

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

Financial Report
with Additional Information
June 30, 2007 and 2006



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Owens State Community College, Wood County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2006 through June 30, 2007. 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.

Mary Taylor

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Auditor of State

November 2, 2007

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Owens State Community College

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Independent Auditor's Report

To the Board of Trustees
Owens State Community College

We have audited the accompanying statement of net assets of Owens State Community College (the "College") and its discretely presented component unit as of June 30, 2007 and 2006 and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Owens State Community College and its discretely presented component unit as of June 30, 2007 and 2006 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2007 on our consideration of Owens State Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

To the Board of Trustees
Owens State Community College

The management's discussion and analysis presented on pages 3 through 16 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

October 8, 2007

Owens State Community College

Management's Discussion and Analysis (Unaudited)

The management's discussion and analysis (MD&A) of Owens State Community College's (the "College") financial statements provide an overview of the College's operations for the fiscal years ended June 30, 2007, 2006, and 2005. Management has prepared this analysis, as well as the underlying financial statements and footnote disclosures, and is responsible for the completeness and fairness of the information.

Using this Annual Report

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

The financial statements report Owens State Community College's net assets and changes in them. Over time, increases or decreases in the College's net assets indicate whether the College's financial position is improving or declining. Similarly, other changes of a nonfinancial nature are relevant as well, such as trends in enrollment, program growth or decline, the functionality of facilities, and required maintenance.

The College's financial statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector institutions. All of the current revenues and expenses are taken into account regardless of when cash is received or paid.

Another important factor to consider when evaluating the College's financial viability is its ability to meet financial obligations as they mature. The statement of cash flows presents the information related to cash inflows and outflows summarized by operating, investing, capital, and noncapital financing activities and illustrates the College's sources and uses of cash.

Financial Highlights

The net assets by category for fiscal years 2007, 2006, and 2005 are shown below. In the aggregate, the net assets increased by \$2.5 million from fiscal year 2006.

	<u>Invested in Capital Assets</u>	<u>Restricted (for Loans)</u>	<u>Unrestricted</u>	<u>Total Net Assets</u>
FY 2007	\$ 72,764,560	\$ 106,676	\$ 22,428,170	\$ 95,299,406
FY 2006	70,563,284	106,676	22,085,499	92,755,459
FY 2005	69,204,918	106,676	18,840,545	88,152,139

It should be noted that, previously, expenditures of a capital nature were capitalized if over \$500, and depreciation was not calculated. Beginning with fiscal year 2002, and in compliance with GASB 34, depreciation was calculated. Also, beginning with fiscal year 2002, only items greater than \$5,000 were capitalized.

Owens State Community College

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

A summarization of the College's assets, liabilities, and net assets at June 30, 2007, 2006, and 2005 follows:

	2007	2006	2005
Assets:			
Current assets	\$ 48,047,018	\$ 44,759,580	\$ 41,769,474
Capital assets	73,165,772	71,142,572	69,954,071
Notes receivable	38,364	649,710	791,888
Total assets	121,251,154	116,551,862	112,515,433
Liabilities:			
Current liabilities	23,197,296	20,463,672	21,678,379
Noncurrent liabilities	2,754,452	3,332,731	2,684,915
Total liabilities	25,951,748	23,796,403	24,363,294
Net assets:			
Invested in capital assets - Net of debt	72,764,560	70,563,284	69,204,918
Restricted	106,676	106,676	106,676
Unrestricted	22,428,170	22,085,499	18,840,545
Total net assets	\$ 95,299,406	\$ 92,755,459	\$ 88,152,139

Phase II of the Findlay Campus was completed and moved from construction in progress to asset. The Center for Emergency Preparedness is still in progress at the end of 2007. Also work is in progress on the maintenance and safety building in Findlay.

Current assets increased from 2006 to 2007 by \$3.2 million largely as the result of an increase in investments of \$3.2 million and an increase in accounts receivable of \$1.6 million offset by a decrease in deferred charges of \$1.2 million. Capital assets increased due to continued investments on campus. Current liabilities increased due to continuing increases in vacation and sick pay accruals. Current liabilities also increased due to unpaid taxes on wages at year end due to the last payroll being on the last day of the fiscal year. The noncurrent liabilities decreased due to the liquidation procedures for Perkins loans. The government has taken almost all outstanding loans on assignment. The closing procedure and audit will be completed in 2008.

Current assets increased from 2005 to 2006 by \$3.0 million primarily due to an increase in cash and cash equivalents. Capital assets increased \$1.1 million due to continued investment on campus. Current liabilities decreased \$1.2 million primarily due to a decrease in accounts payable. Noncurrent liabilities increased due to an increase in benefits payable.

Owens State Community College

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

A summarization of the College's revenues, expenses, and changes in net assets for the years ended June 30, 2007, 2006, and 2005 follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating Revenues			
Student tuition and fees	\$ 23,260,468	\$ 22,251,794	\$ 19,424,306
Grants - Federal, state, local	21,479,922	21,365,059	23,215,635
Sales and service	93,198	67,895	213,933
Auxiliary activities	8,344,801	7,950,348	7,870,471
Other operating revenues	<u>728,172</u>	<u>2,257,372</u>	<u>570,688</u>
Total operating revenues	53,906,561	53,892,468	51,295,033
Operating Expenses			
Educational and general:			
Instructional and departmental research	44,664,134	40,534,383	38,197,097
Institutional research	207,887	194,209	186,255
Public service	2,415,467	2,083,089	2,179,889
Academic support	4,629,497	3,998,235	3,805,706
Student services	6,793,900	6,341,760	6,301,234
Institutional support	12,975,727	13,559,943	11,802,358
Operation and maintenance of plant	9,933,679	9,475,132	10,134,172
Scholarships and other student aid	2,714,419	3,081,593	2,970,027
Depreciation	3,815,813	4,033,400	3,496,847
Auxiliary enterprises	<u>7,940,242</u>	<u>8,216,435</u>	<u>6,621,092</u>
Total operating expenses	<u>96,090,765</u>	<u>91,518,179</u>	<u>85,694,677</u>
Operating Loss	(42,184,204)	(37,625,711)	(34,399,644)
Nonoperating Revenues			
State appropriations	39,883,175	38,049,111	36,743,493
Other nonoperating revenues and expenses	<u>1,236,281</u>	<u>803,490</u>	<u>535,022</u>
Total nonoperating revenues	<u>41,119,456</u>	<u>38,852,601</u>	<u>37,278,515</u>
Income (Loss) Before Other Revenues and Expenses	(1,064,748)	1,226,890	2,878,871
Capital Appropriations and Grants	<u>3,608,695</u>	<u>3,376,430</u>	<u>4,935,946</u>
Increase in Net Assets	2,543,947	4,603,320	7,814,817
Net Assets - Beginning of year	<u>92,755,459</u>	<u>88,152,139</u>	<u>80,337,322</u>
Net Assets - End of year	<u>\$ 95,299,406</u>	<u>\$ 92,755,459</u>	<u>\$ 88,152,139</u>

Owens State Community College

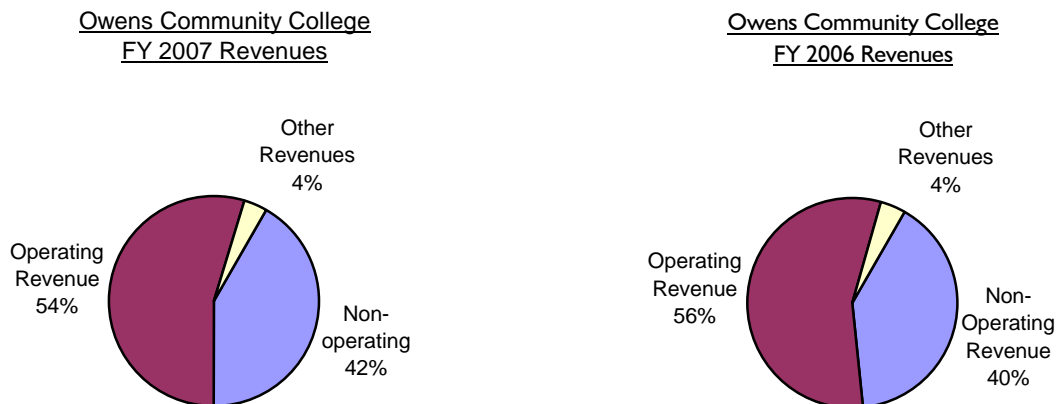
Management's Discussion and Analysis (Continued) (Unaudited)

Statement of Revenues, Expenses, and Changes in Net Assets

The College converted from a technical college to a state community college in 1994. Since that date, enrollment has increased by 122 percent and the FTE (full-time equivalent) increased by 120.6 percent. For the fall semester 2007, the headcount of 20,425 represented a 6.5 percent increase; for the fall semester 2006, the headcount of 19,176 represented a 6.0 percent increase, while for the fall semester 2005, the headcount of 20,406 represented a 1.21 percent increase. The FTEs for fall 2007, 2006, and 2005 were 5,833, 5,319, and 5,833, respectively, and represented an increase of 9.7 percent, a decrease of 8.8 percent, and an increase of 3.4 percent, respectively.

