Stark State College

Basic Financial Statements
June 30, 2014

Dave Yost • Auditor of State

Board of Trustees
Stark State College
6200 Frank Avenue NW
North Canton, OH 44720

We have reviewed the *Independent Auditor's Report* of the Stark State College, Stark County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

January 26, 2015

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

This page intentionally left blank.

Stark State College

For the Year Ended June 30, 2014

Table of Contents **Page**

Ciuni & Panichi
CPAs and Business Advisors
Expect More®

Independent Auditor's Report

Board of Trustees
Stark State College
North Canton, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Stark State College (the "College"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

C&P Advisors, LLC
Ciuni & Panichi, Inc.
C&P Wealth Management, LLC

25201 Chagrin Boulevard
Cleveland, Ohio 44122.5683
p. 216.831.7171
f. 216.831.3020
www.cp-advisors.com
Independent Member of
Geneva Group International

Board of Trustees
Stark State College

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the College, as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Implementation of New Accounting Standards

As described in Note 12 to the basic financial statements, in 2014, the College adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and as a result restated their December 31, 2013 net position due to the reclassification of debt issuance costs to an expense in the period incurred rather than amortizing over the life of the debt. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Ciuni & Panichi, Inc.

Cleveland, Ohio
December 19, 2014

The discussion and analysis of the basic financial statements of Stark State College (the "College") provide an overview of financial activities for the years ended June 30, 2014 and 2013. Management has prepared the financial statements and the related note disclosures along with this discussion and analysis. The responsibility for the completeness and fairness of this information rests with the preparers.

Using this Annual Report

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

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

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

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

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

Condensed Statements of Net Position
(in thousands)

	2014	2013 Restated
ASSETS		
Current Assets		
Cash & cash equivalents	$ 23,273	$ 26,954
Investments	9,997	-
Student accounts receivable, net	6,020	5,689
Intergovernmental receivables	1,963	1,511
Other current assets	3,350	2,760
Total current assets	44,603	36,914
Non-current Assets		
Capital assets, net	90,763	91,241
Other non-current assets	2,657	2,458
Total non-current assets	93,420	93,699
Total assets	138,023	130,613
LIABILITIES & NET POSITION		
Current Liabilities		
Accounts payable & accrued liabilities	2,159	2,612
Unearned revenue	1,825	2,334
Other current liabilities	3,541	3,551
Total current liabilities	7,525	8,497
Long-term Liabilities	17,461	18,289
Total liabilities	24,986	26,786
NET POSITION		
Net investment in capital assets	73,768	73,573
Restricted	1,044	718
Unrestricted	38,225	29,536
Total net position	113,037	103,827
Total liabilities and net position	$ 138,023	$ 130,613

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

Condensed Statements of Revenues, Expenses and Changes in Net Position
(in thousands)

	2014	2013 Restated	Increase (Decrease) $	Increase (Decrease) %
REVENUES				
Operating Revenues				
Tuition and fees, net	$ 28,847	$ 30,250	$ (1,403)	-4.64%
Federal grants and contracts	2,398	2,372	26	1.10%
Auxiliary enterprises: bookstore	10,676	11,447	(771)	-6.74%
Other operating revenues	2,930	2,460	470	19.11%
Total operating revenues	44,851	46,529	(1,678)	-3.61%
EXPENSES				
Operating Expenses				
Educational and general	88,424	93,490	(5,066)	-5.42%
Auxiliary enterprises: bookstore	8,731	9,630	(899)	-9.34%
Total operating expenses	97,155	103,120	(5,965)	-5.78%
Operating loss	(52,304)	(56,591)	4,287	-7.58%
NON-OPERATING REVENUES (EXPENSES)				
State appropriations	27,865	26,171	1,694	6.47%
Federal grants	32,052	34,831	(2,779)	-7.98%
Other non-operating income	536	834	(298)	-35.73%
Other non-operating expenses	(808)	(825)	17	-2.06%
Net non-operating revenues (expenses)	59,645	61,011	(1,366)	-2.24%
Income before other revenues, expenses, gains or losses	7,341	4,420	2,921	66.09%
Capital appropriations, gifts & grants	1,869	5,991	(4,122)	-68.80%
Increase in net position	9,210	10,411	(1,201)	-11.54%
Net position, beginning of year - Restated	103,827	93,416	10,411	11.14%
Net position, end of year	$ 113,037	$ 103,827	$ 9,210	8.87%

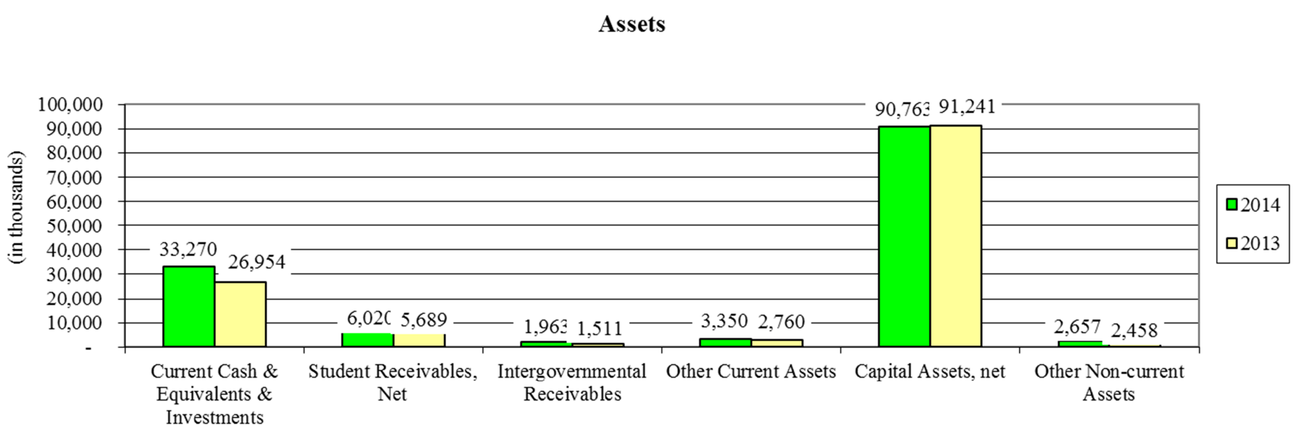
The Statement of Cash Flows presents the sources and uses of all cash transactions conducted by the College, broken down by type of functional activity. This statement assists the reader in determining the College's ability to generate future cash flows, meet its obligations as they become due and assess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

Condensed Statements of Cash Flows
(in thousands)

	2014	2013	Increase (Decrease) $	Increase (Decrease) %
Net cash used by operating activities	$ (50,992)	$ (53,913)	$ 2,921	-5.42%
Net cash provided by non-capital financing activities	60,466	61,826	(1,360)	-2.20%
Net cash used by capital financing activities	(3,146)	(4,599)	1,453	-31.59%
Net cash used by investing activities	(10,025)	(12)	(10,013)	83441.67%
Net (decrease) increase in cash	(3,697)	3,302	(6,999)	-211.96%
Cash, beginning of year	27,008	23,706	3,302	13.93%
Cash, end of year	$ 23,311	$ 27,008	$ (3,697)	-13.69%

