expense for fiscal years 2011, 2010, and 2009 was \$4,603,094, \$5,124,547, and \$4,512,307, respectively.

Capital Assets

At June 30, 2011, 2010, and 2009, the College had \$94,943,498, \$88,623,810, and \$79,117,202, respectively, invested in capital assets.

Owens State Community College

Management's Discussion and Analysis - Unaudited (Continued)

The details of the capital assets at June 30, 2011, 2010, and 2009 are shown below:

	2011	2010	2009
Land and land improvements	\$ 36,090,710	\$ 30,211,543	\$ 26,725,958
Buildings	104,778,711	97,296,960	90,405,201
Equipment	24,372,188	22,671,302	21,723,168
Leasehold improvements	488,773	488,773	231,638
Less accumulated depreciation	(73,805,804)	(69,202,709)	(64,078,163)
Net of depreciation	91,924,578	81,465,869	75,007,802
Construction in progress	3,018,920	7,157,941	4,109,400
Total	<u>\$ 94,943,498</u>	<u>\$ 88,623,810</u>	<u>\$ 79,117,202</u>

Debt associated with capital assets relate to equipment, information technology infrastructure and funding for the upgrade to the existing infrastructure with energy efficient resources. Total debt remaining at June 30, 2011 and 2010 was \$7,477,454 and \$6,417,348, respectively.

Capital Projects

Fiscal year 2011 has seen the completion of the campus energy conservation project, tiered classroom in Health Technology, Welding Annex, parking lot and sidewalk repairs and campus signage in addition to several smaller projects. The information technology infrastructure project began during the year and is scheduled to be completed in fiscal year 2012.

Fiscal year 2010 has seen the completion of the renovation for Founders Hall which began in fiscal year 2009. This renovation provided the College with more classrooms, computer labs, and faculty offices. During fiscal year 2010, the road loop project and the Center for Emergency Preparedness were completed in addition to several small projects. The Heritage Hall phase one renovation has been completed with over 36,000 square feet, providing faculty offices and instructional space for the School of Business and the School of Nursing.

Owens State Community College

Management's Discussion and Analysis - Unaudited (Continued)

Cash Flows

The statement of cash flows for the years ended June 30, 2011, 2010, and 2009 is as follows:

	Year Ended June 30		
	2011	2010	2009
Cash Flows from Operating Activities			
Student tuition and fees	\$ 27,004,313	\$ 31,798,520	\$ 20,080,100
Grants - Federal, state, and local	2,949,306	9,217,392	9,795,896
Payments to employees, suppliers, students, and others	(128,393,383)	(123,440,858)	(105,578,404)
Auxiliary enterprises	12,264,539	12,365,155	10,838,491
Sales and services	80,546	703,613	118,591
Other receipts	662,704	645,756	698,901
Net cash used in operating activities	(85,431,975)	(68,710,422)	(64,046,425)
Cash Flows from Noncapital Financing Activities			
Pell grant	39,984,218	35,892,561	20,197,827
State appropriations	41,936,195	43,266,082	44,207,728
Agency transactions	(30,399)	122,582	-
Net cash provided by noncapital financing activities	81,890,014	79,281,225	64,405,555
Cash Flows from Capital and Related Financing Activities			
Proceeds from notes payable	2,305,477	6,250,000	-
Principal payments on notes payable	(1,245,371)	(109,147)	(259,746)
Capital appropriations and grants	1,924,794	9,578,691	2,256,554
Interest paid on notes payable	(215,472)	(55,392)	-
Purchases of capital assets	(10,806,956)	(14,888,289)	(6,237,970)
Net cash (used in) provided by capital and related financing activities	(8,037,528)	775,863	(4,241,162)
Cash Flows from Investing Activities			
Interest on investments	623,649	618,460	831,732
Purchase of investments	27,649,832	(12,072,131)	(15,961,412)
Proceeds from sale and maturity of investments	(30,057,459)	13,922,144	13,499,497
Net cash (used in) provided by investing activities	(1,783,978)	2,468,473	(1,630,183)
Net (Decrease) Increase in Cash	(13,363,467)	13,815,139	(5,512,215)
Cash - Beginning of year	18,736,081	4,920,942	10,433,157
Cash - End of year	<u>\$ 5,372,614</u>	<u>\$ 18,736,081</u>	<u>\$ 4,920,942</u>

Owens State Community College

Management's Discussion and Analysis - Unaudited (Continued)

	Year Ended June 30		
	2011	2010	2009
Reconciliation of net operating loss to net cash			
from operating activities:			
Operating loss	\$ (85,509,923)	\$ (80,167,297)	\$ (67,530,672)
Adjustments to reconcile operating loss to net cash			
from operating activities:			
Depreciation	4,603,094	5,124,547	4,512,307
Changes in assets and liabilities:			
Receivables - Net	2,020,039	918,173	(3,536,577)
Inventories	(19,508)	212,433	(399,025)
Prepaid expenses and deferred charges	(276,359)	(1,743,995)	(1,444,144)
Accounts payable	(2,031,544)	255,192	198,828
Salaries, wages, and benefits payable	1,932,336	728,222	519,460
Deferred revenue	(6,149,610)	5,962,303	3,616,276
Federal and non-federal student loans payable			(6,023)
Deposits held for others			23,145
Net cash used in operating activities	<u>\$ (85,431,975)</u>	<u>\$ (68,710,422)</u>	<u>\$ (64,046,425)</u>