The College's two major sources of revenue are tuition and fees - operating revenue, and the State's share of instruction - nonoperating revenue. Both types of revenue are tied to enrollment, with tuition and fees being generated via an assessment mechanism, which focuses on individual credit hours of enrollment. In contrast, the State's share of instruction is calculated using a methodology that aggregates credit hours from similar programs into categories referred to as general, technical, baccalaureate, masters and professional, and doctoral and medical. Each of these groupings is then assigned a value based on historical cost. This value, less an assumed charge for the College's tuition and fees, provides a net value, which is then factored by the College's FTE (full-time equivalent) students in that program (Hours/30) to arrive at the monies due the College for the State's share of instruction.

The charts set forth below present total revenues by category for the fiscal years ended June 30, 2007 and 2006:

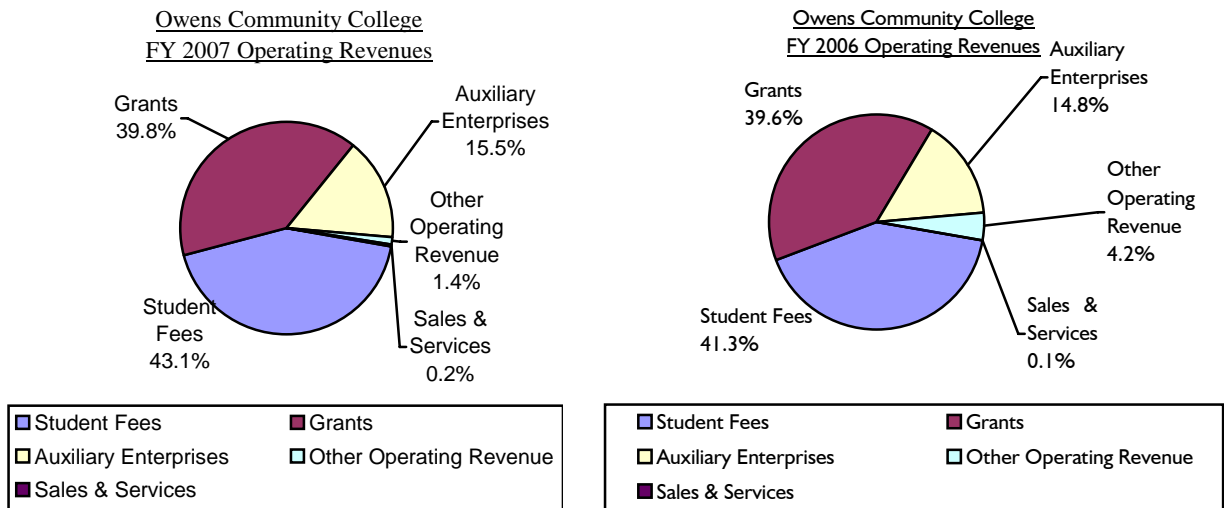


Owens State Community College

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

Operating Revenue

The charts set forth below reflect the College's operating revenue for the fiscal years ended June 30, 2007 and 2006:



The College fee that students were assessed on a per credit hour basis for summer 2003 (fiscal year 2004) was \$100.75. Effective for summer 2004 (fiscal year 2005), the per credit hour fee was increased to \$110, reflecting a \$6.00 per credit hour increase in the instructional fee and a \$3.25 per credit hour increase in the general fee. The general fee provides for non-instructional services such as student activities, library privileges, and technology. Presently, the College has allocated a portion of the general fees for technology initiatives. Effective for summer 2005 (fiscal year 2006), the per credit hour fee was increased to \$116, reflecting a \$6.00 per credit hour increase in the instructional fee only. For fall 2006, the credit hour increased to \$122.50. An additional increase of \$.50 to the general fee was made for a new student organization support.

The recent increases in tuition were due to the fact that the State of Ohio slightly increased the College's share of instruction by 3.3 percent during the last four fiscal years. This share of instruction has remained the same for this year. During this same time period, the College grew by 38.7 percent in FTEs. The board of trustees and administration were jointly concerned as to the potential negative impact that faced the budget without the increase in tuition.

Auxiliary service activities (including food services, bookstore operations, childcare services, Center for Fine and Performing Arts, advertising, communications, and copy center) increased primarily due to additional textbook sales.

Owens State Community College

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

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 and access challenge funds amounted to \$39,883,175, \$38,049,111, and \$36,743,493 in fiscal years 2007, 2006, and 2005, respectively. The amount allocated for fiscal year 2008 is \$37,811,083.

Another component of nonoperating revenue is investment income. Interest rates have increased due to the change in investments in 2007, 2006, and 2005. The increase in investment earnings almost doubled from 2004-2005 and was up significantly again in 2005-2006. The trend has continued in 2006-2007.

Operating Expense Changes

The College's revenues and operating expenses are closely linked to student enrollment changes. However, due to inflationary increases for fuel, utilities, and insurance and wage increases, the increase in expenses was higher than revenues. With the exception of institutional support, scholarships, and auxiliary enterprises, most areas experienced growth of 7 percent to 15 percent.

The depreciation expense for fiscal years 2007, 2006, and 2005 was \$3,815,813, \$4,033,400, and \$3,496,847, respectively.

Capital Assets

At June 30, 2007, 2006, and 2005, the College had \$73,165,772, \$71,142,572, and \$69,954,071, respectively, invested in capital assets.

The details of the capital assets at June 30, 2007, 2006, and 2005 are shown below:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Land and land improvements	\$ 13,132,678	\$ 12,944,377	\$ 12,874,731
Buildings	88,236,918	83,513,393	71,735,667
Equipment	19,784,876	19,270,889	18,039,728
Less accumulated depreciation	<u>(55,095,690)</u>	<u>(51,297,477)</u>	<u>(50,458,211)</u>
Net of depreciation	66,058,782	64,431,182	52,191,915
Construction in progress	<u>7,106,990</u>	<u>6,711,390</u>	<u>17,762,156</u>
Totals	<u>\$ 73,165,772</u>	<u>\$ 71,142,572</u>	<u>\$ 69,954,071</u>

Debt associated with capital assets is of a trade payable nature and notes payable for the purchase of a new telephone system in 2005. The outstanding balance for FY2007 is \$401,212, of which \$214,529 is long term.

Owens State Community College

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

Capital Projects

Several capital projects were completed in fiscal year 2007. On the Findlay Campus, the \$4.2 million Community Education and Wellness Center was dedicated on March 7, 2007. This project was partially supported by state funding in the amount of \$3,160,268. Adjacent to the Education Center, the 24,772 square foot facility includes a five-tiered academic classroom with seating for over 150 people, two academic multipurpose laboratories/shop bays and two computer laboratories. Wireless Internet access is available throughout the academic complex. Serving as a venue for the College and community-oriented activities, at the center of the Community Education and Wellness Center is the 6,522 square foot Activities Center. The Activities Center offers on-site catering services and can accommodate over 1,300 people, banquet seating for 375, and theater seating for 500. Providing cardiovascular and fitness exercise is the 1,235 square foot Wellness Center which is open to College students, employees, alumni, and for a minimal cost, community members.