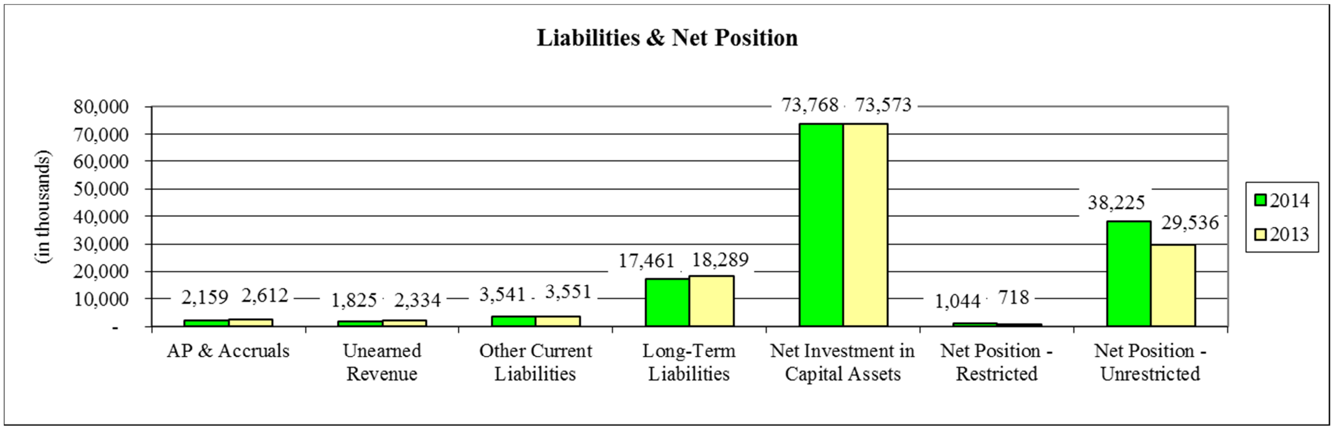
Analysis of Assets, Liabilities, and Net Position

Total assets increased by $7,410,000 during the year to a year-end amount of $138,023,000. Of this amount, $478,000 was related to decreases in net capital assets. Total cash and cash equivalents, including restricted cash classified as other non-current assets, decreased by $3,697,000, while investments, including restricted investments classified as other non-current assets, increased $9,997,000 for a net increase of $6,300,000 between cash and investments. Student Accounts and Intergovernmental Receivables combined to increase by $783,000. Other Current and Non-current Assets, excluding restricted cash and investments classified as non-current assets, had a net increase of $806,000.



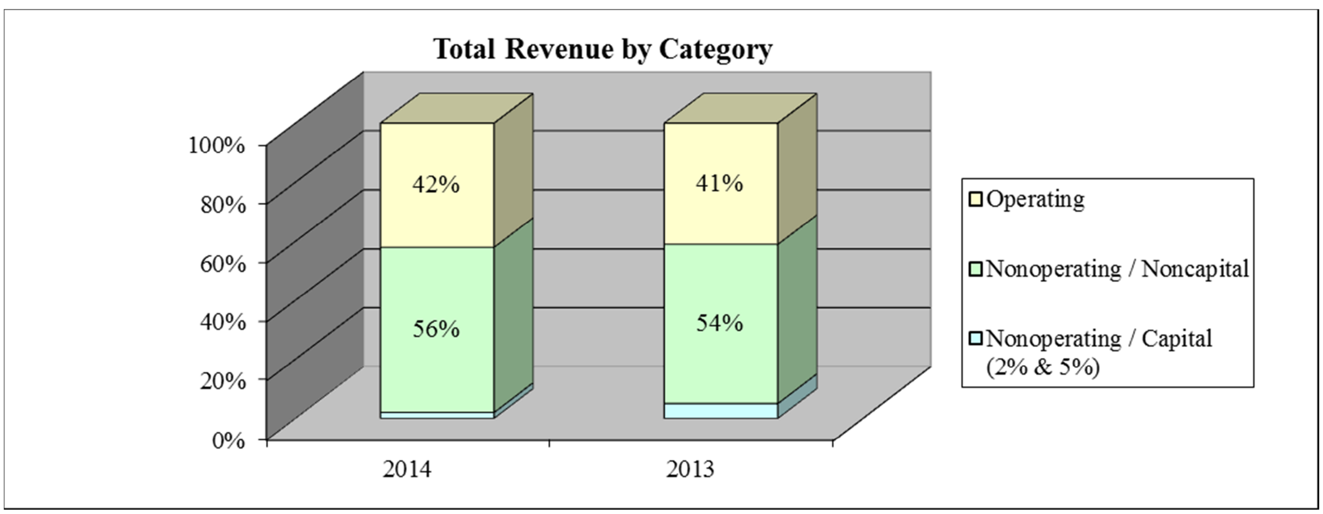
Total liabilities decreased since the beginning of the year by $1,800,000 to a year-end amount of $24,986,000. The non-current long-term liabilities decreased $828,000 to $17,461,000 due to debt payments on approximately $20,000,000 in long-term construction bonds. Current liabilities decreased by $972,000 to $7,525,000 due to less unearned revenue as a result of lower summer enrollment and lower accounts payable.

Total net position increased $9,210,000, of which $8,689,000 was related to the increase in unrestricted net position, and $326,000 was related to the increase in restricted net position. The positive change in unrestricted net position was the result of favorable operating results combined with lesser outlays of cash for capital projects from operating funds compared to prior years, which are presented in the analysis of the Statement of Revenues, Expenses, and Changes in Net Position.

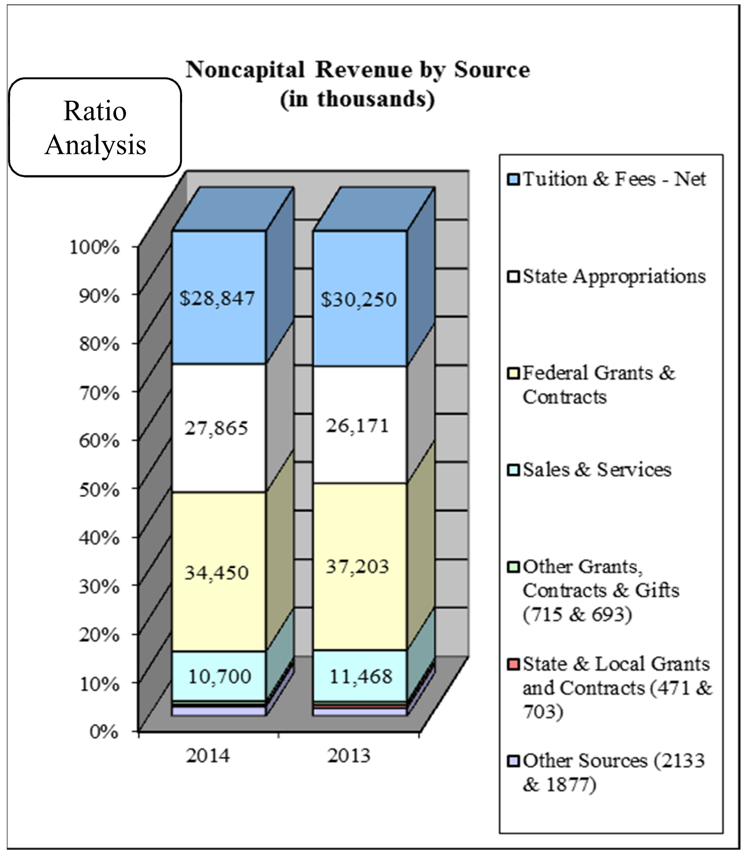


Analysis of Revenues

The following chart provides categorical ratios of the College's revenue as a whole for the years ended June 30, 2014 and 2013:



The State Share of Instruction appropriation is the statutory burden of the State of Ohio for operating the College. This is classified as non-operating revenue under generally accepted accounting principles, and it accounted for 26% and 23% of total revenue in 2014 and 2013, respectively. Other revenue includes capital appropriations, which is a subset of non-operating revenue.



