

# **OWENS STATE COMMUNITY COLLEGE**

Financial Statements

June 30, 2014 and 2013

with Independent Auditors' Report





# Dave Yost • Auditor of State

Board of Directors  
Owens State Community College  
PO Box 10000  
Toledo, OH 43699

We have reviewed the *Independent Auditors' Report* of the Owens State Community College, Wood County, prepared by Clark, Schaefer, Hackett & Co., 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 Owens State Community College is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

October 28, 2014

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# Owens State Community College

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Owens State Community College  
Perrysburg, Ohio

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Owens State Community College (the "College"), a component unit of the State of Ohio, 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 the 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.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's 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 opinions.

### Opinions

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

### Prior Period Financial Statements

The financial statements of the College as of June 30, 2013, were audited by other auditors whose report dated October 14, 2013, expressed unmodified opinions on those statements.

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## **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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements. That schedule 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 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.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
October 14, 2014

# Owens State Community College

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## Management's Discussion and Analysis - Unaudited

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The following management's discussion and analysis (MD&A) provides an overview of the financial position and activities of Owens State Community College for the year ended June 30, 2014 with comparative information for the years ended June 30, 2013 and 2012. The MD&A should be read in conjunction with the accompanying audited financial statements and footnotes.

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### ABOUT OWENS STATE COMMUNITY COLLEGE

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

The Toledo-area campus covers more than 280 acres and is located near downtown Toledo. The 60-acre Findlay-area campus is at 3200 Bright Road on Findlay's northeast side. The College also provides educational opportunities at Arrowhead Park Learning Center located in Maumee and the Source, Lucas County's One-Stop Employment Center in downtown Toledo. Between our four campus locations, over 35,000 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 is responsible for oversight of academic programs, budgets, general administration, and employment of faculty and staff. The College is currently governed by a nine voting member board of trustees. The trustees are appointed by the governor with the advice and consent of the State Senate for staggered six-year terms.

The following financial statements reflect all assets, liabilities, and net position of the College and its discretely presented legally separate entity, Owens Community College Foundation (the "Foundation"). The Foundation's primary function is fundraising to supplement the resources that are available to the College in support of its programs. The Foundation is governed by a separate board of trustees 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 position; statement of revenue, expenses, and changes in net position; 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. The Foundation is excluded from Management's Discussion and Analysis. Complete financial statements for the Foundation can be obtained from Owens State Community College, 30335 Oregon Road, Perrysburg, OH 43551.

### Using This Annual Report

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

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

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

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

### FINANCIAL HIGHLIGHTS

The net position by category for fiscal years 2014, 2013, and 2012 are shown below. Net position in aggregate decreased approximately \$2,653,000 from fiscal year 2013 to fiscal year 2014 and decreased approximately \$9,984,000 from fiscal year 2012 to fiscal year 2013. The factors which have affected net position include a drop in enrollment as well as decreases in State share of instruction support for fiscal years 2013 and 2014.

	Net Position		
	Net Investment In Capital Assets	Unrestricted	Total Net Position
FY 2014	\$ 83,681,835	\$ 369,854	\$ 84,051,689
FY 2013	84,152,531	2,551,931	86,704,462
FY 2012	86,995,041	9,693,004	96,688,045

# Owens State Community College

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

A summarization of the College's assets, liabilities, and net position at June 30, 2014, 2013, and 2012 follows:

	June 30		
	2014	2013	2012
<b>Assets</b>			
Current assets	\$ 28,441,252	\$ 37,784,174	\$ 43,173,233
Capital assets	88,089,962	90,114,854	93,268,656
Notes receivable	67,677	75,177	37,059
Total assets	116,598,891	127,974,205	136,478,948
<b>Liabilities</b>			
Current liabilities	26,807,903	34,363,386	32,296,360
Noncurrent liabilities	5,739,299	6,906,357	7,494,543
Total liabilities	32,547,202	41,269,743	39,790,903
<b>Net Position</b>			
Net investment in capital assets	83,681,835	84,152,531	86,995,041
Unrestricted	369,854	2,551,931	9,693,004
Total net position	<u>\$ 84,051,689</u>	<u>\$ 86,704,462</u>	<u>\$ 96,688,045</u>

### 2014 Variances

Current assets decreased by approximately \$9,343,000 from 2013 to 2014 primarily due to decreases in cash, prepaid and deferred charges and accounts receivable. Capital assets decreased by approximately \$2,025,000 due to capital asset depreciation offset by capital asset purchases. Current liabilities decreased from 2013 to 2014 primarily due to decrease in accounts payable and unearned revenue. The noncurrent liabilities decreased from 2013 to 2014 due to principal payment on debt. Net position decreased primarily due to the decrease in capital assets and state appropriation and the decline in student enrollment as noted earlier.

### 2013 Variances

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

# Owens State Community College

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

The following is a summary of the College's revenue, expenses, and changes in net position for the years ended June 30, 2014, 2013, and 2012:

	2014	2013	2012
<b>Operating Revenue</b>			
Student tuition and fees	\$ 24,546,356	\$ 27,472,048	\$ 27,920,158
Grants - Federal, state, and local	3,324,876	3,901,693	4,238,630
Sales and service	85,856	85,654	212,925
Auxiliary activities	7,293,369	9,626,742	11,491,639
Other operating revenue	333,130	436,207	772,111
Total operating revenue	35,583,587	41,522,344	44,635,463
<b>Operating Expenses</b>			
Educational and general	85,764,868	100,857,906	109,076,627
Depreciation	6,210,891	5,893,928	5,229,745
Auxiliary enterprises	7,979,308	9,707,727	11,655,086
Total operating expenses	99,955,067	116,459,561	125,961,458
<b>Operating Loss</b>	(64,371,480)	(74,937,217)	(81,325,995)
<b>Nonoperating Revenue(Expense)</b>			
State appropriations	34,463,030	35,531,108	36,911,421
Pell Grant	23,571,329	28,622,293	34,748,942
Investment income	371,086	353,814	249,365
Other nonoperating expense	(104,930)	(145,977)	(196,522)
Net nonoperating revenue	58,300,515	64,361,238	71,713,206
<b>Loss Before Other Revenue - Before capital appropriations and grants</b>	(6,070,965)	(10,575,979)	(9,612,789)
<b>Capital Appropriations and Grants</b>	3,418,192	592,396	104,232
<b>Decrease in Net Position</b>	(2,652,773)	(9,983,583)	(9,508,557)
<b>Net Position - Beginning of year</b>	86,704,462	96,688,045	106,196,602
<b>Net Position - End of year</b>	<u>\$ 84,051,689</u>	<u>\$ 86,704,462</u>	<u>\$ 96,688,045</u>

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

The College converted from a technical college to a state community college in 1994. Since that date, enrollment has increased by 59.4 percent and the full-time equivalent (FTE) increased by 69.7 percent (an FTE is defined as a student taking 15 credit hours in a semester). For the fall semester 2013, the headcount of 14,674 represented a 13.66 percent decrease from fall 2012; for the fall semester 2012, the headcount of 16,996 represented a 1.03 percent decrease from fall 2011, while for the fall semester 2011, the headcount of 17,173 represented a 14.04 percent decrease from fall 2010. The FTEs for fall 2013, 2012, 2011, and 2010 were 8,419, 9,717, 10,246, and 12,003, respectively, and represented a decrease of 13.35 percent in 2013 and 5.16 percent in 2012 and 14.63 percent in 2011.