The preliminary design phase and ongoing site preparation for the new Findlay Maintenance and Security Building took place during fiscal year 2006, with construction completed in 2007. The overall budget for this building was projected at \$405,000. The completed cost was \$505,804. This building is comprised of three sections with typical pole building construction with pole framing, wood trusses, steel siding, and steel roof sheeting. The center section is approximately 5,500 square feet with 16-foot sidewalls and is used primarily for storage and as a workshop area. The west section, which is approximately 2,000 square feet in area, is a security station with offices, restrooms, and locker rooms. The east section is a maintenance office with basically the same layout and area as the West section.

The \$20.5 million Center for Emergency Preparedness was formally dedicated on April 29, 2007. The purpose of this 110-acre training site is to provide full-size training props for first responders to practice rescue and recovery maneuvers in a controlled environment. Construction originated in October 2004 with the implementation of several phases to be coordinated over the next five years.

Phase I of this project, which included general land improvements along with the installation of water and gas lines, roads, parking lots, a driving pad, security fencing, and fiber-optic cable, was budgeted at \$3,384,000. This phase was completed in the fall of 2005 at a total cost of \$3,129,871.

Phase II construction of the Center was completed in fiscal year 2007 and features full-size state-of-the-art training props and simulators. These include a mobile fire behavior lab, a five-story burn building, a tank truck fire simulator, a stationary fuel tank fire simulator, a collapsed building rescue simulator, a confined space rescue simulator, an automobile fire simulator, a skills/skid pad, a dive and rescue pond, a rail car rescue simulator, a vehicle extrication field, and an aircraft rescue simulator. Also included is a mock city with a gas station, a bank, and residential search and rescue structures. Plans for remaining phases include a fuel spill simulator, an aircraft fire simulator, a railroad tank car fire simulator, and rail and truck hazardous material simulators.

Owens State Community College

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

Initiatives

Budget

The budget process for Owens State Community College is currently transitioning to an open, transparent, comprehensive budget system that provides for direct communication and implementation of all college financial operations. In spring of 2006, a review committee was formed to investigate how the Owens State Community College budget process works. In spring of 2007, the committee presented the following recommendations to President's Cabinet:

1. Hard copy departmental budgets will be distributed to budget authorities at regular intervals and electronic access will be enhanced.
2. Ongoing required training will be provided for budget authorities and will include technology review and budget analysis.
3. Levels of accountability and responsibility for the departmental and college-wide budgets will be established.
4. A two-year budget cycle will be aligned with the three-year AQIP cycles, beginning in 2007.
5. A permanent Budget Advisory Council will be appointed to continue aligning allocations of institutional resources with strategic planning initiatives, establishing and maintaining public access to the annual budget report via the Library and the College's public website, and documenting the budget process and communicating to the College community, the fiscal year budget approved by the board of trustees.

In developing the College's FY2008 budget, an open, transparent and collaborative process was implemented. Information on various components was received from many areas of the College. Those collaborating areas and the information provided included:

- Prior and current year enrollment data prepared by Institutional Research
- Potential growth in Full Time Equivalents provided by the Provost and Deans
- Growth percentages agreed upon for both campuses by the Provost, Deans, and Business Affairs
- Tuition, general fee, State Share of Instruction and lab fees calculated by the Business Affairs Office
- Prior year expenses analyzed by the Director of Finance and Financial Analyst
- Insurance and maintenance contract costs provided by Procurement
- Except for inflationary increases of 13% for utilities and insurance, expenses based on a three-year average (2004 - 2006) of actual expenses with some accounts being adjusted based upon unique department requirements
- Salary, fringe benefits, healthcare costs, and union contract items provided by human resources
- The unrestricted General Fund budget reviewed and approved by the Budget Process Committee

Owens State Community College

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

Meetings were held with each department director and their budget authorities to review and explain individual budgets as well as the College's budget as a whole. The unrestricted General Fund budget was then presented to President's Council. Open positions and requested positions were taken to President's Cabinet with Cabinet reviewing and approving positions to be filled for the budget year. The final draft of the budget was reviewed and approved by the president, then taken to the board of trustees finance committee for their approval. The final budget was then approved by the board of trustees.

Grants

In September 2006, Owens was awarded the largest grant received in its 41-year history. The five-year grant, totaling \$1,647,756, is a Title III, Part A, Strengthening Institutions Grant from the U.S. Department of Education Office of Postsecondary Education. The grant, which spans FY07 through FY11, will be used to enhance and expand educational resources designed to support student success.

Highlighted goals include fostering a strong student connection with the College that begins prior to the first day of class, continuing the connection during a student's tenure at the College, and implementing a comprehensive process for assessing the student-learning outcomes. Supplemental instructional tutors for developmental and at-risk students are to be added as part of the grant. Training will be provided for 20 faculty members at the National Academic Advising Institute; an additional 20 faculty members will receive training at the First Year Experience Institute and 42 faculty and advisors will receive training to become knowledgeable with the features of Web-based advising.

Owens State Community College

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

Pending Capital Endeavors

FY 2007-2008 Capital Biennium

Penta Career Center Property Acquisition

The scope of this project is to formally purchase the leased 27 acres of land forming the original Owens Campus site, which will finally complete the legal separation between the vocational high school and the College that was initiated in 1966. This property purchase will expand the campus boundaries with the acquisition of the neighboring 28-acre Penta Career Center property and educational facilities totaling 309,629 gross square feet. It would be desirable to have an executed land purchase agreement by November 2007 to award construction contracts for some renovations to the facilities by May 2008 and phased in renovation of the facility over the next three years as enrollment demands dictate.

TABLE I	
Campus Expansion – Penta Property Acquisition	
State Funding Requested	\$12,000,000
Local Funds Estimated	\$575,000
Total Project Budget Estimate	\$12,575,000
Property Purchase	55 Acres
Educational Facilities	309,629 SF

Center for Emergency Preparedness, Phase III

Phase III calls for local funding of a 40,000 square foot, pre-engineered structure with a layout for classrooms, locker rooms, offices, and a high-bay training area for fire truck hook and ladder exercises with an interior three-story mock-up building. The facility will also provide a secured area for safety vehicles and equipment.

TABLE 2	
Center for Emergency Preparedness, Phase III	
State Funding Pending	\$493,940
Local Funds Estimated	\$3,506,060
Total Project Budget Estimate	\$4,000,000
Facility Space	40,000 GSF

Owens State Community College

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

Cash Flows

Information on the cash flows of the College for the years ended June 30, 2007, 2006, and 2005 follows:

	Year Ended June 30		
	2007	2006	2005
Cash Flows from Operating Activities			
Student tuition and fees	\$ 23,282,612	\$ 22,587,221	\$ 20,437,859
Grants - Federal, state, local	21,435,008	21,203,504	24,237,788
Payments to employees, suppliers, students, and others	(89,927,014)	(88,181,367)	(83,678,162)
Auxiliary enterprises	8,338,097	7,988,532	7,879,999
Sales and services	93,198	67,895	213,933
Other receipts	426,069	1,354,898	680,766
Net cash used in operating activities	(36,352,030)	(34,979,317)	(30,227,817)
Cash Flows from Noncapital Financing Activities -			
State appropriations	39,883,175	38,049,111	36,743,493
Cash Flows from Capital and Related Financing Activities			
Proceeds from sale of Findlay property	-	3,064,935	-
Proceeds from notes payable	-	-	896,319
Principal payments on notes payable	(178,076)	(169,864)	(147,167)
Capital appropriations and grants	4,357,290	3,376,430	5,958,099
Purchases of capital assets	(5,839,013)	(8,286,836)	(12,807,346)
Net cash used in capital and related financing activities	(1,659,799)	(2,015,335)	(6,100,095)
Cash Flows from Investing Activities			
Interest on investments	1,222,983	803,490	535,022
Purchase of investments	(7,135,395)	(3,075,041)	(6,261,093)
Proceeds from sale and maturity of investments	3,872,413	4,082,590	4,480,811
Net cash provided by (used in) investing activities	(2,039,999)	1,811,039	(1,245,260)
Net Increase (Decrease) in Cash	(168,653)	2,865,498	(829,679)
Cash - Beginning of year	13,851,083	10,985,585	11,815,264
Cash - End of year	<u>\$ 13,682,430</u>	<u>\$ 13,851,083</u>	<u>\$ 10,985,585</u>