A traditional comparison of College revenue focuses on non-capital revenue. These are the funds which are spent for ongoing operations. The total of these revenues decreased $3,061,000 this year (2.8%). This analysis will focus on the traditional revenues used for ongoing operations which are comparable to prior years' financial statements.

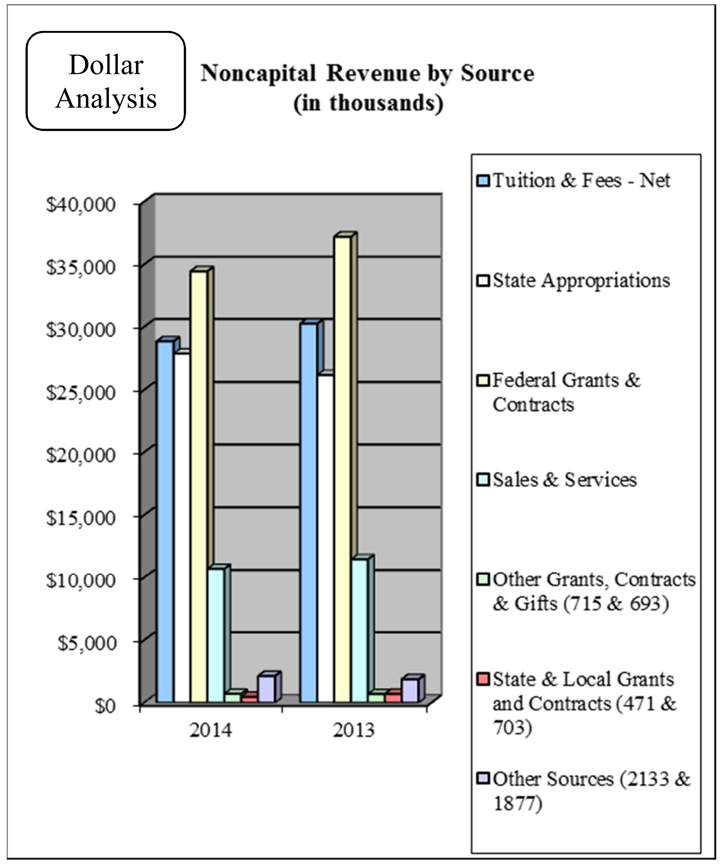
The Board of Trustees increased tuition for the Summer 2013 semester from $147.00 per credit hour to $150.30 The tuition rate change increased revenue by $981,000. However, net tuition and fees declined $1,403,000 due to enrollment decline and higher scholarship allowances.

The State's General Revenue Fund portion of the Share of Instruction appropriation, which is the primary source of state funding dedicated to support the operations of the College, increased from prior year levels by $1,694,000 (6.5%) because the College grew more than the average rate of growth during the prior two years compared to other Ohio two-year colleges.

Sales & Services, which include Auxiliary enterprise revenue from the College bookstore, increased this year by $771,000 (6.7%) due to increased sales of technology products, textbook price inflation and gasoline card sales, along with increased sales of non-textbook items, which were somewhat offset by changes to the sales mix of new versus used textbooks.

Decreases in Federal grants totaling $2,753,000 (7.4%) were due mainly to the decline in total federal student aid that matched the enrollment decline.

Other non-capital revenue consisting of State/Local/Other Grants, Contracts and Other Sources decreased in total by $172,000 (5.2%) due mainly to increased rental income, offset in part by decreases in interest earnings and corporate training grants.

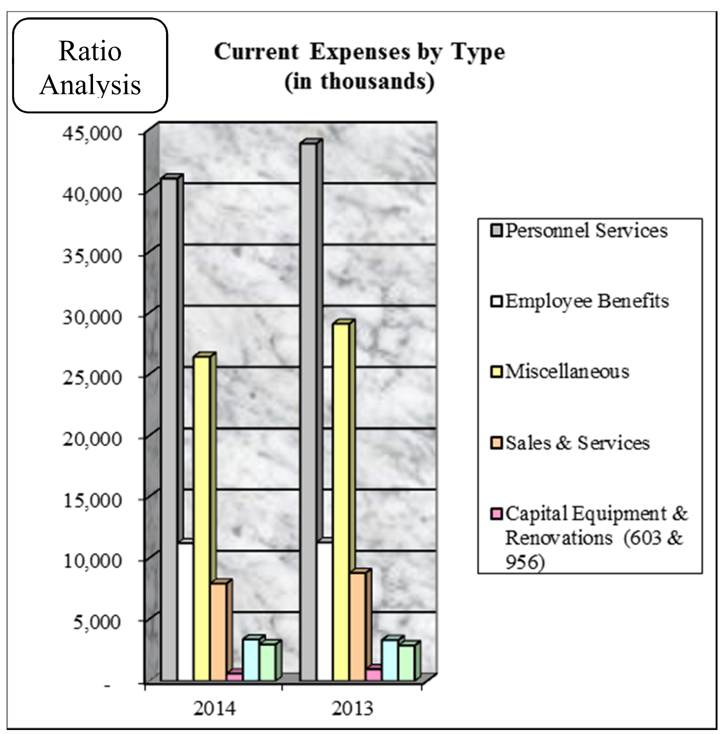


Analysis of Expenses

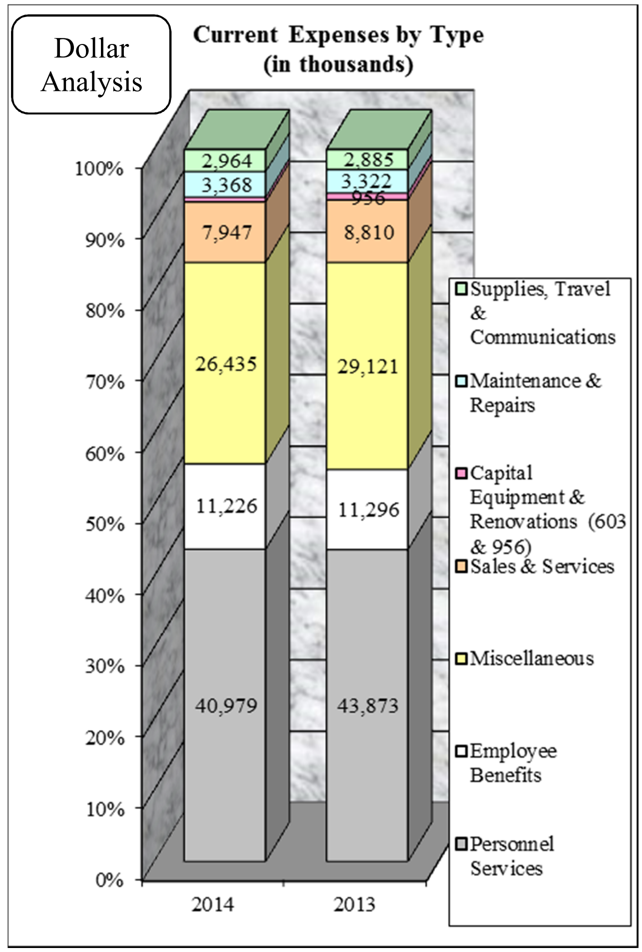
This analysis focuses on the College's operating budget categories; known as current expenses, which are normally reported in fund financial statements.