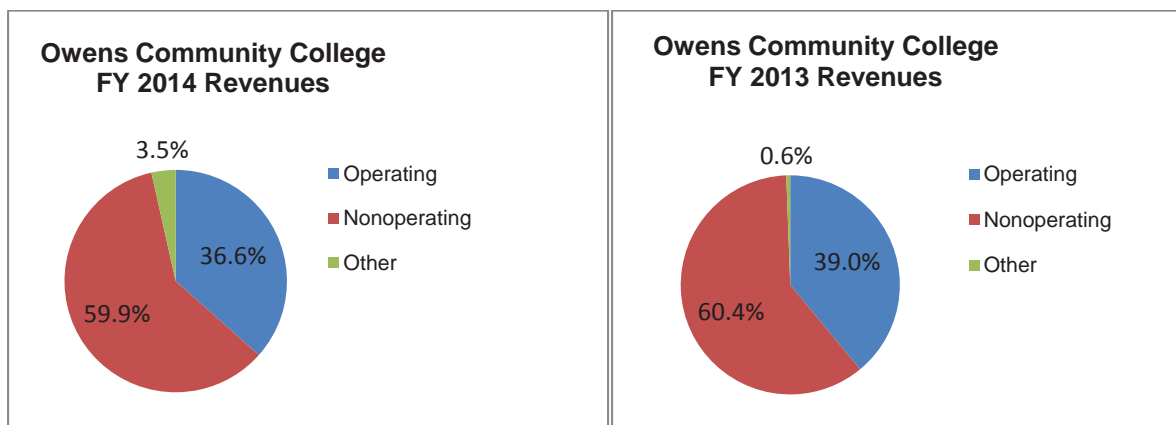
# Owens State Community College

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

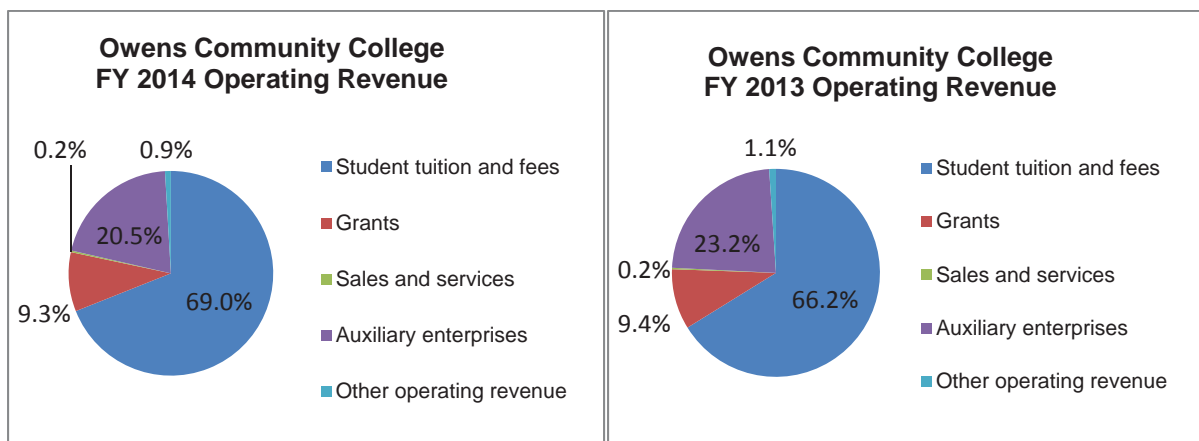
The College's two major sources of revenue are operating (tuition and fees) and nonoperating (the State Share of Instruction). Both types of revenue are tied to enrollment, with tuition and fees being generated via an assessment mechanism. This mechanism focuses on individual credit hours of enrollment. The State Share of Instruction is distributed through a funding formula which is 100 percent performance based. The funding model includes three major components: course completion, success points and attainment or credential completion. Course completion is 50 percent of the formula based on students receiving a "D" or better for their course work. Success points are 25 percent of the formula and are based on when the student reaches 12, 24 and 36 completed credit hours. The remaining 25 percent of the formula is for attainment or credential completion which includes degree attainment, certificate attainment and a component for student transfer to an Ohio public or private institution.

### Operating Revenue

The charts below present total revenue by category for the fiscal years ended June 30, 2014 and 2013:



The charts below reflect the College's operating revenue for the fiscal years ended June 30, 2014 and 2013:



# Owens State Community College

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

The College fee that students were assessed on a per credit hour basis for summer 2003 (fiscal year 2004) was \$100.75. Effective for summer 2004 (fiscal year 2005), the per credit hour fee was increased to \$110, reflecting a \$6.00 per credit hour increase in the instructional fee and a \$3.25 per credit hour increase in the general fee. The general fee provides for noninstructional services such as student activities, library privileges, and technology. Presently, the College has allocated a portion of the general fees for technology initiatives. Effective for summer 2005 (fiscal year 2006), the per credit hour fee was increased to \$116, reflecting a \$6.00 per credit hour increase in the instructional fee only. For fall 2006, the per credit hour fee increased to \$122.50, reflecting a \$6.00 per credit hour increase in the instructional fee, and a \$.50 per credit hour general fee increase for student organization support. The State of Ohio issued a tuition freeze mandated for fiscal years 2007, 2008, and 2009, freezing tuition at \$123 per credit hour. This mandate was rescinded for fiscal year 2010. For fiscal year 2011, the per credit hour rate was \$131.75 for instructional and general fees. For fiscal year 2012, the state mandated the tuition increase could be increased by 3.5 percent or \$200 per year whichever was greater for the institution. As a result, tuition for fall 2011 was increase 3.5 percent with the remaining increase to \$200 per year implemented in spring 2012. Instructional and general fees were \$136.36 for fall 2011 and \$138.89 for spring 2012. For fiscal year 2013, the per credit hour rate was \$146.03 for instruction and general fees following the state mandated the tuition increase which remained the same as fiscal year 2012. For fiscal year 2014, the per credit hour rate was \$153.00 for instruction and general fees following the state mandated the tuition increase which was changed to 2 percent or \$100 per year whichever was greater for the institution.

Gross student tuition and fees revenue decreased in fiscal 2014, increased in fiscal 2013 and decreased fiscal 2012. Total tuition and fees were \$47,355,686, \$52,222,285, and \$51,136,226, respectively.