Owens State Community College

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

Cash Flows (Continued)

	Year Ended June 30		
	2007	2006	2005
Reconciliation of net operating loss to net cash from operating activities:			
Operating loss	\$ (42,184,204)	\$ (37,625,711)	\$ (34,399,644)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	3,815,813	4,033,400	3,496,847
Changes in assets and liabilities:			
Receivables - Net	(1,585,722)	(688,762)	503,318
Inventories	75,592	(27,000)	51,090
Prepaid expenses and deferred charges	1,193,070	(274,217)	239,114
Notes receivable - Net			(123,482)
Accounts payable	1,118,341	(933,163)	(709,835)
Salaries, wages, and benefits payable	1,154,005	263,575	738,367
Deferred revenue	751,280	201,731	326,807
Federal and non-federal student loans payable	(707,515)	64,215	20,641
Deposits held for others	17,310	6,615	(371,040)
Net cash used in operating activities	<u>\$ (36,352,030)</u>	<u>\$ (34,979,317)</u>	<u>\$ (30,227,817)</u>

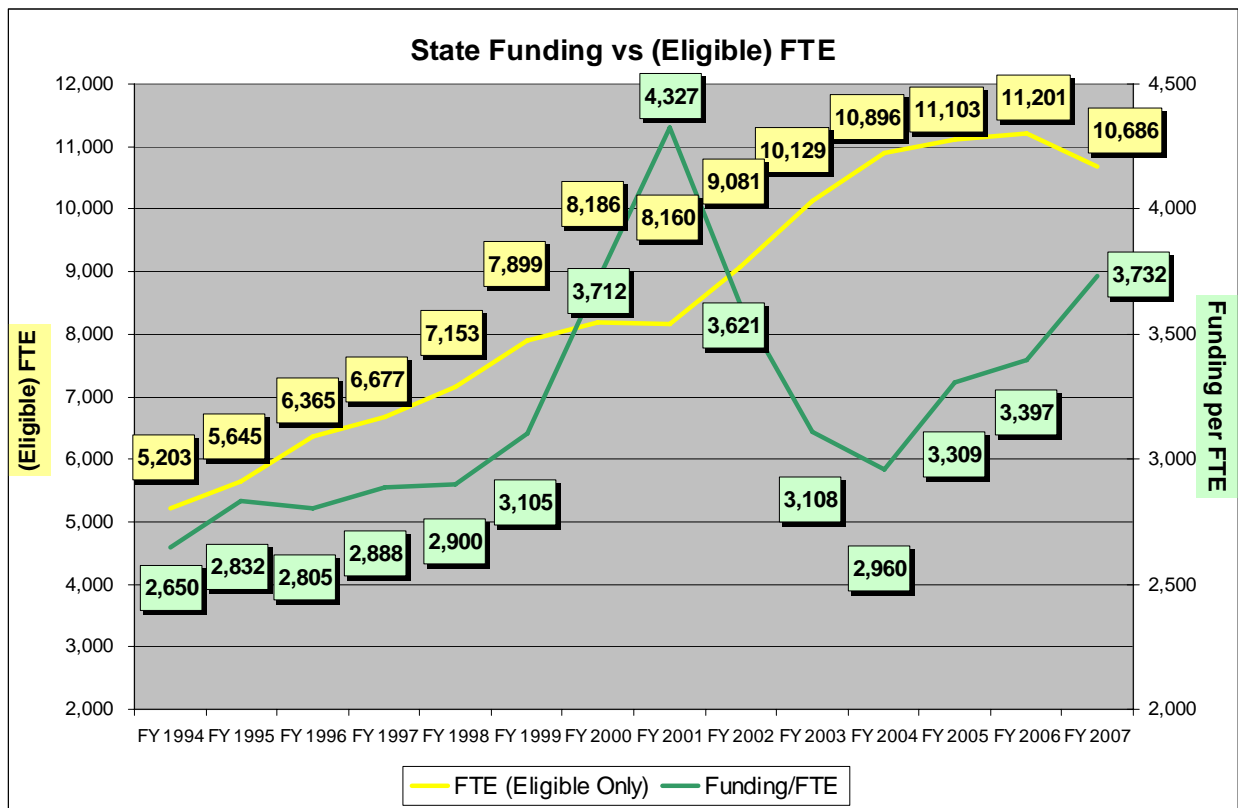
Cash used in operating activities was 3.9 percent higher this year; however, the overall cash position remained relatively the same. A 4.8 percent increase in state appropriations added to cash flow. With the completion of the Findlay campus construction, cash used in capital and related financing activities decreased. To capitalize on higher interest yields, additional cash was invested in governmental securities, which increased net cash used in investments.

Owens State Community College

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

Factors Affecting the Future

The going trend for community colleges over the last several years has been to reduce expenditures and operate in a very conservative environment. A strong desire not to raise tuition in conjunction with receiving a relatively stable state subsidy has led to increased concerns regarding long-term funding and future operations. Owens State Community College has seen significant growth in both student enrollment and the associated FTEs. Since 1994, enrollment has increased 122 percent and the corresponding FTEs have increased by 120.6 percent. With this exceptional growth, the need for state support to increase in unison becomes even more critical. As shown below, the College's peak period of state funding occurred in fiscal years 2000 and 2001, when the State incorporated additional subsidies through the Access Challenge program. Since that time, however, the funding has greatly diminished in conjunction with the increase in FTEs and overall enrollment.



Owens State Community College

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

To help alleviate this dramatic margin, the College has instituted increases in fees following state guidelines and caps. There has also been a slight increase in interest rates, allowing more lucrative investments and planning opportunities. Grants and other restricted sources of revenue have been actively pursued and sometimes successfully awarded. This in essence indicates the College's strong desire to seek alternative funding and not remain static in the pursuit of other options. With the approval of the biennium budget for FY2008 and FY2009, the governor and Ohio Legislature have provided a significant increase in the state share of instruction of higher education. With a 5% increase in FY2008 and a 10% increase in FY2009, a tuition freeze for the two-year period has also been implemented. This commitment by the State is a strong first step in fostering financial stability as well as pricing higher education so that more individuals will have an opportunity to attain a higher educational degree.

Owens State Community College

Statement of Net Assets

	Year Ended June 30	
	2007	2006
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 13,682,430	\$ 13,851,083
Investments (Note 2)	9,785,564	6,522,582
Accounts receivable - Net (Note 3)	22,140,020	20,504,625
Receivable from Foundation	78,755	144,494
Prepaid expenses and deferred charges	1,440,518	2,633,588
Deposits	22,005	22,005
Inventories	890,956	966,548
Student loans receivable - Net (Note 4)	6,770	114,655
Total current assets	48,047,018	44,759,580
Noncurrent Assets		
Capital assets - Net (Note 10)	73,165,772	71,142,572
Student loans receivable - Net (Note 4)	38,364	649,710
Total noncurrent assets	73,204,136	71,792,282
Total assets	<u>\$ 121,251,154</u>	<u>\$ 116,551,862</u>
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable (Note 5)	\$ 2,580,930	\$ 1,462,589
Notes payable (Note 13)	186,683	178,075
Salaries, wages, and fringe benefits payable	5,170,198	4,332,113
Deferred revenue	15,130,836	14,379,556
Deposits held for others	128,649	111,339
Total current liabilities	23,197,296	20,463,672
Noncurrent Liabilities:		
Benefits payable (Note 13)	2,303,116	1,987,196
Notes payable (Note 13)	214,529	401,213
Federal student loans (Note 13)	89,483	796,998
Non-federal student loans (Note 13)	147,324	147,324
Total noncurrent liabilities	2,754,452	3,332,731
Total liabilities	25,951,748	23,796,403
Net Assets		
Invested in capital assets	72,764,560	70,563,284
Restricted for expendable assets (Note 14)	106,676	106,676
Unrestricted (Note 14)	22,428,170	22,085,499
Total net assets	95,299,406	92,755,459
Total liabilities and net assets	<u>\$ 121,251,154</u>	<u>\$ 116,551,862</u>

Owens State Community College

Statement of Revenues, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2007	2006
Revenues		
Operating revenues:		
Student tuition and fees - Net of scholarship allowances of \$18,208,513 (2007); \$17,710,553 (2006)	\$ 23,260,468	\$ 22,251,794
Grants - Federal, state, local	21,479,922	21,365,059
Sales and services	93,198	67,895
Auxiliary enterprises - Net of scholarship allowances of \$402,389 (2007); \$413,445 (2006)	8,344,801	7,950,348
Other operating revenues	728,172	2,257,372
Total operating revenues	53,906,561	53,892,468
Operating expenses:		
Educational and general:		
Instructional and departmental research	44,664,134	40,534,383
Institutional research	207,887	194,209
Public service	2,415,467	2,083,089
Academic support	4,629,497	3,998,235
Student services	6,793,900	6,341,760
Institutional support	12,975,727	13,559,943
Operation and maintenance of plant	9,933,679	9,475,132
Scholarships and other student aid	2,714,419	3,081,593
Depreciation	3,815,813	4,033,400
Auxiliary enterprises - Net of scholarship allowances	7,940,242	8,216,435
Total operating expenses	96,090,765	91,518,179
Operating Loss	(42,184,204)	(37,625,711)
Nonoperating Revenues		
State appropriations	39,883,175	38,049,111
Investment income	1,236,281	803,490
Net nonoperating revenues	41,119,456	38,852,601
(Loss) Income Before Other Revenues	(1,064,748)	1,226,890
Other Revenues		
Capital appropriations	3,564,695	3,332,430
Capital grants	44,000	44,000
Total other revenues	3,608,695	3,376,430
Increase in Net Assets	2,543,947	4,603,320
Net Assets		
Beginning of year	92,755,459	88,152,139
End of year	<u>\$ 95,299,406</u>	<u>\$ 92,755,459</u>

Owens State Community College

Statement of Cash Flows

	Year Ended June 30	
	2007	2006
Cash Flows from Operating Activities		
Student tuition and fees	\$ 23,282,612	\$ 22,587,221
Grants - Federal, state, local	21,435,008	21,203,504
Payments to employees, suppliers, students, and others	(89,927,014)	(88,181,367)
Auxiliary enterprises	8,338,097	7,988,532
Sales and services	93,198	67,895
Other receipts	426,069	1,354,898
Net cash used in operating activities	(36,352,030)	(34,979,317)
Cash Flows from Noncapital Financing Activities -		
State appropriations	39,883,175	38,049,111
Cash Flows from Capital and Related Financing Activities		
Proceeds from sale of Findlay property	-	3,064,935
Principal payments on notes payable	(178,076)	(169,864)
Capital appropriations and grants	4,357,290	3,376,430
Purchases of capital assets	(5,839,013)	(8,286,836)
Net cash used in capital and related financing activities	(1,659,799)	(2,015,335)
Cash Flows from Investing Activities		
Interest on investments	1,222,983	803,490
Purchase of investments	(7,135,395)	(3,075,041)
Proceeds from sale and maturity of investments	3,872,413	4,082,590
Net cash (used in) provided by investing activities	(2,039,999)	1,811,039
Net (Decrease) Increase in Cash	(168,653)	2,865,498
Cash - Beginning of year	13,851,083	10,985,585
Cash - End of year	\$ 13,682,430	\$ 13,851,083

Owens State Community College

Statement of Cash Flows (Continued)

	Year Ended June 30	
	2007	2006
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (42,184,204)	\$ (37,625,711)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	3,815,813	4,033,400
Changes in assets and liabilities:		
Receivables - Net	(1,585,722)	(688,762)
Inventories	75,592	(27,000)
Prepaid expenses and deferred charges	1,193,070	(274,217)
Accounts payable	1,118,341	(933,163)
Salaries, wages, and benefits payable	1,154,005	263,575
Deferred revenue	751,280	201,731
Federal and non-federal student loans payable	(707,515)	64,215
Deposits held for others	17,310	6,615
Net cash used in operating activities	<u>\$ (36,352,030)</u>	<u>(34,979,317)</u>

Cash paid for interest in 2007 and 2006 was \$23,573 and \$31,784, respectively.

Owens State Community College

Balance Sheet Discretely Presented Component Unit Foundation

		June 30	
		2007	2006
Assets			
Cash and cash equivalents		\$ 500,053	\$ 625,611
Accounts receivable		4,000	-
Investments (Note 2)		1,652,296	1,365,484
Pledges receivable		141,251	200,072
	Total assets	\$ 2,297,600	\$ 2,191,167
Liabilities and Net Assets			
Liabilities			
Accounts payable		\$ -	\$ 160
Due to Owens State Community College		78,755	144,481
Deferred revenue		4,402	59,872
Funds in custody (Agency Funds)		87,411	85,752
	Total liabilities	170,568	290,265
Net Assets			
Unrestricted		237,726	259,094
Temporarily restricted		933,263	757,183
Permanently restricted		956,043	884,625
	Total net assets	2,127,032	1,900,902
	Total liabilities and net assets	\$ 2,297,600	\$ 2,191,167

Owens State Community College

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

	Year Ended June 30	
	2007	2006
Revenue and Support		
Donations received	\$ 203,874	\$ 409,780
Other revenue	55,470	99,773
Investment income:		
Interest and dividend income	65,989	75,526
Unrealized gain on investments	163,251	29,931
Realized gain on investments	59,417	96,311
Total revenue and support	548,001	711,321
Expenses		
Program services:		
Scholarships	97,398	69,650
Equipment grant	93,132	121,491
Outside grants expense	55,470	99,773
Other program services	45,028	37,311
Total program services	291,028	328,225
Management and general	30,843	31,379
Total expenses	321,871	359,604
Increase in Net Assets	226,130	351,717
Net Assets		
Beginning of year	1,900,902	1,549,185
End of year	<u>\$ 2,127,032</u>	<u>\$ 1,900,902</u>

Owens State Community College

Notes to Financial Statements June 30, 2007 and 2006

(I) Summary of Significant Accounting Policies

(a) Organization

Owens State Community College (the "College") was created pursuant to Section 3357 of the Ohio Revised Code. In November 1994, the Ohio Board of Regents approved changing the status of the College from a technical college to a community college, pursuant to Section 3358 of the Ohio Revised Code. Subsequent to June 30, 1994, the College changed its legal name to Owens State Community College but operates under the name Owens State Community College. 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 (the "State"). The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include those activities and functions over which the College is financially accountable.

The Owens State Community College Foundation is being discretely reported as part of the College's reporting entity (although it is legally separate and governed by its own board of directors) because its sole purpose is to provide support for the College. This is being done in accordance with GASB Statement No. 39. Separate statements for the Foundation may be obtained through the State of Ohio Auditor's website.

(b) Financial Statement Presentation

The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America for publicly owned colleges and universities, and are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The College follows the "business-type" activities requirements of GASB Statement No. 34. This approach requires the following components of the College's financial statements:

- Management's discussion and analysis
- Basic financial statements, including a statement of net assets, statement of revenues, expenses, and changes in net assets, and a statement of cash flows for the College as a whole
- Notes to the financial statements

Owens State Community College

Notes to Financial Statements June 30, 2007 and 2006

(I) Summary of Significant Accounting Policies (Continued)

GASB Statement No. 34 established standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets
- Restricted net assets - expendable: Net assets whose use by the College is subject to externally imposed constraints that can be fulfilled by actions of the College pursuant to those constraints or that expire by the passage of time
- Unrestricted: Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the board of trustees (the "Board") or may otherwise be limited by contractual agreements with outside parties

(c) Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and demand deposits with banks. For purposes of the statement of cash flows, the College considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

(e) Investments

All investments are stated at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments in publicly traded securities are stated at fair value as established by major securities markets. Non-publicly traded investments are valued based on independent appraisals and estimates considering market prices of similar investments. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets.

Owens State Community College

Notes to Financial Statements June 30, 2007 and 2006

(I) Summary of Significant Accounting Policies (Continued)

(f) Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts.

(g) Inventories

Inventories consist principally of merchandise in the College's bookstores and are stated at the lower of cost or market (net realizable value) using the first-in, first-out (FIFO) method.

(h) Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings that exceed 5 percent of the cumulative building cost are capitalized. Infrastructure and improvements other than to buildings are capitalized if the cost exceeds \$100,000. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally as follows:

Land improvements	5 to 10 years
Buildings	40 years
Building improvements	15 to 20 years
Equipment	5 to 10 years
Computers, hardware, and software	3 to 10 years
Vehicles	5 years
Furniture and accessories	5 to 10 years

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts.

(i) Deferred Revenue

Deferred revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Owens State Community College

Notes to Financial Statements June 30, 2007 and 2006

(l) Summary of Significant Accounting Policies (Continued)

(j) Compensated Absences

College employees accumulate sick leave at a rate of 15 days per year. It is the policy of the College that, upon retirement from the College, an employee with 10 years or more of service may receive one-fourth of his or her accumulated unused sick leave up to a maximum of 65 days. Payments at retirement for accumulated sick leave are calculated using the rate of compensation at the date of retirement. The College's policy is to accrue all sick leave for which payment is deemed probable.

College employees accumulate vacation based on years of service. It is the policy of the College that, upon separation from the College, an employee may receive his or her accumulated unused vacation. Certain limitations have been placed on the hours of vacation that employees may accumulate and carry over for payment at separation.

(k) Operating and Nonoperating Revenues

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

(l) Student Tuition and Fees

Student tuition and fee revenues are reported net of scholarship allowances in the statement of revenues, expenses, and changes in net assets.

(m) Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell Grants and other federal, state, or nongovernmental programs, are recorded as operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Owens State Community College

Notes to Financial Statements June 30, 2007 and 2006

(1) Summary of Significant Accounting Policies (Continued)

(n) Auxiliary Activities

Auxiliary activities primarily represent revenues generated for the College's bookstore and various other departmental activities that provide services to the student body, faculty, and staff.

(o) Income Taxes

Income taxes have not been provided on the general operations of the College because, as a state institution, its income is exempt from federal income taxes under Section 115 of the Internal Revenue Code (IRC).

(p) Eliminations

In preparing the basic financial statements, the College eliminates interfund assets and liabilities that would otherwise be reflected twice in the statement of net assets. Similarly, revenues and expenses related to internal service activities are also eliminated from the statement of revenues, expenses, and changes in net assets. Student tuition and fees, auxiliary activities, and scholarships and other student aid are presented net of scholarships applied to student accounts.

(q) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash and Investments

The College uses the "pooled cash" method of accounting for substantially all of its operating cash and investments, which, as of June 30, 2007 and 2006, were as follows:

	2007	2006
Cash	\$ 13,682,430	\$ 13,851,083
Investments	9,785,564	6,522,582
Total	<u>\$ 23,467,994</u>	<u>\$ 20,373,665</u>

Cash balances are combined into one pool for making daily cash and investment transactions.

Owens State Community College

Notes to Financial Statements June 30, 2007 and 2006

(2) Cash and Investments (Continued)

GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, requires cash and cash equivalents and investments held by the College to be categorized into the following custodial credit risk categories:

(a) Cash and Cash Equivalents

1. Insured or collateralized with securities held by the College or by its agent in the College's name
2. Collateralized with securities held by the pledging financial institution's trust department or agent
3. Uncollateralized

(b) Investments

1. Insured or registered, with securities held by the College or by its agent in the College's name
2. Uninsured and unregistered, with securities held by the broker's trust department or agent in the College's name
3. Uninsured and unregistered, with securities held by the broker or by its trust department or agent, but not in the College's name

At June 30, 2007, the carrying amount of the College's cash and cash equivalents for all funds was \$13,682,430. The difference in the carrying amount and the bank balance of \$15,443,344 is caused by items in transit and outstanding checks. Of the bank balance, \$500,000 was covered by federal depository insurance and \$14,943,344 was uncollateralized (category 3). All uncollateralized deposits are covered by a pledged collateral pool.

At June 30, 2006, the carrying amount of the College's cash and cash equivalents for all funds was \$13,851,083. The difference in the carrying amount and the bank balance of \$16,007,401 is caused by items in transit and outstanding checks. Of the bank balance, \$600,000 was covered by federal depository insurance and \$15,407,401 was uncollateralized (category 3). All uncollateralized deposits are covered by a pledged collateral pool.

GASB 40 requires all investments to be recorded with the risk of the investments. Owens State Community College has no formal investment policy. Investments are made according to the Ohio Revised Code. The College's investments now include U.S. government agency securities. These are considered to be no-risk investments.

Owens State Community College

Notes to Financial Statements June 30, 2007 and 2006

(2) Cash and Investments (Continued)

(b) Investments (continued)

Investments at June 30, 2007 and 2006 consist of investments in STAR Ohio of \$1,082,811 and \$35,485, respectively. GASB Statement No. 3 does not require STAR Ohio's assets to be categorized. Also included in investments are five Freddie Mac, two Fannie Mae, and two Ginnie Mae securities with market value at June 30, 2007 and 2006 of \$8,702,753 and \$6,487,097, respectively. The governmental agency investments, other than STAR Ohio, fall under category #1 above for investments.

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, 2007 and 2006.

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

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. At June 30, 2007, 36 percent of the College's investments were invested in Federal National Mortgage Association securities and 54 percent were invested in Federal Home Loan Bank securities. At June 30, 2006, 25 percent of the College's investments were invested in Federal National Mortgage Association securities and 64 percent were invested in Federal Home Loan Bank securities. All investments were rated AAA by Moody's for both 2007 and 2006.

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:

	2007	2006
Bond mutual fund	\$ 240,506	\$ 367,302
Equity mutual fund	1,411,750	998,142
Other	40	40
Totals	<u>\$ 1,652,296</u>	<u>\$ 1,365,484</u>

Owens State Community College

Notes to Financial Statements June 30, 2007 and 2006

(3) Accounts Receivable

The composition of accounts receivable at June 30, 2007 and 2006 is summarized as follows:

	2007	2006
Student receivables for fees and auxiliary services	\$ 21,417,972	\$ 18,704,017
Allowance for doubtful accounts	(2,699,703)	(1,919,670)
Grants - Federal, state, local	2,353,881	2,308,967
Capital appropriations	-	748,595
Interest receivable	28,540	15,242
Other	1,039,330	647,474
Totals	<u>\$ 22,140,020</u>	<u>\$ 20,504,625</u>

(4) Student Loans Receivable

Student loans consist of federal and non-federal loans. The College is in the process of closing its Perkins Program. At this point there is an amount of \$164,320 to be repaid as its federal share and \$23,672 to be paid to purchase the loans not accepted by the DOE. Non-federal loan programs are funded principally with local grants to the College under these programs.

(5) Accounts Payable

The composition of accounts payable at June 30, 2007 and 2006 is summarized as follows:

	2007	2006
Trade payables	\$ 2,330,771	\$ 713,994
Construction payables	250,159	748,595
Total	<u>\$ 2,580,930</u>	<u>\$ 1,462,589</u>

(6) State Support

The College is a state-assisted institution of higher education, which receives a student-based subsidy from the State of Ohio. This subsidy is determined annually based upon a formula devised by the State of Ohio.

Owens State Community College

Notes to Financial Statements June 30, 2007 and 2006

(6) State Support (Continued)

In addition to student subsidies, the State of Ohio provides funding for construction of major plant facilities. The funding is obtained by the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC). Such facilities are reflected as buildings, improvements other than buildings, or construction in progress in the accompanying statement of net assets. College facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund, established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to all students in state-assisted institutions of higher education throughout the state.

As a result of the above-described financial assistance provided by the State of Ohio to the College, outstanding debt issued by OPFC is not included on the College's statement of net assets. In addition, appropriations by the General Assembly to the Board of Regents for payments of debt service are not reflected as appropriation revenues received by the College, and the related debt service payments are not recorded in the College's accounts.

The College capitalizes the costs of renovations to existing facilities as funds are expended. As of June 30, 2007 and 2006, construction in progress on such new facilities was \$7,106,990 and \$6,711,391, respectively, and unexpended appropriations authorized by the State of Ohio legislature for the purchase of land, renovation of existing facilities, and construction of new facilities were \$12,495,940 and \$4,097,449, respectively.

(7) Retirement Plans

The College contributes to two cost-sharing, multiple-employer defined benefit plans: (1) School Employees Retirement System (SERS), and (2) State Teachers Retirement System of Ohio (STRS). Both plans provide retirement, disability, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code (ORC) for SERS and Chapter 3307 for STRS. SERS and STRS issue stand-alone financial reports. Interested parties may obtain a copy by making a written request to 300 E. Broad Street, Columbus, Ohio, 43215-3746, or by calling (614) 222-5853, for SERS, and 275 East Broad Street, Columbus, Ohio, 43215-3771, or by calling (614) 227-4090, for STRS.

The funding policy for the above plans is as follows:

SERS: The ORC provides statutory authority for employee and employer contributions. During 2006, SERS employees contributed 10 percent of their salary to the plan, and the College contributed 14 percent of covered payrolls to the plan. The total employer contributions to SERS for the years ended June 30, 2005, 2006, and 2007 were \$1,874,447, \$2,194,888 and \$2,414,102, respectively, which were equal to the required contributions for each year.

Owens State Community College

Notes to Financial Statements June 30, 2007 and 2006

(7) Retirement Plans (Continued)

STRS: The ORC provides statutory authority for employee and employer contributions. During 2007, STRS employees contributed 10 percent of their salary to the plan, and the College contributed 14 percent of covered payrolls to the plan. The total employer contributions to STRS for the years ended June 30, 2005, 2006, and 2007 were \$3,416,341, \$3,767,765 and \$4,048,168, respectively, which were equal to the required contributions for each year.

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 1998, authorizing an alternative retirement system for academic and administrative college employees of public institutions of higher education who are currently covered by the State Teachers Retirement System. The Owens State Community College Board of Trustees adopted such a plan effective February 1999. This plan is a defined contribution plan under IRC Section 401(a).

Eligible employees (those who are full-time and salaried) have 90 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 program must contribute the employee's share of retirement contributions (10 percent STRS) to one of eight private providers approved by the State Department of Insurance. The legislation mandates that the employer must contribute 3.5 percent to the state retirement system to which the employee would have otherwise belonged. The employer also contributes what would have been the employer's share of the appropriate retirement system, less the aforementioned 3.5 percent, to the private provider selected by the employee. The College plan provides these employees with immediate plan vesting. The total employer contribution to the alternative retirement plan for the years ended June 30, 2005, 2006, and 2007 were \$65,930, \$76,574 and \$102,450, respectively.

Owens State Community College

Notes to Financial Statements June 30, 2007 and 2006

(8) Postemployment Benefits Other than Pension 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 healthcare through employer contributions to SERS and STRS.

(a) SERS

SERS provides postretirement healthcare coverage to age-and-service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Healthcare coverage for disability recipients is available. The healthcare coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply. A portion of each employer's contribution to SERS is set aside for the funding of postretirement healthcare. The Ohio Revised Code provides statutory authority for employer contributions. The 2007 and 2006 employer contribution rate for state employers was 14 percent of covered payroll; 3.43 percent was the portion that was used to fund healthcare. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2006 and 2007, the minimum pay was established as \$35,800.

OPEBs are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree healthcare, along with investment income on allocated assets and periodic adjustments in healthcare provisions, are expected to be sufficient to sustain the program indefinitely.

For the year ended June 30, 2006, expenditures for OPEBs as a whole for SERS were \$228.6 million. As of June 30, 2006, the audited net assets available for future OPEB payments were \$295.6 million. The number of eligible benefit recipients for SERS was 62,521.

(b) STRS

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

By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer's contribution rate, currently 14 percent of covered payroll.

Owens State Community College

Notes to Financial Statements June 30, 2007 and 2006

(8) Postemployment Benefits Other than Pension Benefits (Continued)

(b) STRS (continued)

The STRS board currently allocates employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund, from which payments for healthcare benefits are paid. The balance in the Health Care Reserve Fund was approximately \$3.5 billion at June 30, 2006.

For the year ended June 30, 2006, the net healthcare costs paid by the STRS system as a whole were \$490 million. There were 119,184 eligible benefit recipients.

(9) Federal and State Grants

The College participates in certain state and federally assisted grant programs. Revenues from government grants and contracts are recognized as the related costs are incurred. These programs are subject to financial and compliance audits by the grantors or their representatives. Until such audits are completed, there is a possibility that some portions of such grants may have to be refunded. Management of the College believes there will be no material adjustments to the grants and, accordingly, has not recorded a provision for possible repayments under the above programs.

The College also participates in several United States government student loan programs. Such programs are required to comply with requirements determined by the Department of Education and are subject to audit and adjustments. Such adjustments could result in requests for reimbursement by the Department of Education for costs, which may be disallowed as appropriate expenses under the grant terms. Management believes disallowances, if any, will not be material.

Owens State Community College

Notes to Financial Statements June 30, 2007 and 2006

(10) Capital Assets

Capital asset activity for the years ended June 30, 2007 and 2006 was as follows:

<u>2007</u>	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
Nondepreciated capital assets:				
Land	\$ 4,717,397	\$ -	\$ -	\$ 4,717,397
Construction in progress	6,711,390	1,172,819	(777,220)	7,106,989
Total nondepreciated capital assets	11,428,787	1,172,819	(777,220)	11,824,386
Other capital assets:				
Land improvements	8,226,980	188,301	-	8,415,281
Buildings	83,513,393	4,723,525	-	88,236,918
Equipment	9,137,049	293,445	-	9,430,494
Computers, hardware, and software	7,938,170	127,117	-	8,065,287
Vehicles	1,570,349	111,026	(17,600)	1,663,775
Furniture and accessories	625,321	-	-	625,321
Total other capital assets	111,011,262	5,443,414	(17,600)	116,437,076
Total capital assets	122,440,049	6,616,233	(794,820)	128,261,462
Accumulated depreciation:				
Land improvements	(6,910,223)	(426,124)	-	(7,336,347)
Buildings	(27,493,557)	(2,447,498)	-	(29,941,055)
Equipment	(7,412,889)	(618,863)	-	(8,031,752)
Computers, hardware, and software	(7,800,891)	(156,207)	-	(7,957,098)
Vehicles	(1,287,053)	(108,100)	17,600	(1,377,553)
Furniture and accessories	(392,864)	(59,021)	-	(451,885)
Total accumulated depreciation	(51,297,477)	(3,815,813)	17,600	(55,095,690)
Total capital assets - Net	<u>\$ 71,142,572</u>	<u>\$ 2,800,420</u>	<u>\$ (777,220)</u>	<u>\$ 73,165,772</u>

Owens State Community College

Notes to Financial Statements June 30, 2007 and 2006

(10) Capital Assets (Continued)