These expenses approximate the College's expenses reported in the Statement of Revenues, Expenses and Changes in Net Position adjusted for depreciation and reduced by the capital equipment & renovations category, which were plant fund activities. Although total enrollment declined 4.0%, expenses decreased 6.7% due to aggressive cost cutting measures.

Total salary and wages decreased 6.6% following a year in which an additional one-time payment of 3.5% for all continuing employees was made in June 2013 in lieu of granting pay raises in FY2014. The College increased the usage of part-time instructors. Many full-time positions were vacated and the employees were not replaced compared to the prior fiscal year.



Additionally, all part-time hourly employees had been limited to working no more than an average of 29 hours per week for the entire year, compared to on six months starting in January 2013 for the prior fiscal year.



Employee benefits decreased 0.6% from the prior year. Although health care premiums increased 5%, the reduced levels of faculty and staff held total costs to levels below the prior year, decreasing the average net benefit cost per labor unit. The Ohio Bureau of Workers Compensation returned premiums to the College of $117,420 in FY2013, which did not recur in FY2014.

Miscellaneous expenses decreased 9.2% over the prior year. Student aid, which encompassed 85% of the College's miscellaneous expenses, decreased by 9.2% from the prior year. Grants from outside entities were the source for most of these costs. Bad debt write-offs, professional services and software costs decreased between 15% - 23% due to aggressive cost control programs and budget constraints implemented during the school year. Other miscellaneous expenses increased slightly, including the cost of outside counsel, due to the implementation of new procedures related to the Affordable Care Act and Other Expenses.

Sales and Services expenses decreased by 9.8% due to increased bookstore sales. This was primarily the result of increasing sales of computers, prepaid gasoline cards, and clothing. The College continued to shift the sales mix of new books towards used books, which lowered the average cost of textbooks. Also, textbook manufacturers increased the use of bundled software, requiring many students to purchase new books at a higher cost.

Maintenance and Repairs increased 1.4% over the prior year as expiring contracts for software support and building rentals renewed at higher rates, and increased maintenance costs were incurred to refresh the main campus. These cost increases were partially offset by decreases in equipment rental and repairs.

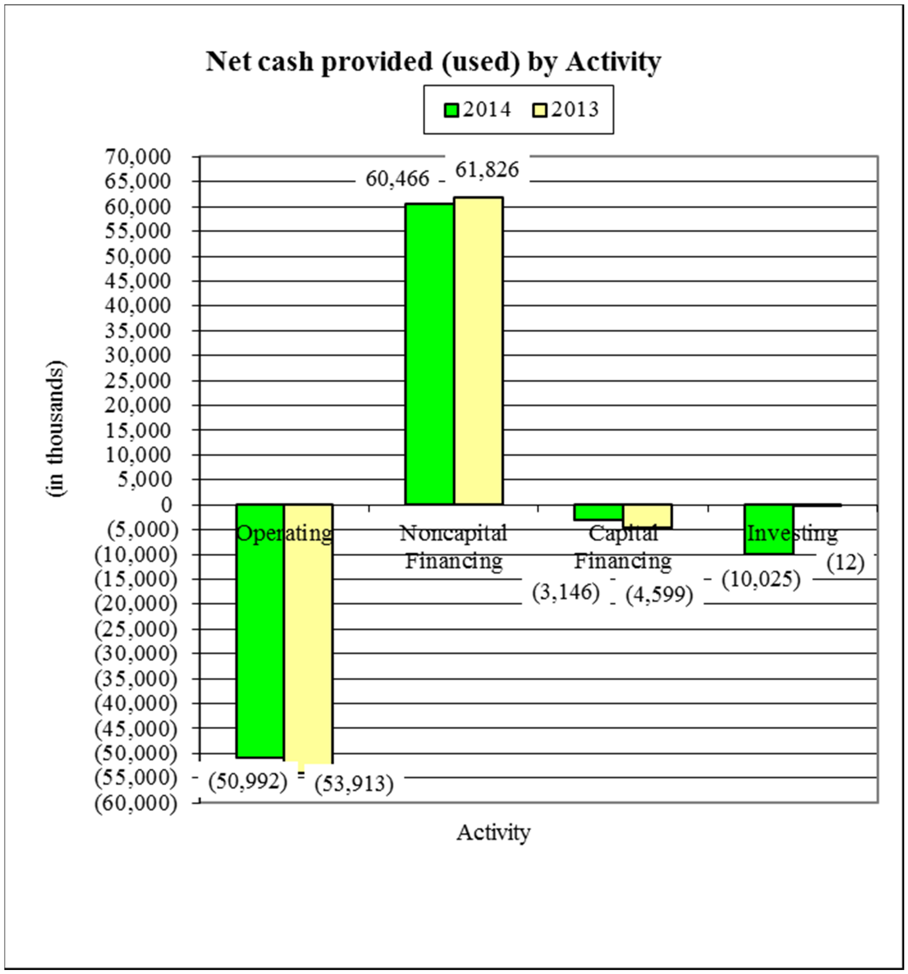
Equipment purchases from current funds decreased 36.9% from the prior year as plant funds were utilized to make major IT and scientific equipment purchases. Previously, the College had multiple federal grants in the fuel cell development and equipment had been purchased from Current Funds, which did not recur in 2013.

Communication expenses increased by 11.2% from the prior year. Printing and advertising were increased for marketing efforts.

The College reduced operating supplies paid through the College's general fund by 3.3%, which is in line with the decline in enrollment. Material costs for minor renovation projects by the Maintenance Department fell as fewer projects were done this year.

The College reduced travel costs paid for through the College's general fund by 4.0% costs. The Instructional Division developed additional in-house training which avoided travel expenses.

Analysis of Cash Flows



The College's liquidity decreased during the year, due to the investment of $10,000,000 in securities to improve the return on investment for interim funds. Cash flows from operations were less than cash flows coming in from noncapital non-operating categories. State General Revenue funding for general operations increased over the prior year. By definition, noncapital financing activities include the subsidy from the Board of Regents called State Share of Instruction (SSI). The State GRF portion of this line item increased due to the College's proportional enrollment compared to all other state assisted two-year colleges over the past two years.

Operating activities provided greater net cash flow in total from the prior year. Gross tuition and fees decreased this year primarily because of decreases in enrollment, which were offset in part by increased tuition rates and a new fee structure, and successful new bookstore sales initiatives. All categories of the use of cash declined, including payments for labor and payments to suppliers, and student aid. Other sources of receipts decreased modestly.