Scholarship allowances and scholarship dollars per FTE have increased For 2014, scholarship allowances totaled \$22,809,330 and scholarship dollars per FTE were \$2,709. For 2013, scholarship allowances totaled \$24,750,237 and scholarship dollars per FTE were \$2,547. For 2012, scholarship allowances totaled \$23,216,068 and scholarship dollars per FTE were \$2,266.

Grant revenue decreased in fiscal years 2014 and 2013 by approximately \$577,000 and \$337,000, respectively. The decrease in grant revenue for fiscal year 2014 and 2013 was due to the timing of new grants beginning and existing grants ending during the year.

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

### Nonoperating Revenue

The College's largest single source of revenue is the nonoperating revenue received from the State of Ohio. The College's State share of instruction amounted to \$34,463,030, \$35,531,108, and \$36,911,421, in fiscal years 2014, 2013, and 2012, respectively. The State share of instruction was \$4,093, \$3,656, and \$3,602 per FTE for fiscal years 2014, 2013, and 2012, respectively.

Another component of nonoperating revenue is investment income. In 2014, investment income increased by approximately \$17,000 in comparison to 2013 which had an increase and 2012 which had a decrease in investment income. Investment income increased in fiscal 2014 due to the change in composition of investments.

# Owens State Community College

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

Pell grants declined in fiscal year 2014 by approximately \$5,100,000 compared to a decrease in fiscal year 2013 of approximately \$6,100,000. The decline in Pell grants is reflective of the decrease in enrollment and changes in financial aid regulations.

### Operating Expense Changes

The College's operating expenses reflect changes related to student enrollment, college initiatives, and instructional program changes. The declining enrollment for the past three fiscal years lead the College to right size the positions, class size and other expenditures based on in depth analysis of the projected enrollment for fiscal 2014. Based on the analysis positions were eliminated through retirements, layoffs and other existing vacancies which reduced salaries, wages and fringe benefits throughout the College. Other operating expenditures were reduced based on the analysis such as travel, course and lab supply and bookstore purchases. Instructional and departmental research expenses decreased in fiscal year 2014 and 2013 due to the reduction in course and lab supplies expenditures and decreased salary, wages, and fringe benefits. Institutional research and public service expenses had a decrease for fiscal year 2014 compared to a slight increase in fiscal year 2013 due to funding of grant-related programs. Scholarships and other student aid decreased in fiscal year 2014 and 2013 due to a decline in enrollment and decline in Pell grants.

The depreciation expense for fiscal years 2014, 2013, and 2012 was \$6,210,891, \$5,893,927, and \$5,229,745, respectively.

### Capital Assets

At June 30, 2014, 2013, and 2012, the College had \$88,089,962, \$90,114,854, and \$93,268,656, respectively, invested in capital assets.

The details of the capital assets at June 30, 2014, 2013, and 2012 are shown below:

	2014	2013	2012
Land and land improvements	\$ 38,941,414	\$ 38,791,624	\$ 38,560,041
Buildings	109,790,540	106,787,101	106,027,608
Equipment	28,927,675	27,638,815	26,441,534
Leasehold improvements	488,773	488,773	488,773
Less accumulated depreciation	(90,060,140)	(84,005,143)	(78,426,948)
Net of depreciation	88,088,262	89,701,170	93,091,008
Construction in progress	1,700	413,684	177,648
Total	<u>\$ 88,089,962</u>	<u>\$ 90,114,854</u>	<u>\$ 93,268,656</u>

Debt associated with capital assets relate to equipment, information technology upgrades and funding for the upgrade to the existing infrastructure with energy efficient resources. Total debt remaining at June 30, 2014, 2013, and 2012 was \$4,408,127, \$5,962,323, and \$6,273,615, respectively, with the majority of the debt related to the energy efficiency program.

# Owens State Community College

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

### Capital Projects

Fiscal year 2014 has seen the completion of the Culinary Arts labs in Heritage Hall, the MRI lab and several smaller renovation projects.

Fiscal year 2013 saw the completion of the several renovation projects including the Math Lab, John Deere Equipment Lab, Dental Assisting Lab and the expansion of the Child Care facility on the Findlay campus.

### Cash Flows

The statement of cash flows for the years ended June 30, 2014, 2013, and 2012 is as follows:

	Year Ended June 30		
	2014	2013	2012
<b>Cash Flows from Operating Activities</b>			
Student tuition and fees	\$ 25,876,928	\$ 26,983,670	\$ 27,184,571
Grants - Federal, state, and local	1,897,903	3,131,473	6,733,151
Payments to employees, suppliers, students, and others	(97,289,858)	(106,614,667)	(119,911,372)
Auxiliary enterprises	7,324,520	9,701,908	11,389,302
Sales and services	1,572,430	(3,237,551)	523,494
Other receipts	374,464	452,284	732,359
Net cash used in operating activities	(60,243,613)	(69,582,883)	(73,348,495)
<b>Cash Flows from Noncapital Financing Activities</b>			
Pell grant	23,571,329	28,622,293	34,748,942
State appropriations	34,463,030	35,531,108	36,911,421
Agency transactions	(4,598)	4,856	135,299
Net cash provided by noncapital financing activities	58,029,761	64,158,257	71,795,662
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from notes payable	-	1,077,095	51,696
Principal payments on notes payable	(1,554,196)	(1,388,384)	(1,255,535)
Capital appropriations and grants	3,418,192	592,396	104,232
Interest paid on notes payable	(104,930)	(145,977)	(196,522)
Purchases of capital assets	(4,066,060)	(2,668,910)	(3,706,223)
Net cash used in capital and related financing activities	(2,306,994)	(2,533,780)	(5,002,352)
<b>Cash Flows from Investing Activities</b>			
Interest on investments	18,906	117,472	321,020
Purchase of investments	(18,906)	(1,837,905)	(4,519,606)
Proceeds from sale and maturity of investments	456,772	9,510,880	10,932,146
Net cash provided by investing activities	456,772	7,790,447	6,733,560
<b>Net Increase (Decrease) in Cash</b>	(4,064,074)	(167,959)	178,375
<b>Cash - Beginning of year</b>	5,383,030	5,550,989	5,372,614
<b>Cash - End of year</b>	<b>\$ 1,318,956</b>	<b>\$ 5,383,030</b>	<b>\$ 5,550,989</b>