<u>2006</u>	Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006
Nondepreciated capital assets:				
Land	\$ 5,487,958	\$ -	\$ (770,561)	\$ 4,717,397
Construction in progress	<u>17,762,156</u>	<u>4,552,058</u>	<u>(15,602,824)</u>	<u>6,711,390</u>
Total nondepreciated capital assets	23,250,114	4,552,058	(16,373,385)	11,428,787
Other capital assets:				
Land improvements	7,386,773	878,043	(37,836)	8,226,980
Buildings	71,735,668	17,121,307	(5,343,582)	83,513,393
Equipment	8,413,279	765,760	(41,990)	9,137,049
Computers, hardware, and software	7,960,658	20,912	(43,400)	7,938,170
Vehicles	1,295,736	274,613	-	1,570,349
Furniture and accessories	<u>370,054</u>	<u>276,967</u>	<u>(21,700)</u>	<u>625,321</u>
Total other capital assets	<u>97,162,168</u>	<u>19,337,602</u>	<u>(5,488,508)</u>	<u>111,011,262</u>
Total capital assets	120,412,282	23,889,660	(21,861,893)	122,440,049
Accumulated depreciation:				
Land improvements	(6,385,171)	(562,887)	37,835	(6,910,223)
Buildings	(28,079,076)	(2,463,690)	3,049,209	(27,493,557)
Equipment	(6,798,556)	(656,323)	41,990	(7,412,889)
Computers, hardware, and software	(7,643,433)	(200,858)	43,400	(7,800,891)
Vehicles	(1,196,433)	(90,620)	-	(1,287,053)
Furniture and accessories	<u>(355,542)</u>	<u>(59,022)</u>	<u>21,700</u>	<u>(392,864)</u>
Total accumulated depreciation	<u>(50,458,211)</u>	<u>(4,033,400)</u>	<u>3,194,134</u>	<u>(51,297,477)</u>
Total capital assets - Net	<u>\$ 69,954,071</u>	<u>\$ 19,856,260</u>	<u>\$ (18,667,759)</u>	<u>\$ 71,142,572</u>

Owens State Community College

Notes to Financial Statements June 30, 2007 and 2006

(11) 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, 2007 and 2006 were \$2,297,600 and \$2,191,167, respectively. The College received \$291,028 and \$328,225 from the Foundation in 2007 and 2006, respectively.

(12) Risk Management

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

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

The College maintains a split-funded health insurance program. Prevention of catastrophic losses is maintained through both individual and aggregate stop-loss coverage. Stop loss per individual is \$125,000. The College's cost during the year for this program is for the payment of claims, third-party claims administration, and stop-loss coverage.

The College participates in the State of Ohio Workers' Compensation program.

Owens State Community College

Notes to Financial Statements June 30, 2007 and 2006

(13) Noncurrent Liabilities

Noncurrent liabilities activity for the years ended June 30, 2007 and 2006 was as follows:

	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007	Amount Due Within One Year
Benefits payable	\$ 2,091,786	\$ 433,008	\$ 100,461	\$ 2,424,333	\$ 121,217
Notes payable	579,288	-	178,076	401,212	186,683
Non-federal student loans	147,324	-	-	147,324	
Federal student loans	796,998	11,622	719,137	89,483	

	Balance June 30, 2005	Increases	Decreases	Balance June 30, 2006	Amount Due Within One Year
Benefits payable	\$ 1,290,021	\$ 919,990	\$ 118,225	\$ 2,091,786	\$ 104,590
Notes payable	749,152	-	169,864	579,288	178,075
Non-federal student loans	147,324	794	794	147,324	-
Federal student loans	732,783	78,588	14,373	796,998	-

The College took on debt, consisting of two notes payable for the purchase of a new phone system. The original amounts of the notes were in the amounts of \$112,048 and \$784,270. The notes were signed on August 4, 2004 at a rate of 4.73 percent interest, with payments to begin in September 2004.

Schedule of maturities for the notes are as follows:

	Principal	Interest	Total
2008	\$ 186,683	\$ 14,964	\$ 201,647
2009	195,708	5,939	201,647
2010	18,822	83	18,905
	<u>\$ 401,213</u>	<u>\$ 20,986</u>	<u>\$ 422,199</u>

Owens State Community College

Notes to Financial Statements June 30, 2007 and 2006

(14) Net Assets

A summary of restricted and unrestricted net assets is as follows:

	<u>2007</u>	<u>2006</u>
Restricted - Expendable - Student loans	\$ <u>106,676</u>	\$ <u>106,676</u>
Unrestricted:		
Designated	\$ 5,727,887	\$ 6,369,111
Uncommitted	<u>16,700,283</u>	<u>15,716,388</u>
Total	<u>\$ 22,428,170</u>	<u>\$ 22,085,499</u>

Supplemental Information

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

To the Board of Trustees
Owens Community College

We have audited the financial statements of Owens Community College as of and for the year ended June 30, 2007 and have issued our report thereon dated September 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

To the Board of Trustees
Owens Community College

Compliance and Other Matters

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

This report is intended solely for the information and use of the board of trustees and is not intended to be and should not be used by anyone other than this specified party.

Plante & Moran, PLLC

September 28, 2007

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees
Owens Community College

Compliance

We have audited the compliance of Owens Community College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The major federal programs of Owens Community College are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Owens Community College's management. Our responsibility is to express an opinion on Owens Community College's compliance based on our audit.

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

In our opinion, Owens Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

To the Board of Trustees
Owens Community College

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the board of trustees and is not intended to be and should not be used by anyone other than this specified party.

Plante & Moran, PLLC

September 28, 2007

Owens Community College

Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
Cluster:		
U.S. Department of Education - Direct Student Financial Assistance		
Federal Supplemental Educational Opportunity Program	84.007	\$ 473,739
Federal Family Education Loan Program	84.032	26,901,991
Federal Work-Study Program	84.033	396,475
Academic Competitiveness Grant	84.375	59,020
Federal Pell Grant Program	84.063	<u>13,820,045</u>
Total Student Financial Assistance Cluster		41,651,270
Other Programs:		
U.S. Department of Education:		
Vocational Education (Perkins II)	84.048	323,089
Title III - Higher Education Institutional Aid - Strengthening Institutions	84.031A	60,980
Passed through from the State of Ohio Department of Education - Adult Basic and Literacy Education (ABLE) Grants:		
Adult Basic and Literacy Education	84.002	149,354
Adult Basic and Literacy Education	84.002	7,406
Adult Basic and Literacy Education	84.002	15,186
Adult Basic and Literacy Education	84.002	178,290
Adult Basic and Literacy Education	84.002	<u>32,766</u>
Total Adult Basic and Literacy Education Grants		383,002
Passed through from University of Toledo - Technical Preparation	84.243	<u>55,525</u>
Total U.S. Department of Education		42,473,866

Owens Community College

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
Other Programs (Continued):		
U.S. Department of Health and Human Services:		
Passed through from HMTRI/Kirkwood Community College NIEHS Hazardous Substances Basic Research and Education	93.143	\$ 331
Passed through from Lucas County Workforce Development Agency TANF Year Round Youth Program	93.558	141,033
Passed through from Lucas County Jobs and Family Services Agency Step Up Pre-apprenticeship Training Program	93.558	56,354
Passed through from Ohio Board of Regents TANF Educational Awards Program	93.558	523,100
Passed through from Ohio Board of Regents and OARNet Third Frontier Network Support of Inter-institutional Collaboration	93.211	9,438
Passed through from Ohio Board of Regents Owens-Ohio University Gaming Project	93.888	<u>99,762</u>
Total U.S. Department of Health and Human Services		830,018
Environmental Protection Agency - Passed through from the City of Toledo - Brownfield's Job Training Initiative	66.815	30,141
National Science Foundation - Passed through from Sinclair Community College - NSF - IT Student Retention	47.076	<u>10,137</u>
Total federal awards		<u><u>\$ 43,344,162</u></u>

Owens Community College

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Owens Community College and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Loans Outstanding

Owens Community College is in the process of closing its Perkins Program. At this point there is an amount of \$164,320 to be repaid as its federal share and \$23,672 to be paid to purchase the loans not accepted by the Department of Education.

Note 3 - Adjustments and Transfers

The current year grant award for the Federal Supplemental Education Opportunity Grant (84.007) was \$353,547. It was supplemented by a transfer from the Federal Work Study Program (84.033) of \$120,192 for a total of \$473,739.

Owens Community College

Schedule of Findings and Questioned Costs Year Ended June 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program(s):

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

Type of auditor's report issued on compliance for major program(s): Unqualified

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

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.032, 84.033, 84.063, 84.375	U.S. Department of Education - Student Financial Assistance Cluster
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish between type A and type B programs: \$493,265

Auditee qualified as low-risk auditee? Yes No

Owens Community College

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings

Reference Number	Findings
	None

Section III - Federal Program Audit Findings

Reference Number	Findings
	None



Mary Taylor, CPA
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 20, 2007**