Noncapital financing decreased slightly. Although there was additional support from the state of Ohio's General Revenue Fund, it was offset by lower inflows from grants than during the prior year.

Capital financing activities provided proceeds from state appropriations, Federal and state grants and gifts. Bond proceeds declined to a negligible amount as the construction funded by the bonds was substantially completed. Fewer cash outflows were required for facilities projects. Capital funds were used for the renovation of space in the Phase II building for new Engineering Division offices. Additional capital outlays were used for the purchase of a building for the new Oil & Gas Campus in Canton, Ohio.

Cash used by investing activities increased from relatively little to over $10 million as a result of switching investment of some interim funds from Star Ohio, a money market fund operated by the Ohio Treasurer, to government securities to improve the rate of return without sacrificing safety.

Final Analysis

Dr. Para M. Jones became the fourth President of Stark State College on January 31, 2012. With Dr. Jones' leadership, the Board of Trustees is committed to establishing new programs in emerging technologies that can increase enrollment and promote economic development in the College's service area. It is also committed to providing greater access through a revitalized satellite plan, academic outreach in Summit and Portage Counties and distance learning. Current initiatives include the creation of a $10 million Oil & Gas Training Campus in Canton to prepare the region for the oil and gas boom that has started to occur.

The College is dependent on the State of Ohio for funding, and state revenue has been meeting the budget projections to this point of the year. The Legislature has maintained near level funding for higher education while limiting the ability of institutions to raise fees. This has forced the College to increase productivity in the classroom, increase cost saving measures, and institute changes to the student fee schedule, change staffing strategies and implement large-scale cost reductions. The College is maintaining its position despite the current state of the state government's funding scheme for higher education. The College has provided for the maintenance and security of its facilities and systems by establishing a new fee for this purpose.

During the Fall 2014 academic term, almost every Ohio two-year college declined in enrollment compared to the prior academic year. Enrollment has been down at the College by over 10% to this point in the year. This is a little worse than the average among the two-year institutions in Ohio. Management has developed a wide-ranging set of contingency options to consider in the event of a continuing downturn in enrollment with the intent of not compromising its philosophy, goals, objectives and values. These plans include budget controls and labor redeployment planning.

Management firmly believes that its ability to manage the overall financial position of the College is strong, and that the College has demonstrated improvement in its financial condition during the past year. The College's enrollment, reserves and cash position are sufficient to endure worsening conditions into the near term.

STARK STATE COLLEGE

Statement of Net Position

June 30, 2014

Assets		
Current assets		
Cash & cash equivalents	$	23,273,371
Investments		9,997,339
Student accounts receivable, net		6,020,360
Intergovernmental receivables		1,962,436
Other receivables, net		799,638
Prepaid expenses		531,226
Insurance reserve		902,899
Inventory		1,115,899
Total current assets		44,603,168
Non-current assets		
Restricted cash & cash equivalents		37,601
Restricted investments		1,860
Endowment investments		273,507
Prepaid expenses		26,757
Insurance reserve		2,317,785
Capital assets, net		90,762,602
Total non-current assets		93,420,112
Total assets	$	138,023,280

(continued)

The accompanying notes are an integral part of these financial statements.

STARK STATE COLLEGE
Statement of Net Position (continued)
June 30, 2014

Liabilities		
Current liabilities		
Accounts payable & accrued liabilities	$	2,159,201
Unearned revenue		1,824,435
Accrued salaries & wages		1,378,163
Insurance claims payable		902,899
Deposits held for others		158,221
Long-term liabilities, current portion		1,101,862
Total current liabilities		7,524,781
Non-current liabilities		
Long-term liabilities		17,461,004
Total non-current liabilities		17,461,004
Total liabilities		24,985,785
Net Position		
Net investment in capital assets		73,768,435
Restricted for:		
Non-expendable		
Scholarships		307,057
Expendable		
Student grants and scholarships		11,086
Public service		9,939
Instructional departments		342,143
Student services		219,504
Capital projects		133,818
Student loans		18,351
Institutional support		1,880
Unrestricted		38,225,282
Total net position		113,037,495
Total liabilities and net position	$	138,023,280

The accompanying notes are an integral part of these financial statements.

STARK STATE COLLEGE

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2014

Revenues		
Operating revenues:		
Student tuition and fees (net of scholarship allowances of $13,770,450)	$	28,846,955
Federal grants and contracts		2,397,948
State and local grants and contracts		382,546
Non-governmental grants and contracts		518,400
Sales and services of educational departments		24,319
Auxiliary enterprises: bookstore		10,675,514
Other operating revenues		2,005,092
Total operating revenues		44,850,774
Expenses		
Operating expenses:		
Educational and general		
Instruction		33,767,762
Academic support		5,299,027
Student services		6,829,338
Institutional support		11,398,407
Operation and maintenance of plant		5,733,119
Student aid		20,934,454
Public service		905,614
Depreciation		3,556,120
Auxiliary enterprises: bookstore		8,731,192
Total operating expenses		97,155,033
Operating loss	$	(52,304,259)

(continued)

The accompanying notes are an integral part of these financial statements.

STARK STATE COLLEGE

Statement of Revenues, Expenses, and Changes in Net Position (continued)

For the Year Ended June 30, 2014

Non-operating Revenues (Expenses)		
State appropriations	$	27,864,904
Federal grants		32,051,674
State and local grants		88,000
Gifts		197,392
Investment income		2,661
Interest on capital asset-related debt		(808,458)
Other non-operating revenues (expenses)		249,096
Net non-operating revenues (expenses)		59,645,269
Income before other revenues, expenses, gains, or losses		7,341,010
Capital appropriations		1,868,997
Increase in net position		9,210,007
Net Position		
Net position, beginning of year - Restated (See Note 12)		103,827,488
Net position, end of year	$	113,037,495

The accompanying notes are an integral part of these financial statements.

STARK STATE COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2014

Cash Flows from Operating Activities		
Tuition and fees	$	27,587,345
Grants and contracts		3,608,488
Payments to suppliers		(20,982,507)
Payments to employees and for benefits		(53,027,929)
Payments for student aid		(20,934,454)
Loans issued to students		(3,000)
Auxiliary enterprise charges: bookstore		10,627,671
Sales and service of educational activities		23,504
Other receipts		2,108,554
Net cash used by operating activities		(50,992,328)
Cash Flows from Non-capital Financing Activities		
State appropriations		27,864,904
Gifts and grants for other than capital purposes		32,586,162
Stafford, PLUS, NEALP and other loans received		78,949,964
Stafford, PLUS, NEALP and other loans disbursed		(78,949,964)
Agency transactions		15,273
Net cash provided by non-capital financing activities		60,466,339
Cash Flows from Capital Financing Activities		
Capital appropriations		1,323,914
Capital grants and gifts received		13,343
Purchases of capital assets		(2,845,757)
Principal paid on capital debt and leases		(828,750)
Interest paid on capital debt and leases		(808,458)
Net cash used by capital financing activities		(3,145,708)
Cash Flows from Investing Activities		
Realized loss on sale of investments		17,552
Interest on investments		(32,958)
Purchase of investments		(10,009,552)
Net cash used by investing activities		(10,024,958)
Net decrease in cash		(3,696,655)
Cash, beginning of year		27,007,627
Cash, end of year	$	23,310,972

(continued)

The accompanying notes are an integral part of these financial statements.

