

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

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AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2003





**Auditor of State  
Betty Montgomery**

Board of Trustees  
James A. Rhodes State College

We have reviewed the Independent Auditor's Report of the James A. Rhodes State College, Allen County, prepared by E. S. Evans & Company, for the audit period July 1, 2002 through June 30, 2003. 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 James A. Rhodes State College is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

December 29, 2003

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JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

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# **E.S. Evans and Company**

**Certified Public Accountants and Consultants**

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075  
P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • E-mail: askus@esevans.com

Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

October 31, 2003

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
James A. Rhodes State College  
Allen County, Ohio

and

Auditor of State of Ohio  
Columbus, Ohio

We have audited the accompanying basic financial statements of James A. Rhodes State College, Allen County, Ohio (the College), as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the James A. Rhodes State College, Allen County, as of June 30, 2003, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during the year ended June 30, 2003, the College implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2003, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary 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 required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the College's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is presented for 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. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, it is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in red ink, appearing to read "E. J. ...", is located in the lower right quadrant of the page.



JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2003

This section of James A Rhodes State College annual financial report presents management's discussion and analysis of the College's financial performance during the fiscal year that ended June 30, 2003. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes. As this is the initial year of presentation in this format, comparative data to prior periods is not available.

### **FINANCIAL HIGHLIGHTS**

The financial statements have been restated to conform to the requirements of GASB 35 as detailed in Note 1. The primary change to the previous fund balances was to record accumulated depreciation, which decreased net assets by \$5.5 million.

The College's financial statements reported net assets of \$27.7 million at June 30, 2003. The net assets decreased \$379,223 or 1.3% from the previous year. This decrease includes depreciation of \$922,192 and loss on disposal of capital assets of \$29,007. Under the previous accounting model, the College would have recognized an increase of \$571,976 or 2.0%.

In Fall Quarter 2002, the College achieved a record enrollment with 3,002 students. Enrollment at the College has increased by over 22% over the last five years. Gross tuition revenue increased by \$591,430 over the previous year because of the increase in enrollment and tuition rate changes.

The State of Ohio issued additional budget cuts of 2.5% in February 2003 to the existing 6.0% issued the previous year for a total of 8.5%, or a reduction of state appropriations of \$811,406. The College responded by controlling expenditures for the remainder of the fiscal year.

### **USING THE ANNUAL REPORT**

This annual report consists of a series of financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. These financial statements differ significantly, in both the form and the accounting principles utilized, from prior financial statements. The financial statements presented in prior years focused on the accountability of fund groups while these statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole.

One of the most important questions asked about the College's finances is whether the College is better off as a result of the year's activities? The key to answering this question is to look at the financial statements of the College.

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2003

The Statement of Net Assets includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. The Governmental Accounting Standards Board Statement No. 35 requires state appropriations to be classified as non-operating revenues. Therefore, the College as a result of this classification will show an operating deficit prior to the addition of net non-operating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they become due. The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and financing activities.

Significant changes to the financial statements are as follows:

- Revenues and expenses are now classified as either operating or non-operating. Certain recurring sources of revenue such as state appropriations, gifts, certain grants and investment income will be classified as non-operating as specified by GASB statement No. 35. James A. Rhodes State College depends on these "non-operating" revenues, especially state appropriations. As a result of the new reporting classifications the College will always show an operating deficit, even if there is an increase in net assets.
- Capital Assets are now depreciated over their expected useful lives instead of recorded entirely as a current period expense in their year of acquisition.
- Scholarships and fellowships applied to student accounts are now shown as a reduction of student tuition and fees (scholarship allowances), while scholarships and fellowships that are paid directly to the students continue to be presented as student aid expenses. Previously, all scholarships and fellowships were presented as expenses.

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2003

**CONDENSED FINANCIAL INFORMATION**

**STATEMENT OF NET ASSET**  
**(in thousands)**

<b>ASSETS</b>	
Current Assets	\$ 8,020
Noncurrent, Capital Assets, net	23,209
Total Assets	<u>31,229</u>
<b>LIABILITIES</b>	
Current Liabilities	2,801
Noncurrent Liabilities	700
Total Liabilities	<u>3,501</u>
<b>NET ASSETS</b>	
Invested in capital assets, net	
Of related debt	22,860
Restricted, Expendable	59
Restricted, Nonexpendable	-
Unrestricted	4,809
Total Net Assets	<u>27,728</u>
Total Liabilities and Net Assets	<u>\$ 31,229</u>

Assets – As of June 30, 2003, the College's total assets equaled \$31.2 million. Investment in capital assets, net of related debt was the college's largest asset, totaling \$23.2 million or 74.3% of total assets. Cash and cash equivalents were the second largest asset category with \$5.5 million or 17.6% of the total assets.

Liabilities – As of June 30, 2003, the College's liabilities totaled approximately \$3.5 million. Accrued liabilities represented the largest portion of liabilities with \$1.0 million or 28.9% of total liabilities.

Net Assets – Net Assets as of June 30, 2003 totaled approximately \$27.7 million. Net assets invested in capital assets, net of related debt totaled \$22.9 million, or 82.4% of total net assets.

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2003

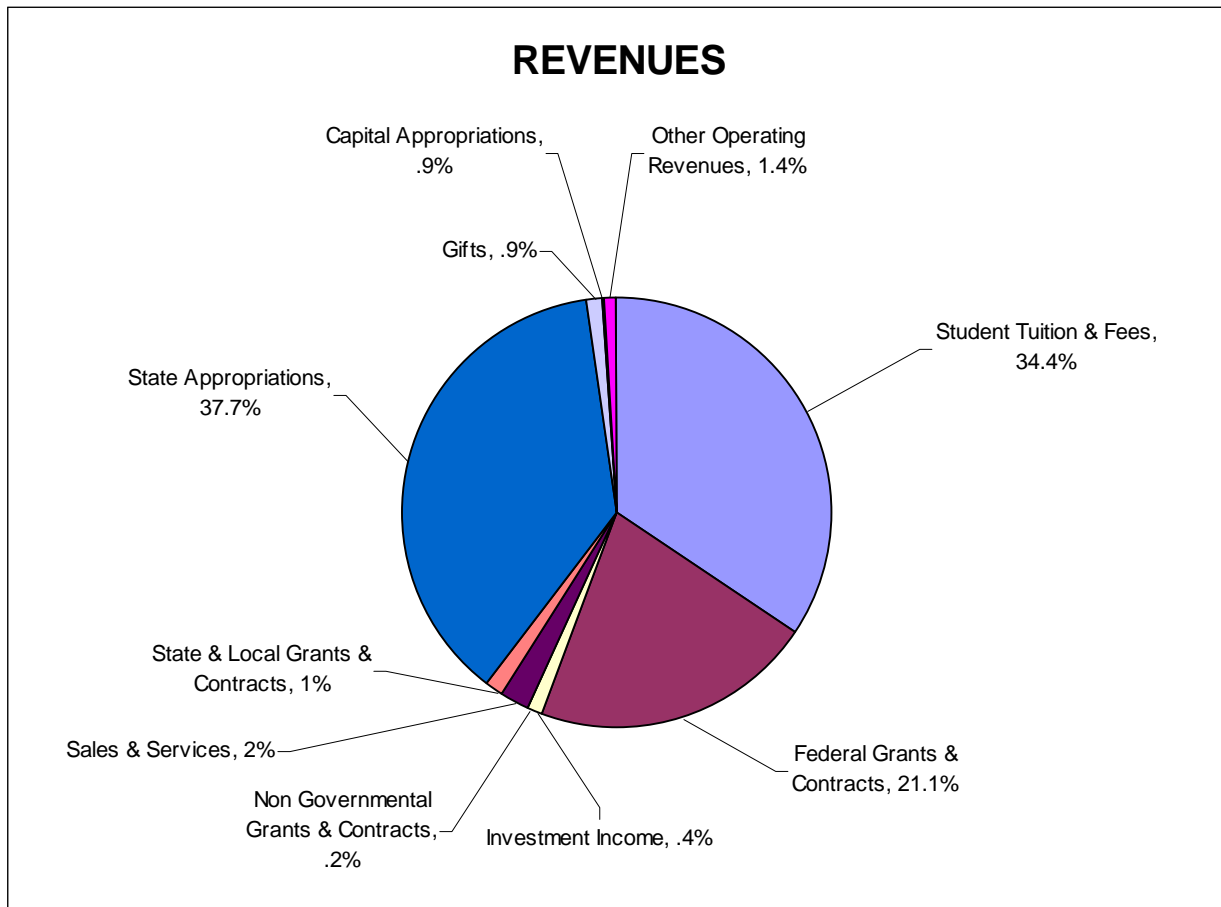
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**(in thousands)**

OPERATING REVENUES	
Student tuition and fees, net	\$ 6,663
Federal grants and contracts	4,085
State grants and contracts	200
Non-Governmental grants and contracts	44
Sales and services	390
Other Operating Revenues	269
Total Operating Revenues	<u>11,651</u>
OPERATING EXPENSES	
Educational and General	18,815
Depreciation	922
Total Operating Expenses	<u>19,737</u>
Operating Income (Loss)	<u>(8,086)</u>
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	7,288
Gifts	176
Investment Income	73
Net Non-Operating Revenues (Expenses)	<u>7,537</u>
Income before other rev, exp, gains or losses	(548)
Capital Appropriations	169
Total other rev, exp, gains or losses	<u>169</u>
Decrease in Net Assets	<u>(379)</u>
Net assets beginning of year, (Restated)	<u>28,107</u>
Net assets end of year	\$ <u><u>27,728</u></u>

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2003

The following is a graphic illustration of revenues by source for the year ended June 30, 2003:

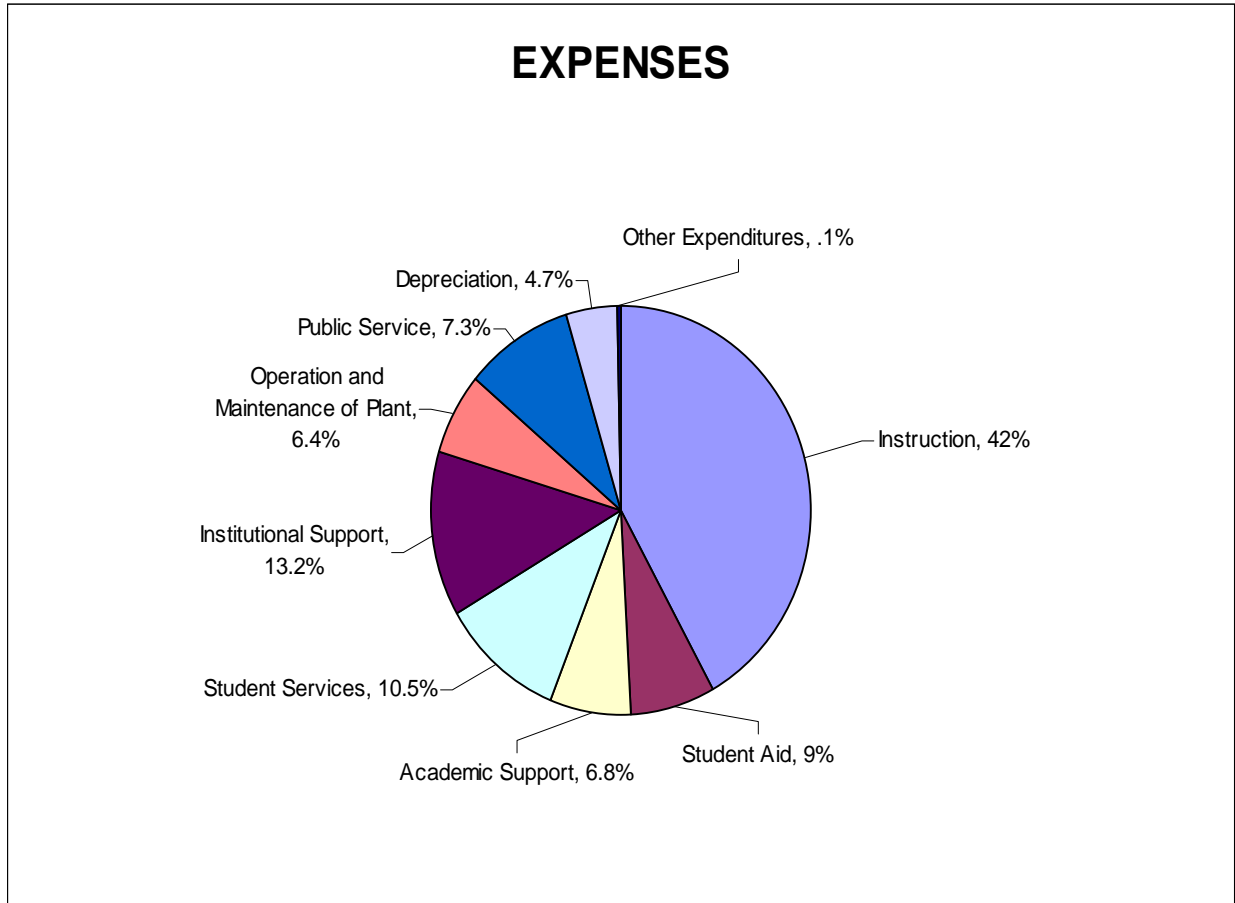


As seen by the illustration above, the largest portion of the College's revenues come from State Appropriations 37.7%, followed closely by Student Tuition & Fees (net of scholarship allowance), which comprises 34.4% of total revenues. The gross tuition dollars is actually larger than state appropriations, but we are required to discount the tuition and fees by scholarships. Gross tuition and fees was \$8.3 million and the scholarship allowance was \$1.6 million, thus net tuition and fees of \$6.7 million. State appropriations were \$7.2 million, federal grants and contracts were \$4.1 million, sales and services were \$400 thousand, other operating revenues were \$269 thousand, state and local grants were \$200 thousand, gifts were \$176 thousand, capital appropriations were \$169 thousand, investment income was \$73 thousand, and nongovernmental grants and contracts were \$44 thousand. Total revenues, operating and non-operating, were \$19.4 million.

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2003

The following is a graphic illustration of expenses by function for the year ended June 30, 2003:

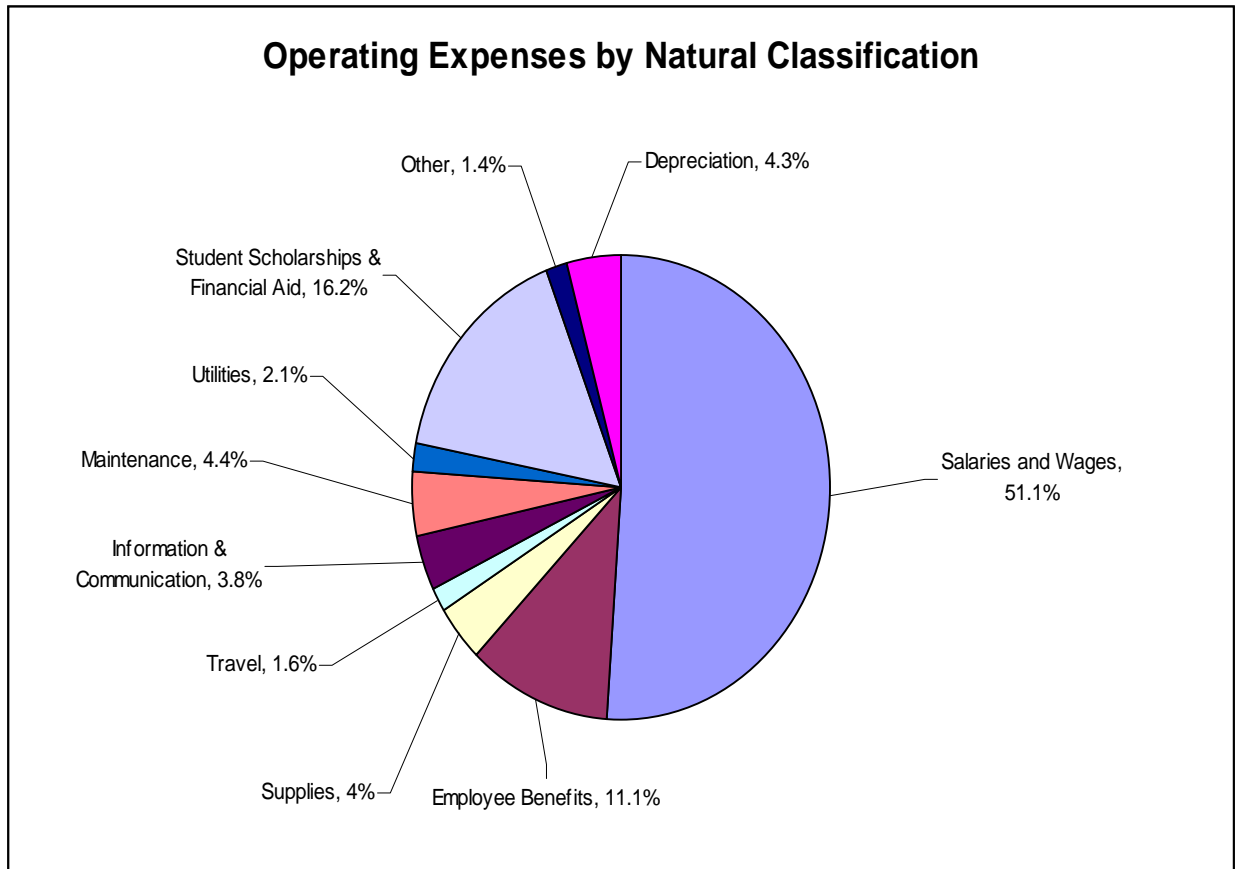


As seen in the above expense illustration, instructional expenditures are the largest expense, comprising almost half of the college's expenses at 42%. Instructional expenses were \$8.3 million, institutional support expenses were \$2.6 million, student services expenses were \$2.1 million, student aid expenses were \$1.8 million, public service expenses were \$1.4 million, academic support expenses were \$1.3 million, operation and maintenance of plant expenses were \$1.3 million, and depreciation expense was \$.9 million. Total operating expenses were \$19.7 million.

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2003

The following is a graphic illustration of expenses by natural classification for the year ended June 30, 2003.



As seen in the above expense illustration, salaries and wages were the largest expense for the College at 51.1%. Wages and employee benefits accounted for over 62% of the College's total expenses. The next largest expense was student scholarships at 16.2%. This graph shows the total scholarships and financial aid which includes the scholarship allowance of \$1.6 million that was netted against tuition and fees income.

Salaries and wages were \$10.9 million, student scholarships were \$3.5 million, employee benefits were \$2.4 million, maintenance expenses were \$.9 million, depreciation was \$.9 million, supplies were \$.9 million, information and communication expenses were \$.8 million, utilities were \$.4 million, travel expenses were \$.3 million, and other expenses were \$.3 million. Total operating expenses were \$21.4 million.

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2003

**STATEMENT OF CASH FLOWS**  
**(in thousands)**

Net cash provided (used) by:		
Operating activities	\$	(7,250)
Non-capital financing activities		7,622
Capital financing activities		(249)
Investing activities		73
Net Increase in cash		<u>196</u>
Cash beginning of year		<u>5,319</u>
Cash end of year	\$	<u><u>5,515</u></u>

Another way to assess the financial health of the College is to look at the statement of cash flows. The primary purpose of the statement of cash flows is to provide information about the cash receipts and cash payments of the College during the period. The statement of cash flows also helps financial statement readers assess:

- the ability to generate future net cash flows
- the ability to meet obligations as they become due
- the need for external financing

Major sources of cash included in the operating activities were tuition and fees of \$6.7 million and grants and contracts of \$4.2 million. Major uses of cash included in the operating activities were payments for wages of \$10.9 million, supplies and services of \$3.2 million, and employee benefits of \$2.3 million. State appropriations are the primary source of cash for non-capital financing activities. The new accounting standards require the College to reflect this source of revenue as non-operating even though the College's budget depends on this to continue operations. State appropriations were \$7.3 million.



JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2003

**State Appropriations per Dollar of Gross Tuition**

Fiscal Year	Gross Tuition	State Appropriations	Net State Appropriations per Dollar of Gross Tuition
2003	\$8,347,392	\$7,290,565	0.87
2002	\$7,755,962	\$7,248,007	0.93
2001	\$6,420,041	\$7,872,456	1.23
2000	\$6,533,007	\$7,120,622	1.09
1999	\$6,197,672	\$6,287,284	1.01

In 2001, the State contributed \$1.23 to James A. Rhodes State College for every dollar of gross tuition. In 2003 that figure has dropped to \$0.87. In fiscal year 2002, the State made budget cuts of 6.0%, which was approximately a reduction in state appropriations of \$500,133. In fiscal year 2003, the State made even further budget cuts amounting to 8.5%, a reduction in state appropriations of approximately \$811,406.

**Total Operating Expenses per Annual Student FTE**

	2003	2002	Difference	Percent Change
Total Operating Expenses	\$ 20,555,423	\$ 19,887,802	\$ 667,621	3.4%
Annual Student FTE Enrollment	6,564	6,434	130	2.0%
Net Operating Expenses Per FTE	\$ 3,132	\$ 3,091	\$ 41	1.3%

Total operating expenses does not include depreciation or loss on disposal of assets to provide a meaningful comparison to FY2002. Full time equivalent (FTE) is calculated by taking the total number of student credit hours and dividing by fifteen. A review of the operating expenses shows that total operating expenses in 2003 increased by \$667,621, or 3.4% over the previous year. The College showed an increase in student FTE enrollment of 130, or 2.0%. Net operating expenses per FTE student increased by \$41, or 1.3% in 2003.

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2003

**CAPITAL ASSETS AND DEBT**

Capital Assets

The College had \$23.2 million invested in capital assets, net of accumulated depreciation of \$6.0 million at June 30, 2003. Depreciation expense for the year ended was \$.9 million. A summary of net capital assets for the years ended June 30, 2003 and 2002 is as follows:

	<u>2003</u>	<u>2002</u>
Land Improvements	\$ 137,737.42	\$ 151,869.37
Buildings and Improvements	20,889,648.70	21,495,836.89
Infrastructure	102,681.70	109,436.12
Moveable Equipment	1,477,250.05	1,583,467.02
Library Books	215,380.11	216,160.69
Construction in Progress	<u>386,099.55</u>	<u>-</u>
Total Capital Assets, net	<u>\$ 23,208,797.53</u>	<u>\$ 23,556,770.09</u>

The College purchased \$176,224 of moveable equipment and \$40,904 of library books during the year ending June 30, 2003. The College incurred architect fees of \$386,099 for the Information Technology Building which is recorded as construction in progress.

For FY2004, the College is planning to build an Information Technology Building that will cost an estimated \$7 million. The funding will come from the following sources: state capital appropriations for \$3.7 million, the financing of serial bonds for \$3.1 million, and the remainder coming from College funds.

Debt

The College had no outstanding debt at June 30, 2003. The College utilizes the State of Ohio capital appropriations to finance capital assets.

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2003

**FACTORS IMPACTING FUTURE PERIODS**

James A. Rhodes State College is dedicated to its mission statement to improve lives, build futures and improve our communities through higher learning. Management believes that the College has a solid financial foundation to continue to attain these goals by providing the student with a high quality and affordable education.

The economic position of the College is closely tied to that of the State of Ohio. Economic pressures affecting the State of Ohio resulted in a significant shortfall in revenue. This shortfall prompted the State to reduce appropriations to the College by a total of 8.5% for fiscal year 2003. The State raised the income tax rate by 1% to increase revenues. There has been and will be a direct relationship between the level of state support and the College's ability to control tuition growth, as declines in state appropriations often result in increased tuition rates. The College raised tuition rates 9.9% for Fall Quarter 2003 as did other two year colleges in Ohio.

**CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Ohio Board of Regents, our citizens, taxpayers, creditors, and other interested parties with a general overview of the College's financial position and to show the College's accountability for the money it received. If you have any questions about this report, or need additional financial information, contact the following:

<u>Title</u>	<u>Name</u>	<u>Address</u>	<u>Phone</u>
Vice President of Business	Randall G. McCullough	4240 Campus Drive Lima, OH 45804	419-995-8342
Controller	Larry E. Hoffman, CPA	4240 Campus Drive Lima, OH 45804	419-995-8411

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

STATEMENT OF NET ASSETS

June 30, 2003

**ASSETS**

CURRENT ASSETS:

Cash and cash equivalents	\$	5,515,125
Accounts receivable, net of allowance of \$244,846		2,267,642
Appropriations receivable		234,373
Other current assets		3,000

TOTAL CURRENT ASSETS 8,020,140

NONCURRENT ASSETS:

Capital assets, net		23,208,798
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TOTAL NONCURRENT ASSETS 23,208,798

**TOTAL ASSETS** \$ 31,228,938

**LIABILITIES AND NET ASSETS**

CURRENT LIABILITIES:

Accounts payable, net	\$	953,848
Accrued liabilities		1,012,028
Deferred revenue		835,564

TOTAL CURRENT LIABILITIES 2,801,440

NONCURRENT LIABILITIES:

Compensated absences		699,575
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TOTAL NONCURRENT LIABILITIES 699,575

**TOTAL LIABILITIES** 3,501,015

NET ASSETS:

Invested in capital assets, net of related debt		22,859,541
Restricted		
Expendable		
Scholarships and fellowships		5,380
Instructional department uses		52,565
Loans		1,907
Nonexpendable		-
Unrestricted		4,808,530

**TOTAL NET ASSETS** 27,727,923

**TOTAL LIABILITIES AND NET ASSETS** \$ 31,228,938

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

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2003

**REVENUES**

Operating Revenues:

Student tuition and fees (net of scholarship allowance of \$1,684,709)	\$	6,662,683
Federal grants and contracts		4,084,589
State and local grants and contracts		200,141
Nongovernmental grants and contracts		44,391
Sales and services		390,340
Other operating revenues		269,120
Total operating revenues		11,651,264

**EXPENSES**

Operating Expenses:

Educational and general:

Instruction		8,284,519
Public Service		1,436,035
Academic Support		1,346,724
Student Services		2,070,129
Institutional Support		2,610,621
Operation and Maintenance of Plant		1,261,870
Student Aid		1,775,824
Depreciation		922,193
Other Expenditures		29,007
Total operating expenses		19,736,922
Operating income (loss)		(8,085,658)

**NONOPERATING REVENUES (EXPENSES)**

State appropriations		7,288,195
Federal grants		-
State and local grants		-
Gifts		176,330
Investment income (net of investment expenses)		72,931
Interest on capital asset-related debt		-
Other nonoperating revenues (expenses)		-
Net Nonoperating Revenues (Expenses)		7,537,456
Income Before Other Revenues, Expenses, Gains or Losses		(548,202)
Capital appropriations		168,979
Capital grants and gifts		-
Total other revenues, expenses, gains, or losses		168,979
Decrease in net assets		(379,223)

**NET ASSETS**

Net Assets, Beginning of Year (Restated)		28,107,146
Net Assets, End of Year	\$	27,727,923

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

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2003

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and fees	\$	6,657,994
Grants and contracts		4,169,000
Payments to suppliers		(3,226,355)
Payments to utilities		(414,366)
Payments to employees		(10,875,992)
Payments for benefits		(2,297,426)
Payments for student aid		(1,775,957)
Sales and services		437,783
Other receipts		75,645
Net cash provided (used) by operating activities		(7,249,674)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State appropriations		7,288,195
Gifts and grants for other than capital purposes		333,806
Student loan receipts		4,299,604
Student loan disbursements		(4,299,604)
Net Cash provided (used) by noncapital activities		7,622,001

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES**

Capital appropriations		168,979
Purchases of capital assets		(418,412)
Net cash provided (used) by financing activities		(249,433)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on investments		72,932
Net cash provided (used) by investing activities		72,932

**NET INCREASE (DECREASE) IN CASH**

195,826

**CASH AND CASH EQUIVALENTS, Beginning of Year**

5,319,299

**CASH AND CASH EQUIVALENTS, End of Year**

\$ 5,515,125

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating income (loss)	\$	(8,085,658)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		922,192
Loss on disposal of assets		29,007
Changes in assets and liabilities:		
Accounts receivable, net		(422,570)
Accounts payable, net		57,794
Accrued liabilities		58,296
Deferred revenue		111,729
Compensated absences		79,536
Net cash provided (used) by operating activities	\$	(7,249,674)

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

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

James A. Rhodes State College (the College) is a public, two-year institution of higher learning. The College provides instructional programs in various fields and workforce development training. The College was chartered by the Ohio Board of Regents in 1971 as a political subdivision in accordance with the provisions of Chapter 3357 of the Ohio Revised Code. The College was originally called Allen County Technical Institute, later re-named Lima Technical College, and on June 24, 2002, the College officially changed its name to James A. Rhodes State College.

The College operates under the control of a board of trustees. The College is not a component unit of the State of Ohio, and therefore, is not included in its Comprehensive Annual Financial Report (CAFR).

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Effective July 1, 2002, the College adopted GASB Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities, as amended by GASB Statements No. 37 and No. 38. GASB No. 35 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 assets 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:
  - Nonexpendable - Net assets subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the College's permanent endowment funds. (These assets are recorded in the Rhodes State College Foundation financial statements).
  - Expendable - Net assets whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2003

Note 1 – Summary of Significant Accounting Policies – (continued)

- Unrestricted: Net assets whose use by the College is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements parties.

The financial statement presentation required by GASB Statement No. 35 is intended to provide a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows. It replaces the fund group perspective previously required.

Restatement of Net Assets

The beginning year fund balances have been restated to reflect the applications of the provisions of GASB Statement No. 35, as follows:

Combined fund balances, as previously reported	\$	33,698,843
Accumulated depreciation, beginning of the year		(5,459,115)
Change in Capitalized assets		<u>(132,582)</u>
Total cumulative effect of accounting change for GASB Statement No. 35		<u>(5,591,697)</u>
Restated Net Assets	\$	<u>28,107,146</u>

Accrual Basis

The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The College reports as a Business Type Activity (BTA). BTA's are those activities that are financed in whole or in part by fees charged to external parties for goods and services. Pursuant to the provisions of GASB statement No. 35, the full scope of the College's activities is considered to be a single business type activity and accordingly, is reported within a single column in the basic financial statements. Restricted grant revenue is recognized only to the extent expended.

Cash and Cash Equivalents

This includes all readily available sources of cash such as petty cash, demand deposits, money market funds, and temporary investments in marketable securities with original maturities of three months or less.



JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 1 – Summary of Significant Accounting Policies – (continued)

Capital Assets

Capital assets are stated at cost at the date of acquisition or, in the case of gifts, at fair market value at the date of gift. Equipment, furniture and infrastructure items costing \$5,000 or more and having an estimated useful life of greater than one year are capitalized. All library books that have a useful life of more than one year are capitalized regardless of cost. Renovations to buildings, land improvements, and newly constructed buildings with a cost of \$50,000 or more are capitalized. Routine repairs and maintenance and items costing less than the capitalization thresholds are charged to operating expense in the year in which the expense is incurred.

Depreciation of capital assets is computed on a straight-line basis over the following estimated useful lives:

<u>Classification</u>	<u>Years</u>
Buildings and Improvements	10-50
Land Improvements	10-20
Infrastructure	10-25
Moveable Equipment	5-20
Library Books	10

Deferred Revenue

Deferred revenue consists of the student tuition and fees for Summer Quarter 2003.

Scholarship Allowances

Student tuition and fees revenue and certain other revenues from College charges are reported net of scholarship allowances in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship allowance is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship allowance discount.

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 1 – Summary of Significant Accounting Policies – (continued)

Operating Activities

The College defines operating activities, as reported on the statement of revenues, expenses, and changes in net assets, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for services and goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenues relied upon for operations, such as state appropriations, grants, gifts, contracts and investment income, are recorded as non-operating revenues, in accordance with GASB Statement No. 35.

Restricted Asset Spending Policy

The College's policy is that restrictions on assets cannot be fulfilled by the expenditure of unrestricted funds for similar purposes. The determination on whether restricted or unrestricted funds are expended for a particular purpose is made on a case-by-case basis. Restricted funds remain restricted until spent for the intended purpose.

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 revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements

GASB Statement No. 39, Determining Whether Certain Organizations are Component Units — an amendment of GASB Statement No. 14, was issued in May 2002. This statement amends Statement No. 14 to provide additional guidance to determine whether certain organizations, such as not-for-profit foundations, for which the primary institution is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the primary entity. Generally, this statement requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of an institution. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2003; The College believes, based on a preliminary assessment of the Statement, that the James A. Rhodes State College Foundation will be included as a component unit of the College in its financial statements beginning in fiscal year 2004.

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2003

Note 2 – Deposits and Investments

The deposit and investment of College monies is governed by the Ohio Revised Code. In accordance with Section 135.03 of the ORC, only banks located in Ohio and Ohio domestic building and loan associations are eligible to hold public deposits. Also, the investment of the College's monies is restricted to certificates of deposits, savings accounts, money market accounts, STAR Ohio, obligations of the United States government or certain agencies thereof, and certain industrial revenue bonds issued by other governmental entities.

The College may also enter into repurchase agreements with any eligible depository for a period not exceeding 30 days. The College's Controller's Office is responsible for selecting depositories and investing funds. Protection for the College's deposits is provided by the Federal Deposit Insurance Corporation, qualified securities pledged in the name of the College and held at the Federal Reserve, or by a collateral pool created by the financial institution to cover all local governmental deposits. The face value of the pooled collateral must equal at least 110% of the public funds on deposit.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No.3, Deposits with Financial Institutions, Investments and Reserve Repurchase Agreements:

Deposits - At June 30, 2003, the carrying amounts of the College's deposits were \$836,933 and the bank balance was \$1,200,002. Of the bank balance, \$200,000 was covered by federal depository insurance and \$636,933 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the College's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the College to a successful claim by the Federal Deposit Insurance Corporation.

Investments - The College's investments are categorized below to give an indication of the level of risk assumed by the College at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the College or its agent in the College's name. Category 2 includes uninsured and unregistered investments which are held by the counterpart's trust department or agent in the College's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterpart, or by its trust department or agent but not in the College's name.



JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2003

Note 3 – Capital Assets

Costs:	Beginning Balance, restated July 1, 2002	Additions	Reductions	Ending Balance June 30, 2003
Land Improvements	185,359	-	-	185,359
Buildings & Improvements	24,319,179	-	-	24,319,179
Infrastructure	141,383	-	-	141,383
Moveable Equipment	3,638,406	176,224	401,642	3,412,988
Library Books	731,559	40,904	-	772,463
Construction in Progress	-	386,100	-	386,100
<b>Total Costs</b>	<b>29,015,886</b>	<b>603,228</b>	<b>401,642</b>	<b>29,217,472</b>
Less accumulated depreciation:				
Land Improvements	33,490	14,132	-	47,622
Buildings and Improvements	2,823,342	606,188	-	3,429,530
Infrastructure	31,947	6,754	-	38,701
Moveable Equipment	2,054,938	253,434	372,634	1,935,738
Library Books	515,399	41,684	-	557,083
<b>Total Accumulated Depreciation</b>	<b>5,459,116</b>	<b>922,192</b>	<b>372,634</b>	<b>6,008,674</b>
<b>Capital Assets, Net</b>	<b>23,556,769</b>	<b>(318,964)</b>	<b>29,008</b>	<b>23,208,797</b>

Note 4 - Accounts Receivable

The following is a summary of the accounts receivable:

Tuition and Fees	\$ 1,141,531
State Appropriations	234,373
Governmental	667,523
Customized Training Services	217,865
Sponsored Billing Agencies	416,278
Foundation	69,291
Less allowance for uncollectible accounts	<u>(244,846)</u>
Accounts Receivable, Net	<u>\$ 2,502,015</u>

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 5 - Accounts Payable and Accrued Liabilities

The following is a summary of the accounts payable and accrued liabilities:

Payable to Venders and Suppliers	\$	795,231
The Ohio State University (cost share)		154,368
Benefits Payable		388,511
Accrued Compensated Absences		699,575
Accrued Salaries and Wages		627,766
Total	\$	<u>2,665,451</u>
Current portion	\$	1,965,876
Long term portion	\$	699,575

Note 6 - State Support

James A. Rhodes State College is a state assisted institution of higher education which receives a student enrollment based instructional subsidy from the State of Ohio. This subsidy is determined annually based upon a formula devised by the Ohio Board of Regents, adjusted to state resources available.

In addition to the student subsidies, the State of Ohio provides the funding for construction and renovation of major plant facilities on the College campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn causes the construction and renovation of the facility by the Ohio Board of Regents. Upon completion of a construction project, the Ohio Board of Regents turns over control to the College, which capitalizes the cost.

Neither the obligation for the revenue bonds issued by the OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. These are currently being funded through appropriations to the Ohio Board of Regents by the Ohio General Assembly.

The 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 requirement exists to assess a special student fee uniformly applicable in state-assisted institutions of higher education throughout the state.

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 7 – Compensated Absences

Sick Pay – Sick leave represents an insurance type benefit for absence due to personal illness or injury; for illness, injury, or death of a member of the immediate family of the covered employee on a regular contract; or to cover quarantine required by exposure to a contagious disease.

Sick leave credits will accumulate at the rate of 1.25 days (ten hours) per month of contractual service, including periods of vacation and paid military or sick leave, for all regular continuing employees. Regular employees on less than full time appointments shall be entitled to sick leave credit for time actually worked at the same rate as that granted regular continuing employees. The accumulation of sick leave credits at this rate shall be unlimited. Total hours accrued at June 30, 2003 was 15,916.

College employees, upon retirement with ten or more years of service with the State, shall be compensated in an amount not to exceed one-fourth of the value of accrued but unused sick leave credit, based on the individual's rate of compensation at the time of retirement. The maximum amount of hours at which sick leave will be paid out is set at 240 hours.

On June 30, 2003, the College's liability for accrued sick leave was \$391,032.

Vacation Pay – Compensation for vacation by the College is available only to those employees who are on eleven-month appointments, or are considered administrative and professional staff. Those employees employed by the College on an academic year basis are not eligible to earn or accrue vacation leave.

All employees eligible to receive vacation pay may accrue up to, but not exceed 30 working days (240 hours) over the course of a year. Anything accrued in excess of the 30 days is eliminated from the employee's leave balance at year end.

It is the policy of the College that if after one year of continuous service the employee is terminated or resigns, any unused vacation balance will be compensated to that employee.

At June 30, 2003, the faculty and staff of the College had accumulated vacation leave of 14,053 hours. Based on this, the College recorded a liability of \$308,543 for accumulated vacation leave at June 30, 2003.

The basis on which the College has made these estimates is in accordance with the standards and guidelines established by GASB Statement No.16, Accounting for Compensated Absences.

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 8 - Defined Benefit Pension Plans

Public Employees Retirement System

The James A. Rhodes State College contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer public employee retirement system administered by the Public Employees Retirement Board. Authority to establish and amend benefits is provided by State Statute per Chapter 145 of the Ohio Revised Code. The PERS issues a publicly available financial report that includes financial statements and required supplementary information for the fund. The report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary and the College is required to contribute 13.31 percent. The College's contributions to PERS for the fiscal years ending June 30, 2003, 2002, and 2001 were \$385,740, \$360,563, and \$277,832, respectively, equal to the required contributions for the year.

State Teachers Retirement System

The James A. Rhodes State College contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that included financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the College is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The College's contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$869,589, \$821,260, and \$778,908, respectively, equal to the required contributions for the year.



JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 9 - Post Employment Benefits

The College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the Public Employees Retirement System (PERS).

The State Teachers Retirement System comprehensive health care benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients are required to pay a portion of the health care cost in the form of monthly premiums.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The State Teachers Retirement Board currently allocates employer contributions equal to 4.5 percent of covered payroll to a health care reserve fund from which payments for health care benefits are paid. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.256 billion at June 30, 2001 (the date of the most recent information available). For the year ended June 30, 2001, net health care costs paid by STRS were \$369,354,000 and STRS had 102,132 eligible benefit recipients.

Public Employees Retirement System of Ohio provides post retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The rate is 13.31% of covered payroll of which 4.3% is the portion that was used to fund health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to PERS.

The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for Other Post Employment Benefits during 2001 were \$693,484,110 (the date of the most recent information available). As of December 31, 2001, the net assets available for future Other Post Employment Benefits payments were \$9,936,383,994. The number of benefit recipients eligible for Other Post Employment Benefits at December 31, 2001 was 134,769.

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 10 - Cost Share Agreement

James A. Rhodes State College is located on the grounds owned by the State of Ohio. According to the cost sharing agreement entered into as of July 1, 1971 (and revised May 27, 1992) between The Ohio State University and the Allen County Technical Institute (later renamed Lima Technical College, and then officially changed to James A. Rhodes State College in 2002), the College reimburses the University for costs incurred in the following areas: academic instruction, library, student services, student activities, institutional support, plant operation and community educational services. The College makes quarterly payments to the University based on estimated costs using formulas as prescribed in the cost sharing agreement. Adjustments at year end for variances between estimated and actual costs are made at the time of the first quarterly payment of the following fiscal year. The College's portion of cost sharing totaled \$707,261 for the year ended June 30, 2003. At year end, the College had an accounts payable to The Ohio State University for \$154,368.

Although this is a related party transaction due to the fact that certain management personnel are shared by both institutions, the James A. Rhodes State College and Ohio State University both have separate and distinct Boards of Trustees.

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 11 - Risk Management

The College is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the College contracted with a Commercial Insurer for property and fleet insurance, liability insurance, and various other coverages.

Coverages provided by this insurer is as follows:

Building and Contents - replacement cost (\$10,000 deductible) \$55,623,581  
Automobile -  
    Liability \$1,000,000  
    Uninsured/Underinsured Motorists \$25,000  
Crime –  
    Employee Dishonesty \$1,000,000  
    Forgery/Alteration \$1,000,000  
    Money & Securities \$25,000  
    Computer Fraud \$1,000,000  
General Liability -  
    Per occurrence \$1,000,000  
    Aggregate \$2,000,000  
Professional –  
    Educator's Legal Liability - \$1,000,000 (per claim & aggregate)  
    Medical Professional Liability - \$1,000,000 (per claim & aggregate)  
    Excess Liability - \$10,000,00 (per claim & aggregate)

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year. In addition, the College offers medical, vision, and dental insurance to full-time employees through various commercial insurers.

Note 12 - Related Party Transactions

The James A. Rhodes State College Foundation was established for charitable and educational purposes for the benefit of the College and its students. The Foundation is a not for profit organization exempt from Federal Income Taxes under Section 501c(3) of the Internal Revenue Code. The College recorded revenues from the Foundation in the amount of \$176,330 for scholarships, instructional programs and marketing initiatives. At year-end, the College had an account receivable from the Foundation for \$69,291.

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2003

Note 13 - Operating Expenses by Natural Classification

The College's operating expenses by natural classification were as follows for the year ended June 30, 2003:

Salaries and wages	\$	10,944,126
Employee benefits		2,376,176
Supplies		865,932
Travel		347,537
Information and communication		817,187
Maintenance		948,917
Utilities		440,183
Student scholarships and financial aid		3,460,533
Other		298,847
Depreciation		922,192
Total Operating Expenses	\$	<u>21,421,630</u>

Note 14 - Subsequent Events

The College entered into contracts for the construction of a new Information Technology Building. The estimated cost is approximately \$7 million. The funding will come from the following sources: The Ohio Board of Regents have approved capital appropriations in the amount of \$3.7 million, the College has sold serial bonds in the amount of \$3.1 million, and the balance will be paid with College funds.

Note 15 - Contingencies

Grants

The College received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the College. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 2003.

Litigation

The College is currently not party to any legal proceedings.

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2003

Note 16 – Leases

The College leases duplicating equipment on a monthly basis. Minimum operating lease payments for existing leases over the next five years are as follows:

6/30/04	\$	111,160
6/30/05		107,615
6/30/06		86,259
6/30/07		59,305
6/30/08		24,117
Thereafter		-
TOTAL	\$	<u>388,456</u>

Operating lease expenditures for the year ending June 30, 2003 were \$125,569.

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

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SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
For the Year Ended June 30, 2003

Federal Grantor/ Pass-Through Grantor/ Program Titles	Pass Through Entity Number	Federal CFDA Number
<u>U.S. Department of Education</u>		
Student Financial Aid Cluster:		
Pell Grant Program	N/A	84.063
College Work Study	N/A	84.033
SEOG	N/A	84.007
Total Student Financial Aid Cluster		
Passed Through Ohio Department of Education:		
Vocational Education Basic Grants	VECPH-P2003-513	84.048
Total Vocational Education Basic Grants		
Technical Preparation Grant	VETP-2003-14-FB	84.243
	VETP-2003-14-STP	84.243
	VETP-2003-14-EEG-IT	84.243
	VETP-2003-14-EEG-EN	84.243
Total Technical Preparation Grant		
Total U.S. Department of Education		
<u>Small Business Administration</u>		
(Passed-Through Ohio Department of Development)		
Small Business Development Center	N/A	59.037
Total Small Business Administration		
<u>National Science Foundation</u>		
Computer Science Engineering Mathematics Scholarship (CSEMS)	N/A	47.076
Total National Science Foundation		
Total Federal Financial Assistance		

**Note A - Significant Accounting Policies**

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the accrual basis of accounting.

**Note B - GSL and PLUS Programs**

Students at James A. Rhodes State College also participate in the U.S. Department of Education's Guaranteed Student Loan (GSL) and Parent's Loans for Undergraduate Students (PLUS) programs. (CFDA#84.032). These loans are made by lending institutions directly to qualified students and are, therefore, not reflected in the revenues and expenditures of the College. The total amount of loans under these programs for the year ended June 30, 2003 was \$4,299,604.

<u>Receipts</u>	<u>Disbursements</u>
\$ 3,152,303	\$ 3,152,303
154,128	154,128
117,733	117,733
<u>3,424,164</u>	<u>3,424,164</u>
94,883	94,883
<u>94,883</u>	<u>94,883</u>
160,487	160,487
49,669	49,669
81,600	81,600
81,600	81,600
<u>373,356</u>	<u>373,356</u>
<u>3,892,403</u>	<u>3,892,403</u>
94,853	94,853
<u>94,853</u>	<u>94,853</u>
98,337	98,337
<u>98,337</u>	<u>98,337</u>
<u>\$ 4,085,593</u>	<u>\$ 4,085,593</u>

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# ***E.S. Evans and Company***

**Certified Public Accountants and Consultants**

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075

P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • E-mail: askus@esevans.com

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Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

October 31, 2003

**REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
James A. Rhodes State College  
Allen County, Ohio

and

Auditor of State of Ohio  
Columbus, Ohio

We have audited the basic financial statements of James A. Rhodes State College as of and for the year ended June 30, 2003, and have issued our report thereon dated October 31, 2003. 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.

### Compliance

As part of obtaining reasonable assurance about whether James A. Rhodes State College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Board of Trustees  
James A. Rhodes State College  
Auditor of State of Ohio  
October 31, 2003  
Page 2

Internal Control Over Financial Reporting

In planning and performing our audit, we considered James A. Rhodes State College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses

This report is intended solely for the information and use of management, Board of Trustees, Auditor of State of Ohio, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in red ink, appearing to read "E. J. ...", is located in the lower right quadrant of the page.



# **E.S. Evans and Company**

**Certified Public Accountants and Consultants**

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075

P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • E-mail: askus@esevans.com

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Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

October 31, 2003

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
James A. Rhodes State College  
Allen County, Ohio

and

Auditor of State of Ohio  
Columbus, Ohio

**Compliance**

We have audited the compliance of James A. Rhodes State 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, 2003. James A. Rhodes State College's major federal programs 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 James A. Rhodes State College's management. Our responsibility is to express an opinion on James A. Rhodes State 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 James A. Rhodes State 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 James A. Rhodes State College's compliance with those requirements.

In our opinion, James A. Rhodes State 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, 2003.

Internal Control Over Compliance

The management of James A. Rhodes State College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered James A. Rhodes State College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, Board of Trustees, Auditor of State of Ohio, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

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SCHEDULE OF FINDINGS AND QUESTIONED  
COSTS OMB CIRCULAR A-133 § .505

June 30, 2003

A. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under .510?	No
(d)(1)(vii)	Major Programs (list): Student Financial Aid Cluster Student Financial Aid Cluster Student Financial Aid Cluster Student Financial Aid Cluster	Pell Grant Program 84.063 College Work Study 84.033 Family Educ Loan 84.032 SEOG 84.007
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A:> \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

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SCHEDULE OF FINDINGS AND QUESTIONED  
COSTS OMB CIRCULAR A-133 § .505

June 30, 2003

B. Findings Related To The Financial Statements Required  
To Be Reported In Accordance With GAGAS

None

C. Findings and Questioned Costs for Federal Awards

None

JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY, OHIO

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SCHEDULE OF PRIOR AUDIT FINDINGS AND  
QUESTIONED COSTS OMB CIRCULAR A-133 § .315(b)

June 30, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
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None

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**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**JAMES A. RHODES STATE COLLEGE**

**ALLEN 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  
JANUARY 15, 2004**