# Owens State Community College

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

	Year Ended June 30		
	2014	2013	2012
Reconciliation of operating loss to net cash from operating activities:			
Operating loss	\$ (64,371,480)	\$ (74,937,217)	\$ (81,325,995)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	6,210,891	5,893,928	5,229,745
Changes in assets and liabilities:			
Receivables - Net	4,740,995	(3,139,939)	1,303,637
Inventories	(345,468)	(406,149)	81,127
Prepaid expenses and deferred charges	566,032	872,897	2,340,493
Notes receivable - Net	7,500	(39,343)	(1,000)
Accounts payable	(3,508,502)	3,745,044	(200,965)
Salaries, wages, and benefits payable	(517,736)	12,054	(1,347,020)
Unearned revenue	(3,025,845)	(1,584,158)	571,483
Net cash used in operating activities	<u>\$ (60,243,613)</u>	<u>\$ (69,582,883)</u>	<u>\$ (73,348,495)</u>

Cash used in operating activities for fiscal year 2014 decreased over 2013 due primarily to a decrease in operating expenses incurred by the College. Primary inflows of operating cash are from tuition and fees, grant revenue, and auxiliary enterprises. Primary outflows of operating cash are payments to employees and suppliers. Cash flows from noncapital financing activities decreased due to the decreased amount of Pell grants students received and a decrease in state appropriations. Cash flows from capital and related financing activities increased from 2013 due to an increase in capital appropriations. Cash flows from investing activities decreased during the fiscal year.

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

### Initiatives

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

The College received official notice in August 2013, from the Accreditation Commission for Education in Nursing (ACEN, formerly the National League Nursing Accreditation Commission (NLNAC), that the registered nursing program has regained initial accreditation through spring 2018. The renovations for the Culinary Arts labs were completed expanding the facilities from 3,700 square feet to 14,000 square feet. The new facility includes three unique labs: a baking lab, a culinary skills lab and a restaurant skills lab. The facility also includes a classroom and a 75 person capacity dining area with a demonstration station overlooking a tree lined patio. The renovations were completed for the new MRI lab located in Bicentennial Hall.



# Owens State Community College

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

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The commitment to providing assistance to the community is demonstrated through scholarship programs, community service programs and grant initiatives. Community service programs are designed to provide students and employees with the opportunity to create collaborative efforts and give back to the community. The Harvest Food Pantry program is a service learning program designed to provide students with free nonperishable food resources and various service learning opportunities. The Harvest Food Pantry began during the fall of 2012 through donations and collaboration with the Toledo Food Bank. The program is located on both the Toledo and Findlay campuses serving the community by distributing nonperishable food and hygiene items. Many other service programs are sponsored by student organizations and within academic programs. A few of the programs that took place during the year were Give Kids A Smile Day by the Dental Hygiene program, toy drive for area hospitals by the Findlay Nursing students, winter clothing drive by the Diagnostic Medical Sonography program, and the electronic collection drives by Environmental Club.

The focus of grant initiatives spans many areas such as training programs, student preparedness, regional growth and development and student success. The College was awarded the Federal Health Career Training Grant through our membership in the Health Professions Pathway Consortium. The Health Professions Pathway Consortium has ten community college members from around the country. The Consortium has been awarded a \$19.6 million grant for workforce training that targets the health profession. Owens will receive \$1.4 million as part of the three-year grant. Part of this award is being used for equipment purchases in the new Magnetic Resonance Associate Degree program that began with the summer semester 2014. Gateway to College National Network has awarded a start-up grant to work with young adults who drop out of high school. The Gateway to College program is designed to enable the student to complete high school while earning college credit towards a certificate or associate degree. Fifty local residents began taking advantage of this unique opportunity with the start of fall 2013 classes.

With the allocation of capital funds from the State for fiscal years 2015 and 2016, the College has planned to complete the classroom renovations in Heritage Hall and complete door replacement, carpet replacement and HVAC upgrades in several buildings.

# Owens State Community College

## Statements of Net Position

	June 30	
	2014	2013
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	\$ 1,318,956	\$ 5,383,030
Investments (Note 3)	164,816	621,588
Accounts receivable - Net (Note 4)	21,671,867	26,228,774
Receivable from Foundation (Note 9)	35,817	80,422
Prepaid expenses and deferred charges	3,294,369	3,860,401
Deposits	22,005	22,005
Inventories	1,925,922	1,580,454
Loans receivable - Net	7,500	7,500
Total current assets	28,441,252	37,784,174
<b>Noncurrent Assets</b>		
Capital assets - Net (Note 5)	88,089,962	90,114,854
Student loans receivable - Net	67,677	75,177
Total noncurrent assets	88,157,639	90,190,031
Total assets	116,598,891	127,974,205
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	2,802,139	6,423,632
Notes payable (Note 6)	1,180,572	1,555,701
Salaries, wages, and fringe benefits payable	6,902,899	7,435,915
Unearned revenue	15,922,293	18,948,138
Total current liabilities	26,807,903	34,363,386
Noncurrent liabilities:		
Benefits payable (Note 6)	2,364,420	2,352,411
Notes payable (Note 6)	3,227,555	4,406,622
Non-federal student loans (Note 6)	147,324	147,324
Total noncurrent liabilities	5,739,299	6,906,357
Total liabilities	32,547,202	41,269,743
<b>Net Position</b>		
Net investment in capital assets	83,681,835	84,152,531
Unrestricted	369,854	2,551,931
Total net position	<b>\$ 84,051,689</b>	<b>\$ 86,704,462</b>

# Owens State Community College

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

	Year Ended June 30	
	2014	2013
<b>Operating Revenue</b>		
Student tuition and fees - Net of scholarship allowances of \$22,809,330 (2014) and \$24,750,237 (2013)	\$ 24,546,356	\$ 27,472,048
Grants - Federal, state, and local	3,324,876	3,901,693
Sales and services	85,856	85,654
Auxiliary enterprises - Net of scholarship allowances of \$573,682 (2014) and \$814,012 (2013)	7,293,369	9,626,742
Other operating revenue	333,130	436,207
Total operating revenue	<u>35,583,587</u>	<u>41,522,344</u>
<b>Operating Expenses</b>		
Educational and general:		
Salaries, wages, and benefits	62,221,695	73,873,245
Supplies	4,487,011	4,310,599
Travel, entertainment, and professional development	666,518	1,082,643
Information and communication	3,837,687	4,583,629
Occupancy	3,912,574	3,720,439
Cost of goods sold	6,688,769	7,130,311
Outside services	7,264,983	8,093,502
Scholarships and other student aid	2,349,590	5,325,348
Allowance for doubtful accounts	1,761,900	2,010,000
Depreciation	6,210,891	5,893,928
Other	553,449	435,917
Total operating expenses	<u>99,955,067</u>	<u>116,459,561</u>
<b>Operating Loss</b>	(64,371,480)	(74,937,217)
<b>Nonoperating Revenue(Expense)</b>		
State appropriations	34,463,030	35,531,108
Investment income	371,086	353,814
Interest expense	(104,930)	(145,977)
Pell grants	23,571,329	28,622,293
Net nonoperating revenue	<u>58,300,515</u>	<u>64,361,238</u>
<b>Loss Before Other Revenue</b>	(6,070,965)	(10,575,979)
<b>Other Revenue</b>		
Capital appropriations	3,418,192	592,396
<b>Decrease in Net Position</b>	(2,652,773)	(9,983,583)
<b>Net Position</b>		
Beginning of year	<u>86,704,462</u>	<u>96,688,045</u>
End of year	<u><b>\$ 84,051,689</b></u>	<u><b>\$ 86,704,462</b></u>

# Owens State Community College

## Statements of Cash Flows

	Year Ended June 30	
	2014	2013
<b>Cash Flows from Operating Activities</b>		
Student tuition and fees	\$ 25,876,928	\$ 26,983,670
Grants - Federal, state, and local	1,897,903	3,131,473
Payments to employees, suppliers, students, and others	(97,289,858)	(106,614,667)
Auxiliary enterprises	7,324,520	9,701,908
Sales and services	1,572,430	(3,237,551)
Other receipts	374,464	452,284
Net cash used in operating activities	(60,243,613)	(69,582,883)
<b>Cash Flows from Noncapital Financing Activities</b>		
Pell grant	23,571,329	28,622,293
State appropriations	34,463,030	35,531,108
Agency transactions	(4,598)	4,856
Net cash provided by noncapital financing activities	58,029,761	64,158,257
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from notes payable	-	1,077,095
Principal payments on notes payable	(1,554,196)	(1,388,384)
Capital appropriations and grants	3,418,192	592,396
Interest paid on notes payable	(104,930)	(145,977)
Purchases of capital assets	(4,066,060)	(2,668,910)
Net cash used in capital and related financing activities	(2,306,994)	(2,533,780)
<b>Cash Flows from Investing Activities</b>		
Interest on investments	18,906	117,472
Purchase of investments	(18,906)	(1,837,905)
Proceeds from sale and maturity of investments	456,772	9,510,880
Net cash provided by investing activities	456,772	7,790,447
<b>Net Decrease in Cash and Cash Equivalents</b>	(4,064,074)	(167,959)
<b>Cash and Cash Equivalents - Beginning of year</b>	5,383,030	5,550,989
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 1,318,956</b>	<b>\$ 5,383,030</b>

(continued)

# Owens State Community College

## Statements of Cash Flows (Continued)

	Year Ended June 30	
	2014	2013
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (64,371,480)	\$ (74,937,217)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	6,210,891	5,893,928
Changes in assets and liabilities:		
Receivables - net	4,744,266	(3,139,939)
Inventories	(345,468)	(406,149)
Prepaid expenses and deferred charges	566,032	872,897
Student loans receivable - net	7,500	(39,343)
Accounts payable	(3,508,502)	3,745,044
Salaries, wages, and benefits payable	(521,007)	12,054
Unearned revenue	(3,025,845)	(1,584,158)
Net cash used in operating activities	<u><u>\$ (60,243,613)</u></u>	<u><u>\$ (69,582,883)</u></u> (Concluded)

# Owens State Community College

## Balance Sheet

### Discretely Presented Component Unit - Foundation

	June 30	
	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 606,982	\$ 638,740
Investments (Note 3)	2,876,657	2,317,780
Pledges receivable	129,082	176,449
Total assets	<u>\$ 3,612,721</u>	<u>\$ 3,132,969</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Due to Owens State Community College	\$ 35,817	\$ 80,422
Funds in custody (agency funds)	56,623	52,640
Note Payable	33,393	40,893
Total liabilities	<u>125,833</u>	<u>173,955</u>
<b>Net Assets</b>		
Unrestricted	378,983	270,638
Temporarily restricted	1,386,015	1,049,259
Permanently restricted	1,721,890	1,639,117
Total net assets	<u>3,486,888</u>	<u>2,959,014</u>
Total liabilities and net assets	<u>\$ 3,612,721</u>	<u>\$ 3,132,969</u>

# Owens State Community College

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

	Year End June 30	
	2014	2013
<b>Revenue and Support</b>		
Donations received	\$ 337,537	\$ 397,869
Investment income:		
Interest and dividend income	59,832	56,979
Unrealized loss on investments	306,151	91,775
Realized gain on investments	88,597	120,082
Grant revenue	153,419	326,673
<b>Total revenue and support</b>	<b>945,536</b>	<b>993,378</b>
<b>Expenses</b>		
Program services:		
Scholarships	149,510	199,058
Equipment grant	15,371	-
Outside grants expense	153,419	326,673
Other program services	67,675	61,314
<b>Total program services</b>	<b>385,975</b>	<b>587,045</b>
Management and general	22,393	73,117
Fund-raising	9,294	13,985
<b>Total expenses</b>	<b>417,662</b>	<b>674,147</b>
<b>Increase in Net Assets</b>	<b>527,874</b>	<b>319,231</b>
<b>Net Assets - Beginning of year</b>	<b>2,959,014</b>	<b>2,639,783</b>
<b>Net Assets - End of year</b>	<b>\$ 3,486,888</b>	<b>\$ 2,959,014</b>

# Owens State Community College

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## Notes to Financial Statements June 30, 2014 and 2013

### **NOTE 1 - ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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#### **ORGANIZATION**

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

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

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

#### **BASIS OF PRESENTATION**

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

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

The College has adopted GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* (GASB 65). The Statement establishes 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 GASB Statement No. 65 did not have an effect on the financial statements of the College.



# Owens State Community College

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## Notes to Financial Statements June 30, 2014 and 2013

During 2014, the College also has adopted GASB Statement No. 66 *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62* (GASB 66) improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the College.

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

The Foundation is a legally separate, tax-exempt entity that acts primarily as a fundraising organization to supplement the resources available to the College in support of its programs. The Foundation transferred \$380,975 and \$581,045 during fiscal years 2014 and 2013, respectively, to the College for both restricted and unrestricted purposes in support of its programs.

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### **SIGNIFICANT ACCOUNTING POLICIES**

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

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

#### **Investments**

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

#### **Accounts Receivable**

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

#### **Inventories**

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

# Owens State Community College

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## Notes to Financial Statements June 30, 2014 and 2013

### Capital Assets

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

### Unearned Revenue

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

### Net Position

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

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

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

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

# Owens State Community College

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## Notes to Financial Statements June 30, 2014 and 2013

### Operating and Nonoperating Revenue

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

### State Subsidies

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

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

### 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.

# Owens State Community College

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## Notes to Financial Statements June 30, 2014 and 2013

### Student Tuition and Fees

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

### Auxiliary Revenue

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

### Upcoming Accounting Pronouncements

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

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

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the College places deposits must pledge as collateral eligible securities of aggregate market value equal to the amount of deposits not insured by the Federal Depository Insurance Corporation (FDIC). Further, Ohio law allows for pledges of pooled collateral in amounts that exceed the secured deposits by at least five percent. Collateral that may be pledged is limited to obligations of the following entities: the United States and its agencies, the State of Ohio, the Ohio Student Loan Commission and any legally constituted taxing subdivision within the State of Ohio.

The College's investment policies are governed by state statutes that authorize the College to invest in obligations of the U.S. Treasury, agencies and instrumentalities; bonds and other State of Ohio obligations; certificates of deposit; and U.S. Government money market funds and repurchase agreements. Such repurchase agreements must be acquired from qualifying Ohio financial institutions, or from registered brokers/dealers.

Deposits: Custodial credit risk is the risk that in the event of a failure of a depository financial institution to fulfill its obligations, the College will not be able to recover the value of deposits, investments or collateral securities in the possession of an outside party. The College's policy for deposits is that any balance not covered by depository insurance will be collateralized by the financial institution with pledged securities.

# Owens State Community College

## Notes to Financial Statements June 30, 2014 and 2013

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At June 30, 2014, the carrying amount of the College's cash and cash equivalents for all funds is \$1,318,956 as compared to bank balances of \$4,127,193. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$280,385 is covered by federal deposit insurance. The remaining balances of cash and cash equivalents are collateralized by the depository institution per Ohio Revised Code 135.181B, which requires that the total market value of the securities so pledged is at least equal to 105 percent of the total amount of all public deposits.

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

### **NOTE 3 - INVESTMENTS**

Investments at June 30, 2014 and 2013 consist of investments in STAR Ohio of \$32,789 and \$32,783, respectively. GASB Statement No. 3 does not require STAR Ohio's assets to be categorized. Also included in investments are Freddie Mac, Fannie Mae, FHLB notes, Ginnie Mae and U.S. Treasury Bills with market value at June 30, 2014 and 2013 of \$132,027 and \$588,805, 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, 2014 and 2013.

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

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. At June 30, 2014, 30.5 percent of the College's investments were invested in Federal National Mortgage Association securities, and 49.6 percent in Federal Home Loan Mortgage securities with the remaining 19.9 percent in STAR Ohio. At June 30, 2013, 20.4 percent of the College's investments were invested in Federal National Mortgage Association securities and 74.3 percent in Federal Home Loan Mortgage securities with the remaining 5.3 percent in certificates of deposit and STAR Ohio. All investments were rated Aaa by Moody's at June 30, 2014 and 2013.

# Owens State Community College

## Notes to Financial Statements June 30, 2014 and 2013

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:

	2014	2013
Bond mutual fund	\$ 678,642	\$ 646,927
Equity mutual fund	702,898	346,832
Common stock	1,495,077	1,323,981
Other	40	40
Total	<u>\$ 2,876,657</u>	<u>\$ 2,317,780</u>

### NOTE 4 - ACCOUNTS RECEIVABLE

The composition of accounts receivable at June 30, 2014 and 2013 is summarized as follows:

	2014	2013
Student receivables for fees and auxiliary services	\$ 23,077,532	\$ 27,581,255
Allowance for doubtful accounts	(2,281,044)	(2,533,536)
Grants - Federal, state, and local	727,172	951,329
Capital appropriations	65,000	173,786
Interest receivable	229	1,181
Other	82,978	54,759
Total	<u>\$ 21,671,867</u>	<u>\$ 26,228,774</u>

# Owens State Community College

## Notes to Financial Statements June 30, 2014 and 2013

### NOTE 5 - CAPITAL ASSETS

Capital assets consist of the following as of June 30, 2014:

The College has active construction projects resulting in total commitments to vendors of approximately \$39,600 and \$82,000 at June 30, 2014 and 2013, respectively.

	Balance June 30, 2013	Additions	Retirements/ Transfers	Balance June 30, 2014
Nondepreciated capital assets:				
Land	\$ 10,744,583	-	-	\$ 10,744,583
Construction in progress	413,684	1,700	(413,684)	1,700
Total nondepreciated capital assets	11,158,267	1,700	(413,684)	10,746,283
Depreciable capital assets:				
Land improvements	28,047,041	149,790	-	28,196,831
Buildings and improvements	107,275,874	2,589,755	413,684	110,279,313
Equipment	27,638,814	1,444,752	(155,891)	28,927,675
Total other capital assets	162,961,729	4,184,297	257,793	167,403,819
Less: Accumulated Depreciation	(84,005,142)	(6,210,889)	155,891	(90,060,140)
Total Depreciable Assets, net	78,956,587	(2,026,592)	413,684	77,343,679
Capital Assets, net	<u>\$ 90,114,854</u>	<u>(2,024,892)</u>	<u>-</u>	<u>\$ 88,089,962</u>

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

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

# Owens State Community College

## Notes to Financial Statements June 30, 2014 and 2013

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

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

### **NOTE 6 - DEBT**

In November 2012, the College entered into a lease agreement for Storage Area Network (SANS) equipment totaling \$1,077,095 with an interest rate of zero percent and a maturity date of November 2017.

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

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

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 percent and 6.024 percent, respectively, and are passed onto the College through the loan. The maturity dates for Series A and Series B are March 15, 2015 and March 15, 2019, respectively.

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



# Owens State Community College

## Notes to Financial Statements June 30, 2014 and 2013

Long-term liabilities consist of the following for the years ended June 30, 2014 and 2013:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014	Amount Due Within One Year
Compensated absences	\$ 2,476,221	\$ 12,642	\$ -	\$ 2,488,863	\$ 124,443
Notes and leases payable	5,962,323	-	1,554,196	4,408,127	1,180,572
Non-federal student loans	147,324	-	-	147,324	-

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013	Amount Due Within One Year
Compensated absences	\$ 2,507,407	\$ -	\$ 31,186	\$ 2,476,221	\$ 123,810
Notes and leases payable	6,273,615	1,077,095	1,388,387	5,962,323	1,555,701
Non-federal student loans	147,324	-	-	147,324	-

Schedule of maturities for the notes payable are as follows:

	Principal	Interest	Total
2015	\$ 761,000	\$ 70,638	\$ 831,638
2016	782,000	48,877	830,877
2017	797,000	33,555	830,555
2018	813,000	17,935	830,935
2019	310,000	4,534	314,534
Total	<u>\$ 3,463,000</u>	<u>\$ 175,539</u>	<u>\$ 3,638,539</u>

Schedule of maturities for the lease payables are as follows:

	Principal	Interest	Total
2015	\$ 419,572	\$ 2,543	\$ 422,115
2016	218,737	36	218,773
2017	215,419	-	215,419
2018	91,263	-	91,263
Total	<u>\$ 944,991</u>	<u>\$ 2,579</u>	<u>\$ 947,570</u>

Assets under capital leases are recorded in capital assets with cost of \$3,439,268 and \$3,674,464 and accumulated depreciation of \$712,378 and \$612,207 at June 30, 2014 and 2013, respectively.

# Owens State Community College

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## Notes to Financial Statements June 30, 2014 and 2013

### NOTE 7 - RETIREMENT BENEFITS

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

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

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#### State Employees Retirement System of Ohio

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

The 2014 and 2013 member contribution rates were 10 percent for members in state and local classifications. The 2014 and 2013 employer contribution rate for state employees was 14 percent of covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS's Retirement Board. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ended June 30, 2014, the allocation to pension and death benefits is 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds.

The College's total employer contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were \$2,391,988, \$2,966,632, and \$2,946,868, respectively, respectively, which equaled the required contributions each year.

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#### State Teachers Retirement System of Ohio

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

**Defined Benefit Plan (DB Plan)** - Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The maximum annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is determined by multiplying final average salary by 2.2 percent for the first

# Owens State Community College

## Notes to Financial Statements June 30, 2014 and 2013

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

**Defined Contribution Plan (DC Plan)** - Benefits are established under Sections 3307.80 to 3307.89 of the ORC. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. The remaining 3.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

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

The ORC provides statutory authority for employee and employer contributions. During 2014 and 2013, STRS employees contributed 10 percent of their salary to the plan and the College contributed 14 percent of covered payrolls to the plan. The College's total employer contributions to STRS for the years ended June 30, 2014, 2013 and 2012 were \$3,693,965, \$4,324,994, and \$4,436,854, respectively, which were equal to the required contributions each year.

# Owens State Community College

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## Notes to Financial Statements June 30, 2014 and 2013

### Alternative Retirement Plan

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

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

The ARP is a defined contribution plan under IRS Section 401(a). The College's total employer contribution to the ARP for the years ended June 30, 2014, 2013 and 2012 were \$212,729, \$235,678, and \$198,805, respectively.

### 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.

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#### State Employees Retirement System of Ohio

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SERS administers two postemployment benefit plans.

Medicare Part B Plan - The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation is .76%. The College's contributions for the years ended June 30, 2014, 2013, and 2012 were \$129,851, \$156,808 and \$157,868, respectively, which equaled the required contributions each year.

# Owens State Community College

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## Notes to Financial Statements June 30, 2014 and 2013

Health Care Plan - ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The College's contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$95,770, \$125,141 and \$419,272, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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### State Teachers Retirement System of Ohio

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STRS Ohio provides access to health care benefits to retirees who participated in the DB or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the ORC, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year ended June 2014, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund (latest information available). The College's contributions allocated to health care benefits for the years ended June 30, 2014, 2013, and 2012 were \$263,855, \$308,928 and \$316,918, respectively, which equaled the required contributions each year.

# Owens State Community College

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## Notes to Financial Statements June 30, 2014 and 2013

### 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, 2014 and 2013 were \$3,612,721 and \$3,132,969, respectively. The College received \$380,975 and \$581,045 from the Foundation in 2014 and 2013, respectively. The Foundation owed the College \$35,817 and \$80,422 as of June 30, 2014 and 2013, respectively. Complete financial statements for the Foundation can be obtained from Owens State Community College, 30335 Oregon Road, Perrysburg, OH 43551.

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

Investments: The following tables represent information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2014 and 2013 and the valuation techniques used by the Foundation to determine those fair values.

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

# Owens State Community College

## Notes to Financial Statements June 30, 2014 and 2013

Disclosures concerning assets measured at fair value are as follows:

### Fair Value Measurements at June 30, 2014

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2014
Mutual funds:				
Equity investments	\$ 702,898	\$ -	\$ -	\$ 702,898
Fixed income investments	678,642	-	-	678,642
Total mutual funds	1,381,540	-	-	1,381,540
Common stock:				
Consumer discretionary	274,490	-	-	274,490
Consumer staples	25,293	-	-	25,293
Energy/Utilities	151,003	-	-	151,003
Financial	263,019	-	-	263,019
Health care	215,948	-	-	215,948
Industrials	103,332	-	-	103,332
Materials	20,352	-	-	
Technology	368,493	-	-	
Telecommunication services	73,147	-	-	73,147
Total common stock	1,495,077	-	-	1,106,232
Money market mutual funds	295,157	-	-	295,157

# Owens State Community College

## Notes to Financial Statements June 30, 2014 and 2013

### Fair Value Measurements at June 30, 2013

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

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the years ended June 30, 2014 and 2013, there were no transfers between levels of the fair value hierarchy.

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

	2014	2013
Gifts and other donations available for:		
Library	\$ 12,504	\$ 12,504
Equipment and other program expenses	508,174	433,112
Scholarships	865,337	603,643
Total gifts and other donations	<u>\$ 1,386,015</u>	<u>\$ 1,049,259</u>

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

	2014	2013
Equipment and other program expenses	\$ 83,779	\$ 55,990
Scholarships	147,010	196,717
Total	<u>\$ 230,789</u>	<u>\$ 252,707</u>



# Owens State Community College

## Notes to Financial Statements June 30, 2014 and 2013

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

	2014	2013
Equipment and other program expenses	\$ 298,286	\$ 298,286
Scholarships	1,423,604	1,340,831
Total	<u>\$ 1,721,890</u>	<u>\$ 1,639,117</u>

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

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

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

# Owens State Community College

## Notes to Financial Statements June 30, 2014 and 2013

### Endowment Net Asset Composition by Type of Fund as of June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment	\$ -	\$ 807,339	\$ 1,721,890	\$ 2,529,229
(Quasi) Endowment	20,864	-	-	20,864
Total funds	<u>\$ 20,864</u>	<u>\$ 807,339</u>	<u>\$ 1,721,890</u>	<u>\$ 2,550,093</u>

### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of the year	\$ 17,713	\$ 511,538	\$ 1,639,117	\$ 2,168,368
Investment return:				
Investment income	1,028	118,561	1,869	121,458
Net appreciation	2,123	244,875	4,077	251,075
Total investment return	3,151	363,436	5,946	372,533
Contributions	-	1,895	76,827	78,722
Appropriation of endowment assets for expenditures	-	(44,957)	-	(44,957)
Administrative fees	-	(7,490)	-	(7,490)
Other changes - Transfers to other temporarily restricted funds	-	(17,083)	-	(17,083)
Endowment net assets - End of the year	<u>\$ 20,864</u>	<u>\$ 807,339</u>	<u>\$ 1,721,890</u>	<u>\$ 2,550,093</u>

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

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

# Owens State Community College

## Notes to Financial Statements June 30, 2014 and 2013

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

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

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

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

# Owens State Community College

## Notes to Financial Statements June 30, 2014 and 2013

### NOTE 10 - RISK MANAGEMENT

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

The College carries commercial insurance to cover various general liability risks, auto liability, property and boiler, and umbrella excess liability. The College believes in minimizing its risks through the procurement of the aforementioned coverage. Liabilities exceeding the umbrella excess and deductible amounts are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The amount of settlements has not exceeded insurance coverage for the years ended June 30, 2014, 2013, or 2012. Management believes those incurred but not reported claims, if any, are immaterial.

The College maintains a split-funded health insurance program. Prevention of catastrophic losses is maintained through both individual and aggregate stop-loss coverage. Stop loss per individual is \$150,000. The College's cost during the year for this program is for the payment of claims, third-party claims administration, and stop-loss coverage. The amount accrued at June 30, 2014 and 2013 for potential claims was \$550,000 and \$650,000, respectively.

The College is self-insured for workers' compensation with aggregate stop-loss coverage of \$350,000. The amount accrued at June 30, 2014 and 2013 for potential claims was \$150,000.

### NOTE 11 - FUNCTIONAL CLASSIFICATION OF EXPENSES

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

	2014	2013
Instructional and departmental research	\$ 42,650,681	\$ 48,308,734
Institutional research	291,562	366,854
Public service	2,504,545	3,686,459
Academic support	4,216,063	5,164,243
Student services	7,833,686	10,491,608
Institutional support	17,368,662	17,553,209
Operation and maintenance of plant	8,557,610	9,872,174
Scholarships and other student aid	2,342,059	5,414,625
Depreciation	6,210,891	5,893,928
Auxiliary enterprises - Net of scholarship allowances	7,979,308	9,707,727
Total operating expenses	<u>\$ 99,955,067</u>	<u>\$ 116,459,561</u>

## **Supplemental Information**

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**INDEPENDENT AUDITORS' 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  
Owens State Community College  
Perrysburg, 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 and discretely presented component unit of Owens State Community 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 October 14, 2014.

**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 opinions 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

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**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.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
October 14, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
Owens State Community College  
Perrysburg, Ohio

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

We have audited Owens State Community College's (the "College") compliance with the types of compliance requirements described in the *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 auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' 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.

**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.

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### **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.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
October 14, 2014

Owens State Community College  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Grant or Pass Through Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>			
<u>Title IV Program</u>			
<u>Student Financial Aid Cluster:</u>			
Federal Supplemental Educational Opportunity Grant	P007A133346	84.007	\$ 272,900
Federal College Work Study	P033A133346	84.033	381,332
Federal Pell Grant	P063P132779	84.063	23,571,329
Federal Direct Student Loans	P268K142779	84.268	<u>39,104,698</u>
Total Student Financial Aid Cluster			63,330,259
<u>TRIO Upward Bound</u>			
TRIO Upward Bound	N/A	84.047A	<u>289,398</u>
Total Title IV Program			63,619,657
<u>Title I Program</u>			
<i>Passed through State of Ohio Board of Regents</i>			
Vocational Education (Perkins II)	VECP3III-P01	84.048	<u>302,372</u>
Total Title I Program			302,372
<u>Adult Basic and Literacy Education (ABLE) Program</u>			
<i>Passed through State of Ohio Board of Regents</i>			
Adult Basic and Literacy Education	074864-AB-S1-13	84.002	448,736
Adult Basic and Literacy Education	074864-AB-SL-13	84.002	33,441
Adult Basic and Literacy Education - EL/Civics	074864-AB-S2-13	84.002	<u>36,125</u>
Total Adult Basic and Literacy Education Grants			518,302
<u>Tech Prep Education Program</u>			
<i>Passed through the University of Toledo</i>			
Technical Preparation	N/A	84.243	<u>14,241</u>
Total U.S. Department of Education			<u>64,454,572</u>
<u>U.S. Department of Labor</u>			
<i>Passed through the Cincinnati State Technical &amp; Community College</i>			
Trade Adjustment Assistance Community College & Career Training Grants - The Health Professions Pathways (H2P)	TC-22486-11-60-A-39	17.282	<u>555,271</u>
Total U.S. Department of Labor			<u>555,271</u>
<u>U.S. Department of Commerce</u>			
<i>Passed through Connected Nation and Connect Ohio</i>			
ARRA - Broadband Technology Opportunities -Public Adoption through Libraries (OPAL II) Every Community Online	N/A	11.557	<u>1,288</u>
Total U.S. Department of Commerce			<u>1,288</u>
<u>U.S. Department of State Bureau of Education and Cultural Affairs</u>			
<i>Passed through the Community Colleges for International Development</i>			
Community College Summit Initiative Program FY13	N/A	19.009	<u>6,362</u>
Total U.S. Department of State Bureau of Education and Cultural Affairs			<u>6,362</u>

(continued)

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

Owens State Community College  
Schedule of Expenditures of Federal Awards (continued)  
For the Year Ended June 30, 2014

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Grant or Pass Through Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>National Science Foundation</u>			
<i>Passed through Bowling Green State University</i>			
NSF - Set-Go: Science, Engineering & Technology Gateway Ohio	DUE-0757001	47.076	8,410
NSF - Set-Go Scholarships	DUE-0850026	47.076	5,625
Total NSF - Set-Go Programs			<u>14,035</u>
Total National Science Foundation			<u>14,035</u>
<u>U.S. Department of Transportation - Federal Motor Carrier Safety Administration (FMCSA)</u>			
Owens-Trainco Truck Driver Initiative	N/A	20.235	4,640
Total U.S. Department of Transportation			<u>4,640</u>
<u>National Endowment for the Humanities</u>			
America's Music: A Film History	N/A	45.164	171
Total National Endowment for the Humanities			<u>171</u>
<u>Environmental Protection Agency</u>			
<i>Passed through Harrisburg University of Science and Technology</i>			
STEM Mastery Through Great Lakes Stewardship: GLISTEN	NE 00E01029	66.951	2,219
Total Environmental Protection Agency			<u>2,219</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 65,038,558</u>
			(concluded)

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

# Owens State Community College

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## Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

### **NOTE – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Owens State Community College under programs of the federal government for the year ended June 30, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major program:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major program:	Unmodified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None noted

Identification of major program:

- Student Financial Aid Cluster:
  - CFDA# 84.007 – Supplemental Educational Opportunity Grant
  - CFDA# 84.033 – College Work Study
  - CFDA# 84.063 – Pell Grant
  - CFDA# 84.268 – Federal Direct Student Loans

Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial Statement Findings**

None noted

**Section III – Federal Awards Findings and Questioned Costs**

None noted

**Section IV – Summary of Prior Audit Findings and Questioned Costs**

2013-001 Bank Reconciliations for Health Reimbursement Accounts

*Condition:* The College did not have proper bank reconciliation procedures in place during the year for the health reimbursement accounts.

*Recommendation* – The auditor recommended preparing bank reconciliations for all bank accounts monthly to reconcile to the general ledger and that the general ledger is appropriately adjusted monthly for the health reimbursement activity. Management concurred with the recommendation and indicated that the procedures would be implemented

*Current Status:* Corrected



At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success.

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# Dave Yost • Auditor of State

**OWENS STATE COMMUNITY COLLEGE**

**WOOD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 13, 2014**