STARK STATE COLLEGE

Statement of Cash Flows (continued)

For the Year Ended June 30, 2014

Reconciliation of net operating revenues (expenses) to net cash used by operating activities:		
Operating loss	$	(52,304,259)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense		3,556,120
Changes in assets and liabilities:		
Receivables, net		(459,103)
Inventories		(408,254)
Other assets		(183,424)
Accounts payable		(643,759)
Unearned revenue		(509,355)
Compensated absences		(40,294)
Net cash used by operating activities	$	(50,992,328)

Non-cash Capital Financing Activities:		
Increase in capital assets due to an increase in accounts payable	$	231,987

The accompanying notes are an integral part of these financial statements.

1. DESCRIPTION OF THE ENTITY

Stark State College (the "College") was originally chartered in 1966 under provisions of the Ohio Revised Code as a Technical College. The College offers more than 230 associate degrees, options, one-year and career enhancement certificates in business and entrepreneurial studies; education and human services; engineering, industrial and emerging technologies; health sciences; information technologies; liberal arts; mathematics; and sciences. Degrees awarded are: associate of arts, associate of science, associate of applied science, associate of applied business and associate of technical studies. The College also offers associate degrees in conjunction with Kent State University. A wide range of short-term career enhancement certificates help employees improve skills and gain a competitive edge in a society with rapidly-changing technology. Career enhancement certificates lead to associate degrees and one-year certificates in various fields of study. The College also offers non-credit continuing education classes and customized contract-training services to companies and employees in the region. A seven-member Board of Trustees governs the College, which is a political subdivision of the State of Ohio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the College have been prepared in conformity with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the College's accounting policies are described below:

A. Basis of Presentation – The College follows the "business-type activities" reporting requirements of GASB Statement No. 35. In accordance with GASB Statement No. 35, *Basic Financial Statements-and Management Discussion and Analysis- for Public Colleges and Universities*, the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows are reported on a College-wide basis.

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

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

D. Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Student tuition and fees for the summer session 2014 and all of the payments of student tuition and fees resulting from early registration for the fall session 2014 are included in unearned revenue.

E. Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resource (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The College did not have any deferred outflows or inflows at June 30, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Investments – Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts such as overnight repurchase agreements are reported at cost.

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

During fiscal year 2014, investments were limited to STAR Ohio, STAR Plus, repurchase agreement, U.S. Treasury and Agency items, mutual funds, corporate notes, savings accounts, and corporate stock.

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

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

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

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

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

L. Net Position – Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use. The College identifies restricted net position as either non-expendable or expendable. Non-expendable net position represents endowment contributions from donors that are permanently restricted as to principal. Expendable net position relates to grants and contract activity, whose use is subject to externally imposed restrictions. Unrestricted net position is not subject to restrictions and may be designated for specific purposes by the Board of Trustees. As of June 30, 2014, the College's restricted net position is $1,043,778, none of which were restricted by enabling legislation.

M. Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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

3. CASH AND INVESTMENTS

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

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

B. Cash on Hand – At June 30, 2014, the College had $16,030 in undeposited cash on hand, which is reported as "Cash and cash equivalents" on the Statement of Net Position.

C. Deposits – At June 30, 2014, the reported amount of the College's deposits was $0 and the bank balance was $2,409, which was covered by the FDIC insured limit.

D. Investments – The College had the following investments and maturities as of June 30, 2014:

		Investment Maturity (in years)	
Investment Type	Fair Value	1	2 – 5
Insurance Reserve	$ 3,220,685	$ 902,899	$ 2,317,786
Repurchase Agreement	8,266,508	8,266,508	-
STAR Ohio	5,165	5,165	-
STAR Plus	15,023,268	15,023,268	-
U.S. Agencies	10,003,698	9,999,449	4,249
Corporate Notes	19,001	-	19,001
Mutual Funds–Treasury Obligations	16,826	16,826	-
Mutual Funds	47,305	47,305	-
Corporate Stock	185,876	185,876	-
	$ 36,788,332	$ 34,447,296	$ 2,341,036

3. CASH AND INVESTMENTS (continued)

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's Investment Policy prohibits the purchase of securities that will mature more than five years from the date of settlement.

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

CS	A+	.03%
CS	A	.04%
CS	AA	.02%
CS	A-	.03%
CS	AA-	.01%
CS	AA+	.01%
CS	AAA	.01%
CS	BB	.01%
CS	BBB+	.03%
CS	BBB	.02%
CS	BBB-	.01%
CS	Not Rated	.26%
U.S. Agencies	AA+	.02%
U.S. Agencies	Aaa	26.52%
Mutual Funds	AAf	.05%
Mutual Funds	BBB+f	.04%
Mutual Funds	AAAm	.05%
Mutual Funds	Not Rated	.03%
Corporate Notes	AA-	.01%
Corporate Notes	A+	.04%
Corporate Notes	BBB+	.01%
STAR Ohio	AAAm	.01%
STAR Plus	Not Rated	39.87%
Repurchase Agreements	Not Rated	24.33%
Insurance Reserve	Not Rated	8.54%

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

Concentration of Credit Risk: The College places no limit on the amount that may be invested in any one issuer.

3. CASH AND INVESTMENTS (continued)

STAR Ohio is an investment pool managed by the Ohio Treasurer's Office that allows governments within the State to pool their funds together for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price that is the price that the investment could be sold for on June 30, 2014.

STAR Plus is a cash management program endorsed by the Ohio Treasurer of State, which allows political subdivisions of the State of Ohio access to the Federally Insured Cash Accounts or FICA® program. The FICA program provides access to hundreds of Federal Deposit Insurance Corporation insured banks via a single, convenient account with a custodial bank that is managed by an investment advisor registered with the U.S. Securities and Exchange Commission.

4. CAPITAL ASSETS

A summary of the changes in capital assets and related accumulated depreciation for the year ended June 30, 2014, is as follows:

	Balance 6/30/2013	Additions	Disposals	Transfers	Balance 6/30/2014
Capital assets not being depreciated:					
Land	$ 6,068,586	$ -	$ -	$ -	$ 6,068,586
Construction in progress	1,410	1,933,011	-	(293,338)	1,641,083
Software	5,603,047	124,439	-	-	5,727,486
Total capital assets not being depreciated	11,673,043	2,057,450	-	(293,338)	13,437,155
Capital assets being depreciated:					
Land improvements	5,726,936	228,157	-	-	5,955,093
Buildings and leasehold improvements	97,711,817	59,563	-	293,338	98,064,718
Equipment	7,590,692	732,574	266,376	-	8,056,890
Library books	27,815	-	3,915	-	23,900
Infrastructure	309,310	-	-	-	309,310
Total capital assets being depreciated	111,366,570	1,020,294	270,291	293,338	112,409,911
Less accumulated depreciation for:					
Land improvements	2,201,206	232,528	-	-	2,433,734
Buildings and leasehold improvements	24,178,599	2,651,819	-	-	26,830,418
Equipment	5,229,099	654,155	266,376	-	5,616,878
Library books	22,283	2,172	3,915	-	20,540
Infrastructure	167,448	15,446	-	-	182,894
Total accumulated depreciation	31,798,635	3,556,120	270,291	-	35,084,464
Capital assets being depreciated, net	79,567,935	(2,535,826)	-	293,338	77,325,447
Capital assets, net	$ 91,240,978	$ (478,376)	$ -	$ -	$ 90,762,602

5. LEASES

Stark State College leases buildings and parking lots on a month-to-month basis and under long-term operating lease agreements. Rent expenses totaled $636,079 during the year ended June 30, 2014.