Cash used in operating activities for fiscal year 2011 increased over 2010 due primarily to an increase in operating expenses incurred by the College as well as an increase 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 increased due to the increased amount of Pell grants students received which is offset by a decrease in state appropriations. Cash flows from capital and related financing activities decreased from 2010 due to the decrease in capital appropriations and which is offset by the issuance of a note payable. Cash flows from investing activities decreased during the fiscal year.

Cash used in operating activities for fiscal year 2010 increased over 2009 due primarily to an increase in operating expenses incurred by the College as well as an increase 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 increased due to the increased amount of Pell grants students received and an increase in state appropriations. Cash flows from capital and related financing activities decreased slightly from 2009 due to a decrease in capital appropriations. Cash flows from investing activities remained relatively consistent.

Owens State Community College

Management's Discussion and Analysis - Unaudited (Continued)

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 energy conservation projects, the addition of classroom and service locations, renovations of existing facilities, and providing assistance to the community.

The College completed the first phase of an energy conservation project costing over \$6.2 million. The energy conservation project included renovation and retrofitting of light fixtures, HVAC systems, energy demand systems, a computer power management system, as well as the implementation of an ice storage production system to augment electric consumption for cooling. The project includes performance guarantees that will reduce energy costs by over \$9 million over the next 10 years. As a result of these measures, the College has reported to the Ohio Board of Regents an increase in energy efficiency of 36.3% for the Toledo campus and 23.1% for the Findlay campus, relative to the mandates of HB 251.

Several of the energy conservation projects have been designed to have a dual purpose: to contribute to the green energy within the campus and to provide a hands-on learning experience for our students. The College has installed wind turbines on the Findlay and Toledo campuses, a solar array field on the Findlay and Toledo campuses and is in the process of creating energy efficiencies in the current facilities through automating systems for controlling lighting and computer usage, additional insulation and air infiltration, upgrading the heating systems and replacing inefficient equipment. The wind turbines and the solar array fields will also provide an educational opportunity for our students. Programs within Workforce and Community Service and the School of Technology will use the wind turbines and the solar array panels as training facilities.

The commitment to providing assistance to the community is demonstrated through scholarship programs, creation of the eBook program through the bookstore, and facility usage. The destruction created from a tornado in early June 2010 to Lake High School was devastating to the area. The College pulled together resources throughout the campus to provide a location for the graduation ceremony and assisted with cleanup efforts. The College is providing the use of the 55,000 square foot Center for Development and Training (CDT) to Lake High School as their temporary home while reconstruction of the high school is rebuilt. The high school will also use the College athletic facilities for basketball and other sports during the construction of their new high school facility. The CDT will be serving as the temporary Lake High School through September 2012.

The east wing of the former Penta Skills Center was renovated as the new Heritage Hall to provide office and instructional space for the School of Nursing and the School of Business. Renovating and occupying roughly 36,000 square feet at a cost of \$3.3 million, the remaining 60,000 square feet was to remain vacant awaiting future capital and required renovations. However, as a result of the June 2010 destruction of Lake High School by a tornado, the College prepared and moved the Center for Development and Training (CDT) into the vacated space of Heritage Hall.

Owens State Community College

Management's Discussion and Analysis - Unaudited (Continued)

The Health Technologies tiered classrooms were renovated to offer a more pleasing and greater instructional experience for our students through updating the technology and audio visual function. The classroom renovations were completed in time for the fall 2010 semester.

Renovation projects continuing through the fall were the Welding Design Center, renovations at the Source and a comprehensive "way-finding" signage project. The College renovated the Penta Auto Body Shop to create the Welding Design Center at a cost of approximately \$1,100,000. This provided the opportunity to centralize all welding programs as well as to double the instructional capacity. Program expansion and development at the Source resulted in necessary renovation and facility improvements. Renovation included a computer lab, expanding audio visual functionality in selected classrooms as well as creating a State Tested Nursing Assistant (STNA) Skills Lab. The Welding Design Center and the renovations at the Source were completed for classes beginning in spring 2011.

To support academic programming and enrollment demands, the College renovated a 2,450 square foot portion of College Hall to create three new classrooms. The project provided the College with three large furnished and mediated classrooms. The labs spaces in the Center for Fine and Performing Arts were renovated and redesigned to accommodate program needs including a spacious photo lab. These projects are scheduled to be completed in time for the fall 2011 semester.

The College's Information Technology (IT) Operations Center began a comprehensive renovation and upgrade during fiscal year 2011. Drawing upon a combination of state and local funds, this project was critical to assure the integrity and reliability of the College's IT operations. This project includes upgrades infrastructure, hardware equipment and software and two telepresence systems, at an estimated cost of \$2,200,000. Given the vast scope of this project, it will continue through the ensuing fiscal year.

Owens State Community College

Statement of Net Assets

	June 30	
	2011	2010
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 5,372,614	\$ 18,736,081
Investments (Note 3)	15,145,595	13,361,616
Accounts receivable - Net (Note 4)	24,539,500	25,978,432
Receivable from Foundation (Note 9)	56,747	69,235
Prepaid expenses and deferred charges	7,072,337	6,795,978
Deposits	23,458	23,458
Inventories	1,255,432	1,235,924
Student loans receivable - Net (Note 4)	6,275	6,275
Total current assets	53,471,958	66,206,999
Noncurrent Assets		
Capital assets - Net (Note 5)	94,943,498	88,623,810
Student loans receivable - Net (Note 4)	36,059	35,559
Total noncurrent assets	94,979,557	88,659,369
Total assets	<u>\$ 148,451,515</u>	<u>\$ 154,866,368</u>
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable	\$ 3,262,361	\$ 5,293,905
Notes payable (Note 6)	1,253,858	718,886
Salaries, wages, and fringe benefits payable	8,892,976	6,449,133
Deferred revenue	19,960,813	26,110,423
Deposits held for others	283,669	253,270
Total current liabilities	33,653,677	38,825,617
Noncurrent liabilities:		
Benefits payable (Note 6)	2,230,316	2,741,824
Notes payable (Note 6)	6,223,596	5,698,462
Non-federal student loans (Note 6)	147,324	147,324
Total noncurrent liabilities	8,601,236	8,587,610
Total liabilities	42,254,913	47,413,227
Net Assets		
Invested in capital assets	87,466,044	85,051,367
Restricted expendable	132,149	4,812,504
Unrestricted	18,598,409	17,589,270
Total net assets	106,196,602	107,453,141
Total liabilities and net assets	<u>\$ 148,451,515</u>	<u>\$ 154,866,368</u>

Owens State Community College

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2011	2010
Revenue		
Operating revenue:		
Student tuition and fees - Net of scholarship allowances of \$26,142,327 (2011) and \$26,202,596 (2010)	\$ 30,204,904	\$ 29,133,497
Grants - Federal, state, and local	4,809,309	6,771,399
Sales and services	303,108	66,781
Auxiliary enterprises - Net of scholarship allowances of \$686,002 (2011) and \$591,404 (2010)	12,323,542	12,441,711
Other operating revenue	650,216	636,572
Total operating revenue	48,291,079	49,049,960
Operating expenses:		
Educational and general:		
Salaries, wages and benefits	79,299,952	75,551,103
Supplies	3,776,266	5,096,703
Travel, entertainment, and professional development	1,377,185	1,242,950
Information and communication	5,356,857	4,969,797
Occupancy	3,728,488	4,247,373
Cost of goods sold	9,365,986	10,414,416
Outside services	9,055,490	9,681,274
Scholarships and other student aid	15,526,791	11,191,629
Allowance for doubtful accounts	1,200,100	1,200,000
Depreciation	4,603,094	5,124,547
Other	510,793	497,465
Total operating expenses	133,801,002	129,217,257
Operating Loss	(85,509,923)	(80,167,297)
Nonoperating Revenue		
State appropriations	35,823,815	37,070,052
Federal stabilization funds (ARRA)	6,112,380	6,196,030
Investment income	623,649	618,460
Interest expense	(215,472)	(55,392)
Pell Grants	39,984,218	35,892,560
Net nonoperating revenue	82,328,590	79,721,710
Loss Before Other Revenue	(3,181,333)	(445,587)
Other Revenue		
Capital appropriations	1,894,794	9,591,642
Capital grants	30,000	30,000
Total other revenue	1,924,794	9,621,642
(Decrease) Increase in Net Assets	(1,256,539)	9,176,055
Net Assets		
Beginning of year	107,453,141	98,277,086
End of year	<u>\$ 106,196,602</u>	<u>\$ 107,453,141</u>

Owens State Community College

Statement of Cash Flows

	Year Ended June 30	
	2011	2010
Cash Flows from Operating Activities		
Student tuition and fees	\$ 27,004,313	\$ 31,798,520
Grants - Federal, state, and local	2,949,306	9,217,392
Payments to employees, suppliers, students, and others	(128,393,383)	(123,440,858)
Auxiliary enterprises	12,264,539	12,365,155
Sales and services	80,546	703,613
Other receipts	662,704	645,756
Net cash used in operating activities	(85,431,975)	(68,710,422)
Cash Flows from Noncapital Financing Activities		
Pell grant	39,984,218	35,892,561
State appropriations	41,936,195	43,266,082
Agency transactions	(30,399)	122,582
Net cash provided by noncapital financing activities	81,890,014	79,281,225
Cash Flows from Capital and Related Financing Activities		
Proceeds from notes payable	2,305,477	6,250,000
Principal payments on notes payable	(1,245,371)	(109,147)
Capital appropriations and grants	1,924,794	9,578,691
Interest paid on notes payable	(215,472)	(55,392)
Purchases of capital assets	(10,806,956)	(14,888,289)
Net cash (used in) provided by capital and related financing activities	(8,037,528)	775,863
Cash Flows from Investing Activities		
Interest on investments	623,649	618,460
Purchase of investments	27,649,832	(12,072,131)
Proceeds from sale and maturity of investments	(30,057,459)	13,922,144
Net cash (used in) provided by investing activities	(1,783,978)	2,468,473
Net (Decrease) Increase in Cash and Cash Equivalents	(13,363,467)	13,815,139
Cash and Cash Equivalents - Beginning of year	18,736,081	4,920,942
Cash and Cash Equivalents - End of year	<u>\$ 5,372,614</u>	<u>\$ 18,736,081</u>

Owens State Community College

Statement of Cash Flows (Continued)

	Year Ended June 30	
	2011	2010
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (85,509,923)	\$ (80,167,297)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	4,603,094	5,124,547
Changes in assets and liabilities:		
Receivables - Net	2,020,039	918,173
Inventories	(19,508)	212,433
Prepaid expenses and deferred charges	(276,359)	(1,743,995)
Notes receivable - Net	(500)	
Accounts payable	(2,031,544)	255,192
Salaries, wages, and benefits payable	1,932,336	728,222
Deferred revenue	(6,149,610)	5,962,303
Net cash used in operating activities	<u>\$(85,431,975)</u>	<u>\$(68,710,422)</u>

Owens State Community College

Balance Sheet Discretely Presented Component Unit - Foundation

	June 30	
	2011	2010
Assets		
Cash and cash equivalents	\$ 586,505	\$ 636,346
Investments (Note 3)	2,082,719	1,683,331
Pledges receivable	9,615	38,092
Accounts receivable	9,664	15,000
Total assets	<u>\$ 2,688,503</u>	<u>\$ 2,372,769</u>
Liabilities and Net Assets		
Liabilities		
Due to Owens State Community College	\$ 56,747	\$ 69,235
Funds in custody (agency funds)	44,163	56,865
Total liabilities	100,910	126,100
Net Assets		
Unrestricted	218,530	144,125
Temporarily restricted	1,084,851	903,009
Permanently restricted	1,284,212	1,199,535
Total net assets	<u>2,587,593</u>	<u>2,246,669</u>
Total liabilities and net assets	<u>\$ 2,688,503</u>	<u>\$ 2,372,769</u>

Owens State Community College

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

	Year Ended June 30	
	2011	2010
Revenue and Support		
Donations received	\$ 297,417	\$ 302,427
Investment income:		
Interest and dividend income	40,677	27,254
Unrealized gain on investments	319,605	165,974
Realized gain (loss) on investments	14,355	(13)
Grant revenue	127,500	91,801
Total revenue and support	799,554	587,443
Expenses		
Program services:		
Scholarships	196,258	128,890
Capital/Equipment grant	30,000	36,000
Outside grants expense	127,500	91,801
Other program services	48,724	60,742
Total program services	402,482	317,433
Management and general	41,754	37,771
Fundraising	14,394	16,199
Total expenses	458,630	371,403
Increase in Net Assets	340,924	216,040
Net Assets - Beginning of year	2,246,669	2,030,629
Net Assets - End of year	\$ 2,587,593	\$ 2,246,669

Owens State Community College

Notes to Financial Statements Years Ended June 30, 2011 and 2010

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

ORGANIZATION

Owens State Community College (the "College") was created pursuant to Section 3357 of the Ohio Revised Code. In November 1994, the Ohio Board of Regents approved changing the status of the College from a technical college to a community college, pursuant to Section 3358 of the Ohio Revised Code. 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 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 overlapping six-year terms.

BASIS OF PRESENTATION

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 assets; statement of revenue, expenses, and changes in net assets; statement of cash flows; and notes to the financial statements.

The College follows all GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The College has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

Owens State Community College

Notes to Financial Statements Years Ended June 30, 2011 and 2010

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.

Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, requires the College to reflect the Foundation as a discretely presented component unit in the financial statements based on the significance of the relationships with the University. 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 Foundations' 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 fund-raising organization to supplement the resources available to the College in support of its programs. The Foundation transferred \$392,482 and \$308,433 during fiscal years 2011 and 2010, respectively, to the College for both restricted and unrestricted purposes in support of its programs.

SIGNIFICANT ACCOUNTING POLICIES

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 assets.

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.

Owens State Community College

Notes to Financial Statements Years Ended June 30, 2011 and 2010

Inventories

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

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 GASB.

Deferred Revenue

Deferred 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 assets and will be recognized in the following year. Additionally, deferred revenue includes amounts received from grant and contract sponsors that have not yet been earned.

Net Assets

Net assets are classified into the three following categories:

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

Restricted: Nets assets subject to externally imposed constraints 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 assets are classified further as nonexpendable and expendable. Nonexpendable restricted net assets are available for investment purposes only and cannot be expended. Expendable restricted net assets are 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: Net assets available to the College for any lawful purpose of the institution. Unrestricted net assets 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 assets to provide for identified future needs, such as debt service, contractual obligations, capital outlay, academic programming, and post-employment benefits.

Owens State Community College

Notes to Financial Statements Years Ended June 30, 2011 and 2010

Operating and Nonoperating Revenue

The College's policy for defining operating activities as reported on the statement of revenue, expenses, and changes in net assets is to report those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating 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 revenue as nonoperating revenue. Restricted and unrestricted resources are spent and tracked at the discretion of the College's department within the guidelines of donor restrictions, if any.

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 assets, and as a component of operating expense in the statement of revenue, expenses, and changes in net assets.

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 assets. State appropriations are recognized when received. Restricted funds are recognized as revenue only to the extent expended.

Owens State Community College

Notes to Financial Statements Years Ended June 30, 2011 and 2010

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.

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 assets.

Auxiliary Revenue

Auxiliary revenue represent 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 November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement addresses issues related to service concession arrangements which are a type of public-private or public-public partnership.

In November 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The requirements of Statements 60, 62 and 63 are effective for financial statements for periods beginning after December 15, 2011.

Owens State Community College

Notes to Financial Statements Years Ended June 30, 2011 and 2010

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34*. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012. College management has not yet determined the impact that implementation of these GASB statements will have on the College's financial statements.

Restatement

The June 30, 2011 financial statements have been restated to account for an error in the recording of compensated absences. The previous financial statements, dated October 13, 2011, should not be relied upon as a result of this error. These statements have been adjusted to correct for that error. The effect of which was to decrease long-term liabilities, operating expenses and operating loss by \$94,600 while increasing unrestricted net assets by the same amount.

NOTE 2 - CASH AND CASH EQUIVALENTS

At June 30, 2011, the carrying amount of the College's cash and cash equivalents for all funds is \$5,372,614 as compared to bank balances of \$6,065,624. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$967,000 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.

At June 30, 2010, the carrying amount of the College's cash and cash equivalents for all funds is \$18,736,081 as compared to bank balances of \$19,401,739. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$744,000 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 June 30, 2010. 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.

Owens State Community College

Notes to Financial Statements Years Ended June 30, 2011 and 2010

NOTE 3 – INVESTMENTS

Investments at June 30, 2011 and 2010 consist of investments in STAR Ohio of \$132,355 and \$132,212, respectively. GASB Statement No. 3 does not require STAR Ohio's assets to be categorized. Also included in investments are Freddie Mac, Fannie Mae, Ginnie Mae and US Treasury Bills with market value at June 30, 2011 and 2010 of \$14,268,382 and \$12,104,440, respectively. The governmental agency investments, other than STAR Ohio, fall under category No. 1 above for investments. Investments also include long-term certificates of deposit with a market value at June 30, 2011 and 2010 of \$744,858 and \$1,124,964, respectively.

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, 2011 and 2010.

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

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. At June 30, 2011, 41 percent of the College's investments were invested in Federal National Mortgage Association securities, 20 percent in Federal Home Loan Bank securities, 24 percent in Government National Mortgage Association and 10 percent in US Treasury Bill with the remaining 5 percent in certificate of deposits and STAR Ohio. At June 30, 2010, 26 percent of the College's investments were invested in Federal National Mortgage Association securities, 6 percent in Federal Home Loan Bank securities, 30 percent in Government National Mortgage Association and 29 percent in US Treasury Bill with the remaining 9 percent in certificate of deposits and STAR Ohio. All investments were rated AAA by Moody's at June 30, 2011 and 2010. Subsequent to year end, certain government-backed mortgage securities were downgraded to AA+.

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:

	2011	2010
Bond mutual fund	\$ 376,619	\$ 365,969
Equity mutual fund	1,706,060	1,317,322
Other	40	40
Total	<u>\$ 2,082,719</u>	<u>\$ 1,683,331</u>

Owens State Community College

Notes to Financial Statements Years Ended June 30, 2011 and 2010

NOTE 4 - ACCOUNTS AND LOANS RECEIVABLE

The composition of accounts receivable at June 30, 2011 and 2010 is summarized as follows:

	2011	2010
Student receivables for fees and auxiliary services	\$ 24,912,305	\$ 24,129,924
Allowance for doubtful accounts	(2,267,937)	(1,439,414)
Grants - Federal, state, and local	1,012,710	2,055,584
Capital appropriations	12,490	700,718
Interest receivable	17,736	10,249
Other	852,196	521,371
Total	<u>\$ 24,539,500</u>	<u>\$ 25,978,432</u>

Student loans consist of non-federal loans. The College is in the process of closing its Perkins Program. The College has paid the amount which was due for repayment of its federal share and purchased the loans not accepted by the DOE. The final audit of the Perkins program was submitted in June 2010 which is awaiting approval. Non-federal loan programs are funded principally with local grants to the College under these programs.

NOTE 5 - CAPITAL ASSETS

Capital assets are recorded at cost or, if acquired by gift, at the fair market value as of the date of donation. Capital assets consist of the following as of June 30, 2011:

	Balance June 30, 2010	Additions	Retirements/ Transfers	Balance June 30, 2011
Nondepreciated capital assets:				
Land	\$ 10,744,583	\$ -	\$ -	\$ 10,744,583
Construction in progress	<u>7,157,941</u>	<u>3,018,920</u>	<u>(7,157,941)</u>	<u>3,018,920</u>
Total nondepreciated capital assets	17,902,524	3,018,920	(7,157,941)	13,763,503
Depreciable capital assets:				
Land improvements	19,466,960	3,117,216	2,761,951	25,346,127
Buildings and Improvements	97,785,734	3,085,760	4,395,990	105,267,484
Equipment	<u>22,671,302</u>	<u>1,700,886</u>	<u>-</u>	<u>24,372,188</u>
Total depreciable capital assets	139,923,996	7,903,862	7,157,941	154,985,799
Less accumulated depreciation	<u>(69,202,710)</u>	<u>(4,603,094)</u>	<u>-</u>	<u>(73,805,804)</u>
Total depreciable assets - Net	<u>70,721,286</u>	<u>3,300,768</u>	<u>7,157,941</u>	<u>81,179,995</u>
Capital assets - Net	<u>\$ 88,623,810</u>	<u>\$ 6,319,688</u>	<u>\$ -</u>	<u>\$ 94,943,498</u>

The College has active construction projects resulting in total commitments to vendors of approximately \$190,000 at June 30, 2011.

Owens State Community College

Notes to Financial Statements Years Ended June 30, 2011 and 2010

Capital assets consist of the following as of June 30, 2010:

	Balance June 30, 2009	Additions	Retirements/ Transfers	Balance June 30, 2010
Nondepreciated capital assets:				
Land	\$ 10,744,583	\$ -	\$ -	\$ 10,744,583
Construction in progress	4,109,400	7,157,941	(4,109,400)	7,157,941
Total nondepreciated capital assets	14,853,983	7,157,941	(4,109,400)	17,902,524
Depreciable capital assets:				
Land improvements	15,981,375	2,530,755	954,830	19,466,960
Buildings and Improvements	90,636,839	3,994,325	3,154,570	97,785,734
Equipment	21,723,168	948,134	-	22,671,302
Total depreciable capital assets	128,341,382	7,473,214	4,109,400	139,923,996
Less accumulated depreciation	(64,078,163)	(5,124,547)	-	(69,202,710)
Total depreciable assets - Net	64,263,219	2,348,667	4,109,400	70,721,286
Capital assets - Net	<u>\$ 79,117,202</u>	<u>\$ 9,506,608</u>	<u>\$ -</u>	<u>\$ 88,623,810</u>

Assets are capitalized with a cost of \$100,000 or greater with the exception of equipment, which is capitalized at a cost of \$5,000 or greater. 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 5 years

NOTE 6 - DEBT

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% 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% and a maturity date of December 2013.

In March 2010, the College entered into a loan agreement with the Ohio Air Quality Development Authority (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% and 6.024%, 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.

Owens State Community College

Notes to Financial Statements Years Ended June 30, 2011 and 2010

In January 2008, the College entered into two separate lease agreements totaling \$338,885 for equipment with interest at 4.7% and 5.2%. 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, 2011 and 2010:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011	Amount Due Within One Year
Compensated absences	\$ 2,886,324	\$ -	\$ 376,347	\$ 2,509,977	\$ 279,661
Notes and leases payable	6,417,348	2,305,477	1,245,371	7,477,454	1,253,858
Non-federal student loans	147,324	-	-	147,324	-

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010	Amount Due Within One Year
Compensated absences	\$ 2,804,194	\$ 260,724	\$ 178,594	\$ 2,886,324	\$ 144,500
Notes and leases payable	276,495	6,250,000	109,147	6,417,348	718,886
Non-federal student loans	147,324	-	-	147,324	-

Schedule of maturities for the notes payable are as follows:

	Principal	Interest	Total
2012	\$ 686,000	\$ 146,883	\$ 832,883
2013	710,000	123,021	833,021
2014	736,000	98,313	834,313
2015	761,000	70,637	831,637
2016	782,000	48,878	830,878
2017 - 2019	1,920,000	56,023	1,976,023
Total	\$5,595,000	\$543,755	\$6,138,755

Schedule of maturities for the lease payables are as follows:

	Principal	Interest	Total
2012	\$ 567,858	\$ 53,874	\$ 621,732
2013	587,056	34,676	621,732
2014	588,343	14,970	603,313
2015	139,197	731	139,928
Total	\$1,882,454	\$104,251	\$1,986,705

Owens State Community College

Notes to Financial Statements Years Ended June 30, 2011 and 2010

Assets under capital leases are recorded in capital assets with cost of \$2,533,049 and \$338,885 and accumulated depreciation of \$195,078 and \$209,818 at June 30, 2011 and 2010, 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, multiemployer, 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 reemployment 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 a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

State Employees Retirement System of Ohio

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).

The 2011 and 2010 member contribution rates were 10% for members in state and local classifications. The 2011 and 2010 employer contribution rate for state employees was 14% 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' 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 fiscal year ended June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. Total required employer contributions for all plans are equal to 100% 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, 2011, 2010, and 2009 were \$2,970,055, \$2,865,926, and \$2,648,301, respectively.

Owens State Community College

Notes to Financial Statements Years Ended June 30, 2011 and 2010

State Teachers Retirement System of Ohio

STRS is a statewide retirement plan for licensed teachers and other faculty members and provides a choice of three retirement plan options.

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% for the first 30 years of credited service.

Each year over 30 years is incrementally increased by .1%, starting at 2.5% for the 31st year of contributing service up to a maximum allowance of 100% of final average salary. Upon reaching 35 years of Ohio service, the first 31 years of Ohio contributing service is multiplied by 2.5% , and each year over 31 years is incrementally increased by .1% starting at 2.6% for the 32nd 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% 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% 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% of the 14% 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.

Owens State Community College

Notes to Financial Statements Years Ended June 30, 2011 and 2010

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% 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' 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.

The ORC provides statutory authority for employee and employer contributions. During 2011 and 2010, STRS employees contributed 10% of their salary to the plan and the College contributed 14% of covered payrolls to the plan. The College's total employer contributions to STRS for the years ended June 30, 2011, 2010 and 2009 were \$4,852,699, \$4,709,104 and \$4,611,806, 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 of Toledo 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% 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%. 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.

ARP is a defined contribution plan under IRS Section 401(a). The College's total employer contribution to ARP for the years ended June 30, 2011, 2010 and 2009 were \$215,029, \$188,483, and \$133,224, respectively.

Owens State Community College

Notes to Financial Statements Years Ended June 30, 2011 and 2010

NOTE 8 - OTHER POSTEMPLOYMENT 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.

SERS provides postretirement healthcare coverage to age-and-service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Healthcare coverage for disability recipients is available. The healthcare coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their 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 2010 and 2009 employer contribution rate for state employers was 14 percent of covered payroll; 2.19 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, pro-rated for partial service credit. For fiscal 2011, 2010 and 2009, the minimum pay was established as \$35,800.

OPEBs are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree healthcare, along with investment income on allocated assets and periodic adjustments in healthcare provisions, are expected to be sufficient to sustain the program indefinitely. For the year ended June 30, 2010, expenditures for OPEBs as a whole for SERS were \$236.9 million. The number of eligible benefit recipients for SERS was 50,605.

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 \$2.8 billion at June 30, 2010.

For the year ended June 30, 2010, the net healthcare costs paid by the STRS system as a whole were \$370.1 million. There were 133,103 eligible benefit recipients.

Owens State Community College

Notes to Financial Statements Years Ended June 30, 2011 and 2010

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, 2011 and 2010 were \$2,688,503 and \$2,372,769, respectively. The College received \$392,482 and \$308,433 from the Foundation in 2011 and 2010, respectively. The Foundation owed the College \$56,747 and \$69,235 as of June 30, 2011 and 2010, respectively.

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. Management believes those incurred but not reported claims, if any, are immaterial.

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

The College is self-insured for workers' compensation with aggregate stop-loss coverage of \$350,000.

Owens State Community College

Notes to Financial Statements Years Ended June 30, 2011 and 2010

NOTE 11 - FUNCTIONAL CLASSIFICATION OF EXPENSES

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

	Year Ended June 30	
	2011	2010
Instructional and departmental research	\$ 53,007,456	\$ 51,596,945
Institutional research	360,375	375,715
Public service	3,135,758	3,860,210
Academic support	4,978,410	4,542,064
Student services	10,753,804	10,287,094
Institutional support	19,696,065	19,053,841
Operation and maintenance of plant	9,712,049	9,883,357
Scholarships and other student aid	15,356,278	11,718,713
Depreciation	4,603,094	5,124,547
Auxiliary enterprises - Net of scholarship allowances	12,197,713	12,774,771
Total operating expenses	\$ 133,801,002	\$ 129,217,257

Supplemental Information

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

To the Board of Trustees
Owens Community College

We have audited the financial statements of Owens Community College as of and for the year ended June 30, 2011 and have issued our report thereon dated March 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, 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.

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

Compliance and Other Matters

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

To the Board of Trustees
Owens Community College

This report is intended solely for the information and use of management, the board of trustees, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

March 5, 2012

Report on Compliance with Requirements That Could Have a Direct
and Material Effect on Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133

To the Board of Trustees
Owens Community College

Compliance

We have audited the compliance of Owens Community College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The major federal programs of Owens Community College are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Owens Community College's management. Our responsibility is to express an opinion on Owens Community College's compliance based on our audit.

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

This report is replacing a previously issued report in order to reflect a reissuance of the general purpose financial statements.

In our opinion, Owens Community College complied, in all material respects, with the 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, 2011.

To the Board of Trustees
Owens Community College

Internal Control Over Compliance

The management of Owens Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Owens Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of trustees, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

March 5, 2012

Owens Community College

Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

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	\$ 339,531
Federal Direct Loans	84.268	N/A	73,016,286
Federal Work-Study Program	84.033	N/A	336,544
Federal Academic Competitiveness Grant	84.375	N/A	170,776
Federal Pell Grant Program	84.063	N/A	<u>39,984,218</u>
Total Student Financial Assistance Cluster			113,847,355
State Fiscal Stabilization Fund Cluster			
ARRA - OH State Share of Instruction	84.394	N/A	<u>6,112,380</u>
Total State Fiscal Stabilization Fund Cluster			6,112,380
Other Federal Awards			
U.S. Department of Labor			
Employment and Training Administration			
Passed through from BioOhio			
ARRA - Ohio Bioscience Industry Workforce Preparedness	17.275	DOL6	<u>83,575</u>
	Contract #	GJ-20076-10-60-A-39	
U.S. Department of Education			
Vocational education (Perkins II)	84.048	VECPHII-P01	389,209
Title III-Higher Education Institutional Aid-Strengthening Institutions	84.031A	N/A	390,147
Passed through from the State of Ohio Board of Regents			
Adult Basic and Literacy Education (ABLE) Grants:			
Adult Basic and Literacy Education Consortium	84.002	074864-AB-S1-10	199,276
Adult Basic and Literacy Education	84.002	074864-AB-S1-11	486,309
Adult Basic and Literacy Education	84.002	074864-AB-SL-10	42,926
Adult Basic and Literacy Education	84.002	074864-AB-SL-10C	12,790
Adult Basic and Literacy Education	84.002	074864-AB-SL-11	251,198
Adult Basic and Literacy Education - EL/Civics	84.002	074864-AB-S2-10	13,344
Adult Basic and Literacy Education - EL/Civics	84.002	074864-AB-S2-11	36,922
Passed through from Kent State University –			
Adult Basic and Literacy Education	84.002	N/A	<u>12,966</u>
Total Adult Basic and Literacy Education Grants			1,055,731
Passed through from University of Toledo –			
Technical preparation	84.243	N/A	<u>134,374</u>
TOTAL U.S. Department of Education			<u>1,969,461</u>

Owens Community College

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal grantor/pass-through grantor/program title	Federal CFDA number	Agency or pass-through number	Federal expenditures
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	\$ 11,325
TANF Education Awards Program - Pass through from Ohio Board of Regents	93.211	N/A	<u>5,902</u>
TOTAL U.S. Department of Health and Human Services			17,227
U.S. Department of Energy			
Passed through from Ohio Department of Development- Ohio Energy Office Energy Education Energy & Environment Program	81.041	Grant Number 09-29	<u>2,000</u>
U.S. Department of State Bureau of Education and Cultural Affairs			
Passed through from Community Colleges for International Development Community College Summit Initiative Program FY 10	19.009	N/A	5,922
Community College Summit Initiative Program FY 11	19.009	N/A	<u>109,917</u>
TOTAL U.S. Department of State Bureau of Education and Cultural Affairs			115,839
National Science Foundation			
Passed through from Moraine Valley Community College NSF - Center for Systems Security and Information Assurance	47.076	N/A	1,586
Passed through from Ohio State University Research Foundation NSF - Computational Science Program for Ohio Community and Technical Colleges	47.076	DUE-0703087	7,458
Passed through from Bowling Green State University NSF - SET-GO: Science, Engineering & Technology Gateway Ohio	47.076	DUE-0757001	51,191
Passed through from Bowling Green State University NSF - SET-GO Scholarships	47.076	DUE-850026	16,545
Passed through from the University of Toledo NSF - PFI: An Innovative Model for a New Advanced Energy Workforce	47.076	IIP-0917981	<u>34,009</u>
TOTAL National Science Foundation			<u>110,789</u>
Total expenditures of federal awards			\$ <u>122,258,626</u>

Owens Community College

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Owens Community College under programs of the federal government for the year ended June 30, 2011. 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 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 Community College. Pass-through entity identifying numbers are presented where available.

Note 2 - Adjustments and Transfers

During the year ended June 30, 2011, there were the following transfers of grant overpayments:

Transferred from	Amount	Transferred to
Federal Work Study Program	\$ 28,150	Federal Supplemental Educational Opportunity Grant (FSEOG)

Owens Community College

Schedule of Findings and Questioned Costs Year Ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes 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: Unqualified

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, 84.375, 84.063 84.394	Student Financial Assistance Cluster State Fiscal Stabilization Fund Cluster - ARRA - OH State Share of Instruction

Dollar threshold used to distinguish between type A and type B programs: \$-

Auditee qualified as low-risk auditee? Yes No

Owens Community College

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

Owens Community College

Summary Schedule of Prior Audit Findings Year Ended June 30, 2011

<u>Prior Year Finding Number</u>	<u>Finding Description</u>	<u>Status</u>
2010-1	Student Financial Aid Cluster - The College did not perform regularly scheduled transmissions to the NSLDS.	Issue has been corrected as of June 30, 2011

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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, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The 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

March 14, 2012