Aggregate future minimum lease payments under these non-cancelable operating lease agreements are as follows for the years ending June 30:

2015	$	292,860
2016		344,736
2017		346,074
2018		347,412
2019		333,028
Thereafter		2,452,476
	$	4,116,586

During the year, the College entered into a lease agreement for building space, which was not constructed as of June 30, 2014. The lease 15 year lease term commences on July 1, 2015, at which time the College will begin making monthly lease payments of $10,575. These future minimum lease payments were included in the schedule above.

Stark State College leases its buildings, equipment and parking lots to companies for specific days and under long-term operating lease agreements. The property used for rental purposes under long-term operating lease agreements has an original prorated cost of $102,213, and accumulated depreciation of $49,604 at June 30, 2014. Rent income totaled $1,413,479 during the year ended June 30, 2014.

Aggregate future minimum lease receipts under the non-cancellable operating lease agreements are $4,200 for the year ending June 30, 2015.

6. LONG-TERM LIABILITIES

The College's long-term liabilities consisted of the following at June 30, 2014:

	June 30, 2013 Balance	Additions	Reductions	June 30, 2014 Balance	Current Portion
2010 Series A1 (Tax-Exempt Bonds)	$ 5,312,917	$ -	$ 828,750	$ 4,484,167	$ 843,750
2010 Series A2 (Taxable Bonds)	12,510,000	-	-	12,510,000	-
Lease liability	-	64,740	-	64,740	-
Compensated abscences	1,544,253	-	40,294	1,503,959	258,112
	$ 19,367,170	$ 64,740	$ 869,044	$ 18,562,866	$ 1,101,862

Lease liability – The College has two operating lease agreements which contain rent step increases in the terms of the agreement. In accordance with GAAP, the College expensed the leases on a straight-line basis and booked a lease liability for the portion of the rent expense that was unpaid as of June 30, 2014.

6. LONG-TERM LIABILITIES (continued)

2010 Series A1 (Tax-Exempt Bonds) – On August 31, 2010, the College issued $7,635,000 of Series A1 Tax-Exempt Bonds for the purpose of financing part of the costs of various capital facilities of the College, including the construction of a business and entrepreneurship building, a classroom and lab addition to the Health Science building, a pedestrian bridge and a parking lot and atrium renovation.

2010 Series A2 (Taxable Bonds) – On August 31, 2010, the College issued $12,510,000 of Series A2 Taxable Bonds for the purpose of financing part of the costs of various capital facilities of the College, including the construction of a business and entrepreneurship building, a classroom and lab addition to the Health Science building, a pedestrian bridge and a parking lot and atrium renovation.

The College pays a monthly Governmental Lease payment to the Ohio Treasurer of State to fund the State's sinking bond fund as a requirement of the enabling legislation for the bonds under the State Community and Technical College Facilities Intercept Bond program. The Treasurer of State issues a monthly lease payment schedule at the beginning of each fiscal year for the following three fiscal years. The Treasurer of State makes the semiannual coupon payments on March 1 and September 1 and redemption payments on September 1 of each applicable year. The interest rates on the 2010 Series A1 Tax Exempt Bonds coupons range from 2.000% to 2.625%. The interest rates on the 2010 Series A2 Taxable Bonds coupons range from 4.450% to 5.970%.

Scheduled principal maturities and total debt service on the Series 2010 bonds for fiscal years subsequent to June 30, 2014 are as follows:

Fiscal Years	2010 Series A1 Bonds			2010 Series A2 Bonds		
Ending	Principal	Interest	Total	Principal	Interest	Total
2015	$ 843,750	$ 99,940	$ 943,690	$ -	$ 691,944	$ 691,944
2016	863,333	83,065	946,398	-	691,944	691,944
2017	878,750	65,798	944,548	-	691,944	691,944
2018	898,333	47,215	945,548	-	691,944	691,944
2019	922,917	26,063	948,980	-	691,944	691,944
2020-2024	77,084	2,023	79,107	4,989,583	2,994,295	7,983,878
2025-2029	-	-	-	6,051,250	1,539,856	7,591,106
2030-2031	-	-	-	1,469,167	94,475	1,563,642
	$ 4,484,167	$ 324,104	$ 4,808,271	$ 12,510,000	$ 8,088,346	$ 20,598,346

7. PENSION PLANS

A. State Teachers Retirement System

State Teachers Retirement System of Ohio ("STRS Ohio") is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the State or any political subdivision thereof.

7. PENSION PLANS (continued)

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

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

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

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

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

7. PENSION PLANS (continued)

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

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

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

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

Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers. The statutory maximum employee contribution rate was increased by one percent July 1, 2013, and will be increased one percent each year until it reaches 14% on July 1, 2016.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014 were 11% of covered payroll for members and 14% for employers. The College's employer contributions to STRS Ohio for fiscal years ended June 30, 2014, 2013 and 2012 were $3,497,012, $3,720,580, and $3,882,130, respectively.

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

B. Ohio Public Employees Retirement System

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

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

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

7. PENSION PLANS (continued)

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

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

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contributions were consistent across all three plans.

The 2014 member contribution rate was 10%. The 2014 employer contribution rate was 14% of covered payroll. The College's employer contributions to OPERS for the fiscal years ended June 30, 2014, 2013 and 2012 were $2,026,893, $2,183,404, and $2,082,122, respectively.

C. Alternative Retirement Plan

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 1998, authorizing an alternative retirement program for academic and administrative employees of public institutions of higher education, who were currently covered by the Ohio Public Employees Retirement System (OPERS) or the State Teachers Retirement System of Ohio (STRS Ohio). The alternative retirement plan is a defined contribution plan under IRS Section 401(a).

Full-time employees have 120 days from their date of hire to make an irrevocable election to participate in an alternative retirement plan. Under this plan, employees who would have otherwise been required to be in OPERS or STRS Ohio who elect to participate in the alternative retirement program must contribute the employee's share of retirement contributions (10% OPERS, 11% STRS Ohio) to one of eight private providers approved by the State Department of Insurance. The legislation mandates that the employer must contribute 3.5% of the 14% employer contribution to STRS Ohio and .77% of the 14% employer contribution to OPERS with the remainder being sent to the ARP vendor selected by the employee. The College plan provides these employees with immediate plan vesting. The total employer contributions to the alternative retirement plan for the fiscal years June 30, 2014, 2013, and 2012 were $78,387, $89,518, and $76,066, respectively.

8. POST-EMPLOYMENT BENEFITS

A. State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2013, 2012, and 2011. The 14% employer contribution rate is the maximum rate established under Ohio law. The College's employer contributions allocated to post-employment benefits for the fiscal years ended June 30, 2014, 2013 and 2012 were approximately $249,289, $265,755, and $274,350, respectively.

B. Ohio Public Employees Retirement System

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

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

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

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

8. POST-EMPLOYMENT BENEFITS (continued)

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In fiscal year 2014, the College contributed at a rate of 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The College's employer contributions allocated to post-employment benefits for the fiscal years ended June 30, 2014, 2013, and 2012 were approximately $144,778, $623,830, and $594,656, respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate four percent of the employer contributions toward the health care fund after the end of the transition period.

9. CONTINGENCIES

A. Federal and State Grants

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

B. Litigation

There are no claims pending against the College as of June 30, 2014.

10. RISK MANAGEMENT

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

The College is a member of the Stark County Schools Council of Governments, a shared risk pool (see Note 2), which was established to provide a partially self-funded health benefits program to its members. The College pays a monthly premium to the Council of Governments for its health care coverage.

The insurance claims payable of $902,899 is based on the requirements of GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the Council of Governments. A summary of the claims liability during the past two fiscal years is as follows:

Fiscal Year	Balance at July 1	Current Year Claims	Claim Payments	Balance at June 30
2013	$ 796,280	$ 5,647,742	$ 5,579,337	$ 864,685
2014	864,685	5,654,720	5,616,506	902,899

11. RELATED ORGANIZATIONS

The Stark State College Foundation (the "Foundation") is a not-for-profit organization, which operates under a separate board exclusively for the benefit of the College and is therefore not included in the College's June 30, 2014 financial statements. At June 30, 2014, the total net position of the Foundation was $5,042,321. During the year ended June 30, 2014, the Foundation contributed $386,508 to the College for scholarships, instructional equipment and supplies, professional development, student services, and buildings.

12. CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2014, the College has implemented Governmental Accounting Standards Board (GASB) Statement No. 65 *"Items Previously Reported as Assets and Liabilities."* GASB Statement No. 65 established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of this statement resulted in bond issuance costs being expensed rather than being deferred. This change had the effect of restating the June 30, 2013 beginning net position from $93,541,144 to $93,416,686. The June 30, 2014 beginning net position was also restated from $103,951,946 to $103,827,488.

Independent Auditor's 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*

Board of Trustees
Stark State College
North Canton, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Stark State College (the "College"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 19, 2014, wherein we noted that the College implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and restated their June 30, 2013 net position of the business-type activities, as disclosed in Note 12.

Internal Control over Financial Reporting

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

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

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

C&P Advisors, LLC
Ciuni & Panichi, Inc.
C&P Wealth Management, LLC

25201 Chagrin Boulevard
Cleveland, Ohio 44122.5683
p. 216.831.7171
f. 216.831.3020
www.cp-advisors.com
Independent Member of
Geneva Group International

Board of Trustees
Stark State College

Compliance and Other Matters

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

Purpose of this Report

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

Ciuni & Panichi, Inc.

Cleveland, Ohio
December 19, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Board of Trustees
Stark State College
North Canton, Ohio

Report on Compliance for Each Major Federal Program

We have audited the Stark State College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2014. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

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

Auditor's Responsibility

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

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

C&P Advisors, LLC
Ciuni & Panichi, Inc.
C&P Wealth Management, LLC

25201 Chagrin Boulevard
Cleveland, Ohio 44122.5683
p. 216.831.7171
f. 216.831.3020
www.cp-advisors.com
Independent Member of
Geneva Group International

Board of Trustees
Stark State College

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

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

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

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

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

Board of Trustees
Stark State College

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities of the College as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated December 19, 2014, which contained an unmodified opinion on those financial statements, wherein we noted that the College implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and* Liabilities, and restated their June 30, 2013 net position of the business-type activities, as disclosed in Note 12. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Ciuni & Panichi, Inc.

Cleveland, Ohio
December 19, 2014

Stark State College

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	FY 2014 Expenditures
U.S. Department of Education			
Student Financial Assistance Programs Cluster:			
Federal Work-Study Program	84.033		$ 333,518
Federal Supplemental Educational Opportunity Grants	84.007		264,417
Federal Pell Grant Program	84.063		31,744,356
Federal Direct Student Loans	84.268		57,802,693
Total Student Financial Assistance Programs Cluster			90,144,984
TRIO Cluster:			
TRIO - Student Support Services	84.042		219,016
Upward Bound Math and Science Program	84.047		254,242
Passed Through the Ohio Department of Education:			
Upward Bound Math and Science Program	84.047	063420-SSC UB	2,192
Total TRIO Cluster			475,450
Passed Through the Ohio Department of Education:			
Vocational Education - Basic Grants to States	84.048	063420-CDP-P-2014	369,606
Passed Through the Ohio Board of Regents:			
Ohio Articulation and Transfer Network (OATN)			
Secondary Career Technical Alignment Initiative	84.048		12,600
Total Federal Assistance - U.S. Department of Education			91,002,640
U.S. Department of Labor			
Passed Through the Ohio Board of Regents:			
HB-1 Technical Skills Training Grant	17.268		159,497
Passed Through the Pennsylvannia College of Technology:			
Trade Adjustment Assistance Community College and Career Training Grant	17.282		739,282
Total Federal Assistance - U.S. Department of Labor			898,779
National Science Foundation Program			
Education and Human Resources	47.076		248,073
Passed Through the Pennsylvania College of Technology			
Education and Human Resources	47.076	1205004	1,242
Passed Through the Ohio State University Research Foundation			
Education and Human Resources	47.076	60014486 & 0703087	96,382
Total Federal Assistance - National Science Foundation			345,697
Total Federal Assistance - All Sources			**$ 92,247,116**

The accompanying notes to schedule of expenditures of federal awards are an integral part of this schedule.

Stark State College

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Note 1: Significant Accounting Policies

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

Stark State College

Schedule of Findings
OMB Circular A-133 Section .505

For the Year Ended June 30, 2014

1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs	Student Financial Aid Cluster: - CFDA # 84.033 - CFDA # 84.007 - CFDA # 84.063 - CFDA # 84.268 Career and Technical Education – Basic Grants to States: - CFDA # 84.048 Trade Adjustment Assistance Community College and Career Training Grant (TAACCCT): - CFDA # 17.282 Education and Human Resources: - CFDA # 47.076
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. Findings Related to the Financial Statements Required To Be Reported In Accordance With GAGAS

None noted.

3. Findings and Questioned Costs for Federal Awards

None noted.

Stark State College

Schedule of Prior Year Findings
OMB Circular A-133 Section .315(b)

For the Year Ended June 30, 2014

Finding No.	Finding Summary	Fully Corrected	Explanation
2013-01	Code of Federal Regulations (CFR) 34 Section 668.22(e)(2) provides that a student earns 100 percent of the amount of Title IV assistance disbursed if his or her withdrawal date is after the completion of more than 60 percent of the calendar days in the payment period. Pursuant to CFR 34 Section 668.22(g) the College must return unearned Title IV funds for students who do not complete 60 percent of the calendar days in the payment period and the return of these funds must be timely. There was a total of $84,219 in unearned Title IV assistance, from a total of 93 students, in which the College did not return to the U.S. Department of Education within the requirements noted above.	Yes	No noncompliance noted for the year ended June 30, 2014.

This page intentionally left blank.

Dave Yost • Auditor of State

STARK STATE COLLEGE

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 5, 2015

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov