

James A. Rhodes State College  
Allen County, Ohio

Single Audit

July 01, 2008, through June 30, 2009  
Fiscal Years Audited Under GAGAS: 2009 and 2008



**Balestra, Harr & Scherer, CPAs, Inc.**

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Mary Taylor, CPA  
Auditor of State

Board of Trustees  
James A. Rhodes State College  
4240 Campus Drive  
Lima, Ohio 45804

We have reviewed the *Independent Auditor's Report* of the James A. Rhodes State College, Allen County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period July 1, 2008 through June 30, 2009. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 6, 2010

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JAMES A. RHODES STATE COLLEGE  
Allen County

ANNUAL REPORT  
June 30, 2009 and 2008

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
James A. Rhodes State College  
4240 Campus Drive  
Lima, Ohio 45804

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the James A. Rhodes State College (the College), as of and for the years ended June 30, 2009 and 2008, which collectively comprise the College's basic financial statements 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 basic 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure about whether the basic 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 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 business-type activities and the discretely presented component unit of the College, as of June 30, 2009 and 2008, and the respective changes in financial position and cash flows, where applicable, thereof 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 November 13, 2009, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing 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 accounting principles generally accepted in the United States of America. 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.

Board of Trustees  
James A. Rhodes State College  
Independent Auditor's Report  
(Continued)

We conducted our audit to opine on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes 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. The schedule of federal awards expenditures has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

As described in Note 18 to the basic financial statements, the James A. Rhodes State College Foundation component unit implemented Financial Accounting Standards Board Staff Position FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA)*, and *Enhanced Disclosures for All Endowment Funds*.



Balestra, Harr & Scherer, CPAs, Inc.  
November 13, 2009



James A. Rhodes State College  
Management's Discussion and Analysis  
June 30, 2009 and 2008

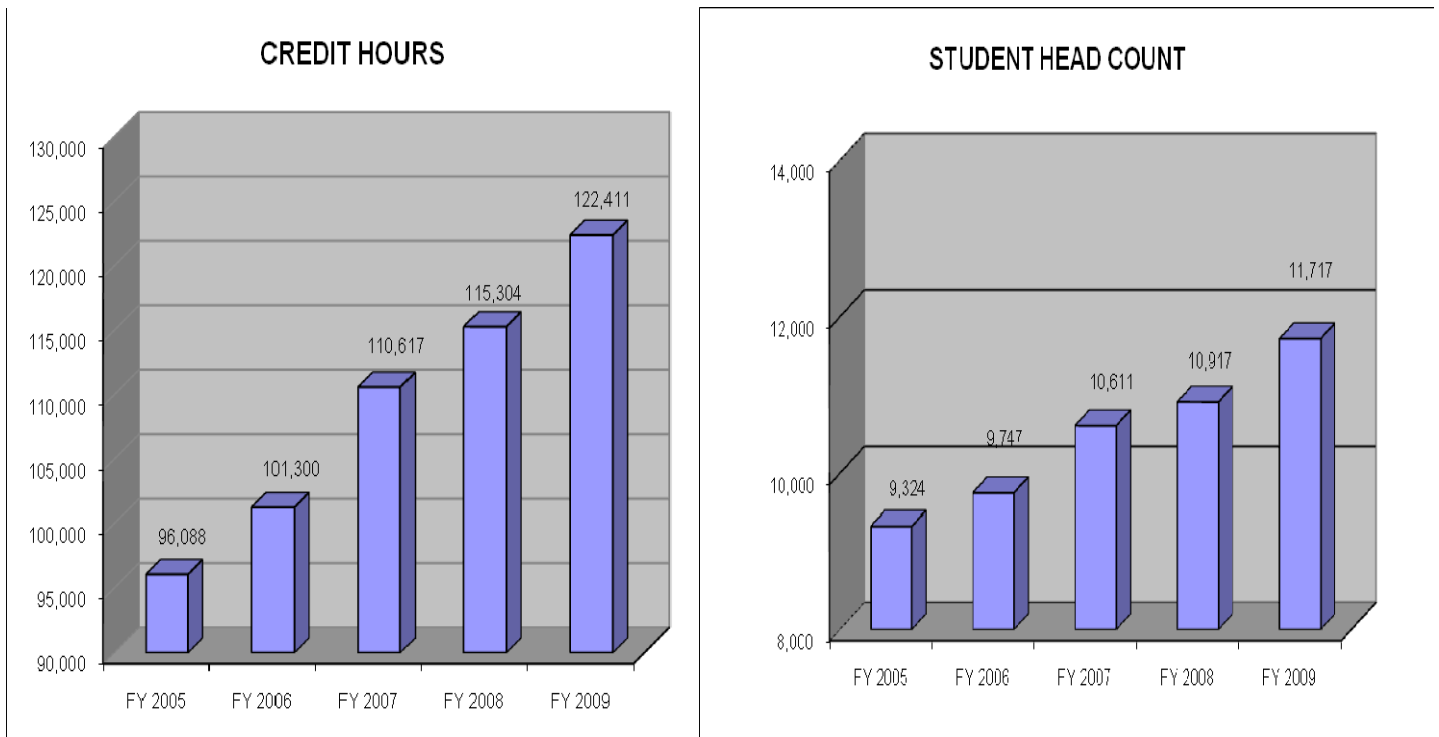
This section of James A. Rhodes State College annual financial report presents management's discussion and analysis of the College's financial performance during the fiscal years that ended June 30, 2009 and 2008. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes.

**THE COLLEGE**

James A. Rhodes State College is a public, state assisted, two-year institution of higher learning. The College offers over 100 Associate degrees, majors and certificate programs. In addition to degrees and certificates, the College provides educational opportunities through workshops, seminars and on-site training for area businesses. The College serves a ten-county region in Northwest Ohio. Rhodes State College is accredited by The Higher Learning Commission (HLC) of the North Central Association of Colleges and Schools, and just recently has a successful site visit with the next scheduled HLC accreditation visit in 2018-19. The College was recognized as the 21<sup>st</sup> fastest growing institution of its size in the United States.

The College has focused on continuous improvements and institutional effectiveness. The strategic and institutional effectiveness planning system is currently in the process of developing its next three year Strategic Plan entitled Vision 2012.

Listed below are the credit hours and student head count over the last five years.



James A. Rhodes State College  
Management's Discussion and Analysis  
June 30, 2009 and 2008

**FINANCIAL HIGHLIGHTS**

In FY2009, the College provided over 122,000 credit hours and this was a 6.2% increase over FY2008. The College has six consecutive years of increased credit hours. Since FY2005, the College has taught 26,323 additional credit hours, a 27.4% increase.

Net assets increased by \$104,853 in FY2009 and \$1,788,323 in FY2008. Unrestricted net assets increased by \$564,072 in FY2009 and decreased by \$339,270 in FY2008.

In FY2009, operating revenues increased by \$422,911 or 3.4%; net non-operating revenues increased \$2,433,793 or 18.5%; while operating expenses increased by \$3,145,344 or 12.5%. In FY2008, operating revenues increased by \$236,035 or 1.46%; net non-operating revenues increased \$757,798 or 9.2%; while operating expenses increased by \$1,450,563 or 6.1%.

**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 prior to fiscal year 2003 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.

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, as a result of this classification, the College 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 non-capital financing and investing activities.

James A. Rhodes State College  
Management's Discussion and Analysis  
June 30, 2009 and 2008

**CONDENSED FINANCIAL INFORMATION**  
**STATEMENTS OF NET ASSETS**  
**(in thousands)**

ASSETS	<u>2009</u>	<u>2008</u>	<u>Difference</u>	<u>2007</u>	<u>Difference</u>
Current Assets	\$11,257	\$10,278	\$979	\$10,435	\$-157
Noncurrent, Capital Assets	<u>30,142</u>	<u>30,660</u>	<u>-518</u>	<u>28,587</u>	<u>2,073</u>
Total Assets	<u>41,399</u>	<u>40,938</u>	<u>461</u>	<u>39,022</u>	<u>1,916</u>
LIABILITIES					
Current Liabilities	3,561	3,174	387	3,030	144
Noncurrent Liabilities	<u>3,675</u>	<u>3,706</u>	<u>-31</u>	<u>3,722</u>	<u>-16</u>
Total Liabilities	<u>7,236</u>	<u>6,880</u>	<u>356</u>	<u>6,752</u>	<u>128</u>
NET ASSETS					
Invested in Capital Assets	27,287	27,746	-459	25,618	2,128
Restricted, Expendable	9	9	0	9	0
Unrestricted	<u>6,867</u>	<u>6,303</u>	<u>564</u>	<u>6,643</u>	<u>-340</u>
Total Net Assets	<u>34,163</u>	<u>34,058</u>	<u>105</u>	<u>32,270</u>	<u>1,788</u>
			0		
Total Liabilities and Net Assets	<u>\$41,399</u>	<u>\$40,938</u>	<u>\$461</u>	<u>\$39,022</u>	<u>\$1,916</u>

Assets As of June 30, 2009, the College's total assets were \$ 41.4 million compared to \$40.9 million in fiscal year 2008 and \$39.0 million in fiscal year 2007. Capital assets, net of accumulated depreciation are the college's largest asset. This represents 72.8 %, 74.9%, and 73.3%, of total assets for fiscal years 2009, 2008 and 2007 respectively. Cash and cash equivalents are the second largest asset category at \$6.7 million, \$5.2 million, and \$6.7 million for fiscal years 2009, 2008, and 2007 respectively. This represents 16.1%, 12.6% and 17.0% of the total assets for fiscal years 2009, 2008 and 2007 respectively.

Liabilities As of June 30, 2009, the College's liabilities were \$7.2 million compared to \$6.9 million in fiscal year 2008 and \$6.8 million in fiscal year 2007. Bonds Payable, net represented the largest portion of liabilities with \$2.8 million, \$2.8 million and \$2.9 million for fiscal years 2009, 2008 and 2007 respectively. Bonds payable, net represents approximately 38.7%, 41.6% and 43.2% of total liabilities for fiscal years 2009, 2008 and 2007 respectively. The general receipts bonds are payable over thirty years with final payment due in 2033.

Net Assets Net Assets as of June 30, 2009 were \$34.2 million compared to \$34.1 million in fiscal year 2008 and \$32.3 million in fiscal year 2007. Invested in capital assets, net of related debt represents the largest portion of net assets at 80.0%, 81.5% and 79.4% of total net assets for fiscal years 2009, 2008 and 2007 respectively.

James A. Rhodes State College  
Management's Discussion and Analysis  
June 30, 2009 and 2008

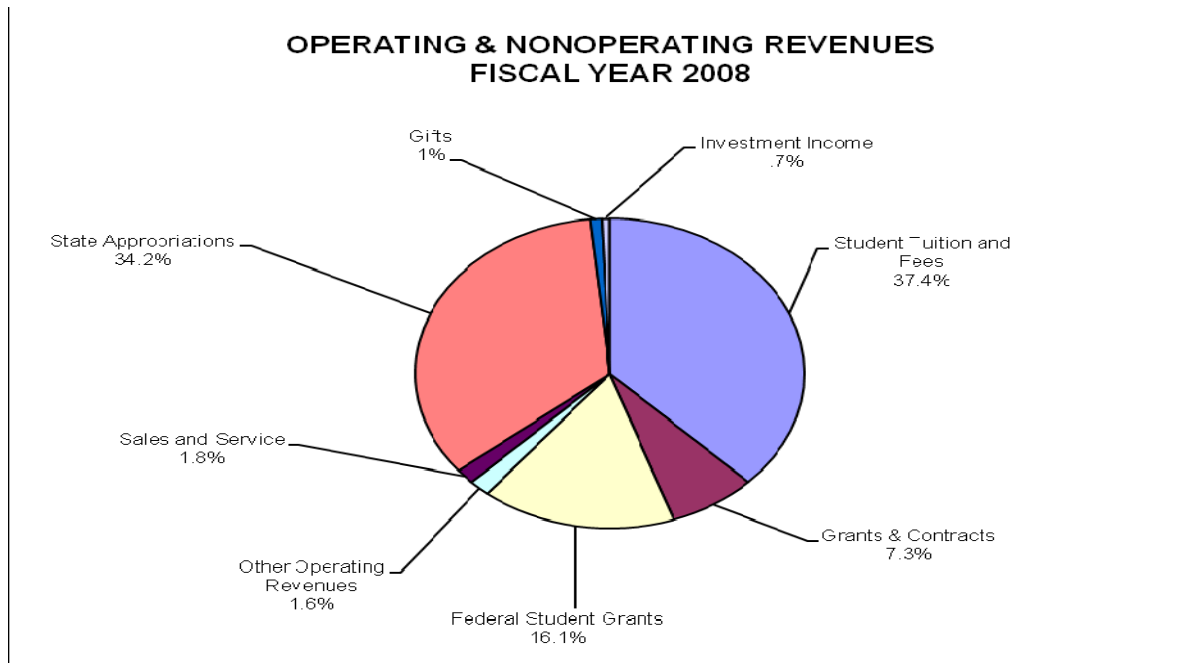
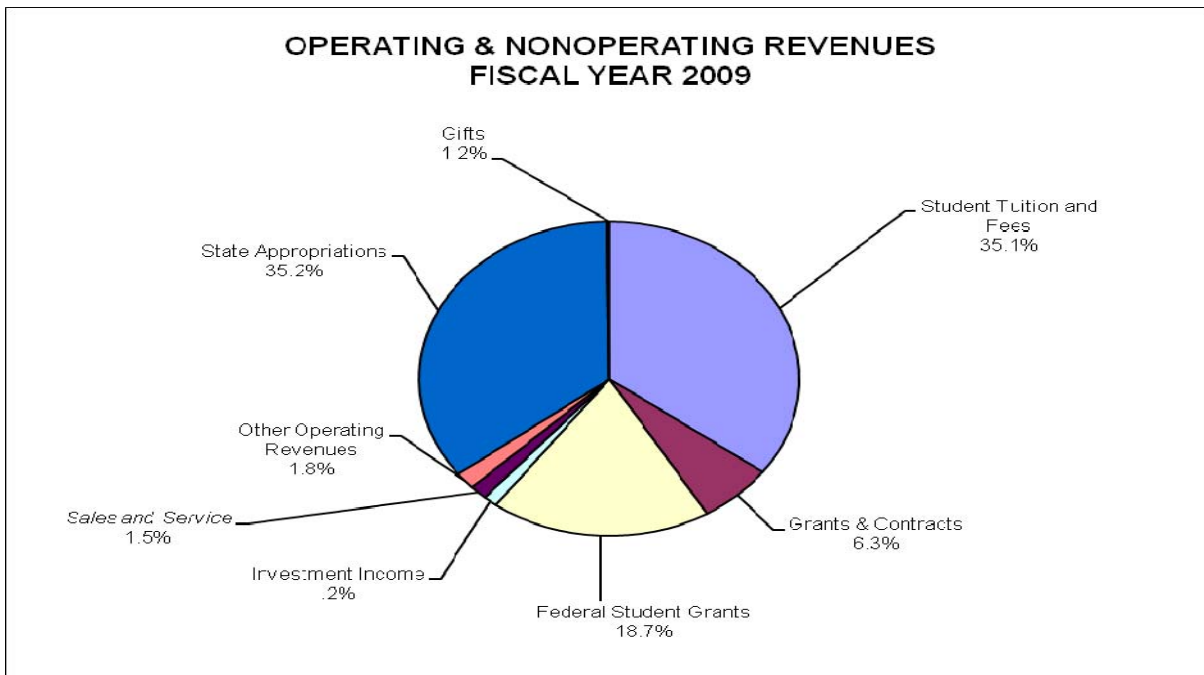
**CONDENSED FINANCIAL INFORMATION**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**(in thousands)**

<b>OPERATING REVENUES</b>	<u>2009</u>	<u>2008*</u>	<u>Difference</u>	<u>2007*</u>	<u>Difference</u>
Student tuition and fees, net	\$10,009	\$9,596	\$413	\$9,483	\$113
Federal grants and contracts	454	727	863	1,067	(340)
State grants and contracts	335	1,050	(851)	696	354
Non-Governmental grants and contracts	15	86	(71)	184	(98)
Sales and services	423	450	(27)	449	0
Other operating revenues	<u>507</u>	<u>411</u>	<u>96</u>	<u>481</u>	<u>(70)</u>
Total Operating Revenues	<u>12,743</u>	<u>12,319</u>	<u>423</u>	<u>12,360</u>	<u>(41)</u>
<b>OPERATING EXPENSES</b>					
Educational and General	26,831	23,901	2,930	22,605	1,296
Depreciation	<u>1,388</u>	<u>1,172</u>	<u>216</u>	<u>1,018</u>	154
Total Operating Expenses	<u>28,219</u>	<u>25,073</u>	<u>3,146</u>	<u>23,623</u>	<u>1,450</u>
Operating Income (Loss)	(15,476)	(12,754)	(2,722)	(11,263)	(1,491)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
State Appropriations	10,033	8,772	1,261	7,886	886
Federal Student Grants	5,340	4,137	1,203	3,861	276
Gifts	341	244	97	248	(4)
Investment Income	49	169	(120)	286	(117)
Interest on capital asset-related debt	(164)	(166)	2	(168)	2
Other non-operating revenues (expenses)	<u>(18)</u>	<u>(9)</u>	<u>(9)</u>	<u>0</u>	<u>(9)</u>
Net Non-Operating Revenues (expenses)	<u>15,581</u>	<u>13,147</u>	<u>2,434</u>	<u>12,113</u>	<u>1,034</u>
Income (Loss) before other revenues	105	393	(288)	850	(457)
Capital Appropriations	<u>0</u>	<u>1,395</u>	<u>(1,395)</u>	<u>0</u>	<u>1,395</u>
Total other revenues	<u>0</u>	<u>1,395</u>	<u>(1,395)</u>	<u>0</u>	<u>1,395</u>
Increase (decrease) in Net Assets	105	1,788	(1,683)	850	938
Net Assets, Beginning of Year	<u>34,058</u>	<u>32,270</u>	<u>1,788</u>	<u>31,420</u>	<u>850</u>
Net Assets, End of Year	<u>\$34,163</u>	<u>\$34,058</u>	<u>\$105</u>	<u>\$32,270</u>	<u>\$1,788</u>

\* Certain reclassifications were made to the 2008 and 2007 balances to be comparable to the current presentation.

James A. Rhodes State College  
 Management's Discussion and Analysis  
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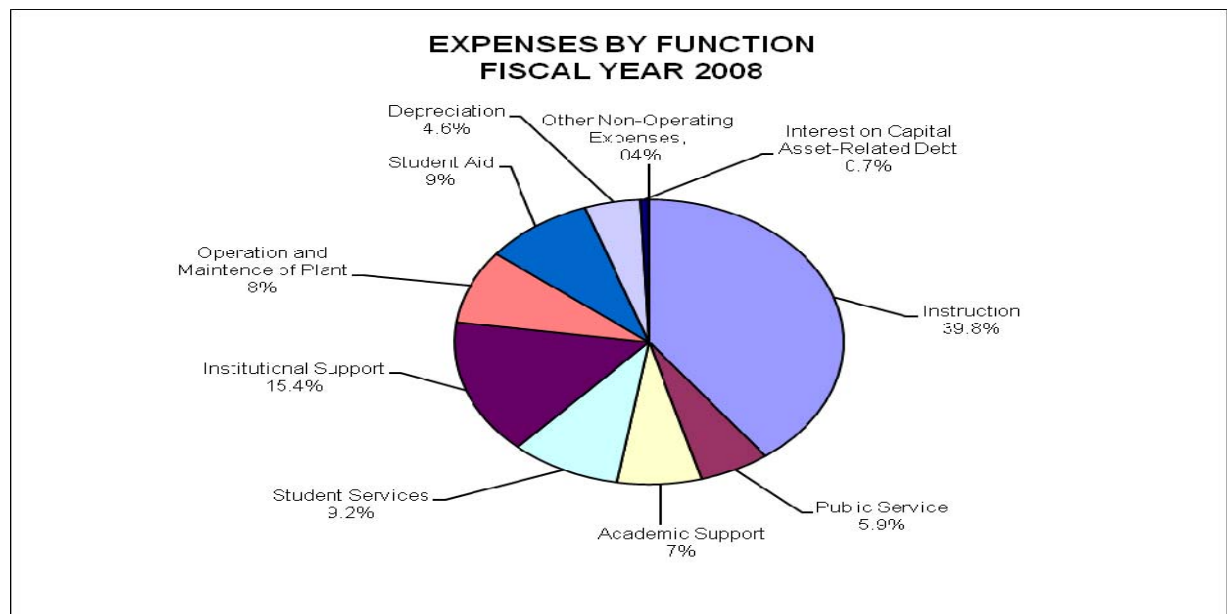
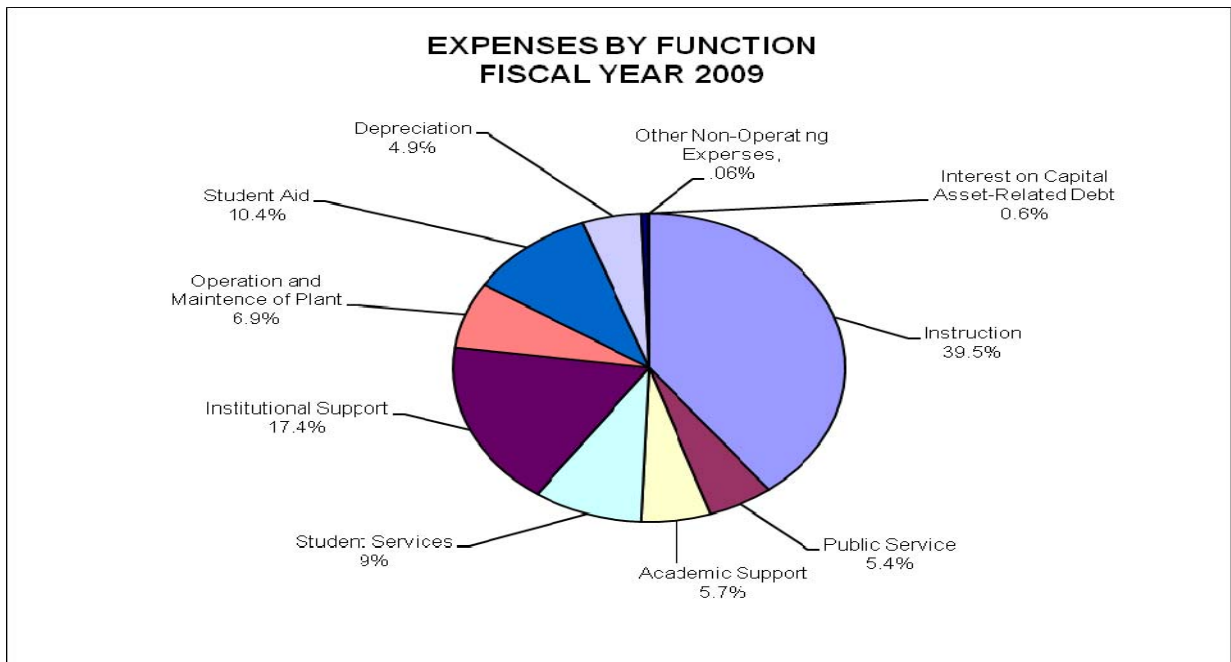
The following is a graphic illustration of revenues by source for the years ended June 30, 2009 and 2008:



The largest sources of the College's revenues (over 70%) come from Student Tuition & Fees (net of scholarship allowance) and State Appropriations. Student tuition and fees, net were \$10.0 million and \$9.6 million for fiscal years 2009 and 2008 respectively. State appropriations were \$10.0 million and \$8.8 million for fiscal years 2009 and 2008 respectively. Federal student grants were \$5.3 million and \$4.1 million for fiscal years 2009 and 2008 respectively. Total operating and non-operating revenues were \$28.5 million and \$27.0 million for fiscal years 2009 and 2008 respectively.

James A. Rhodes State College  
 Management's Discussion and Analysis  
 June 30, 2009 and 2008

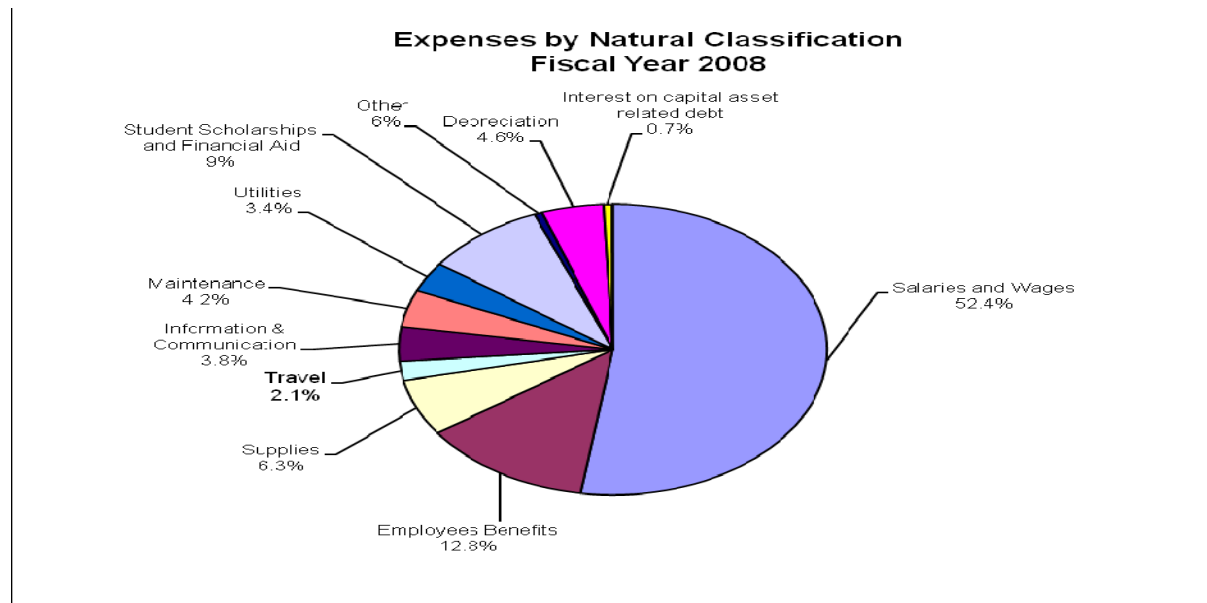
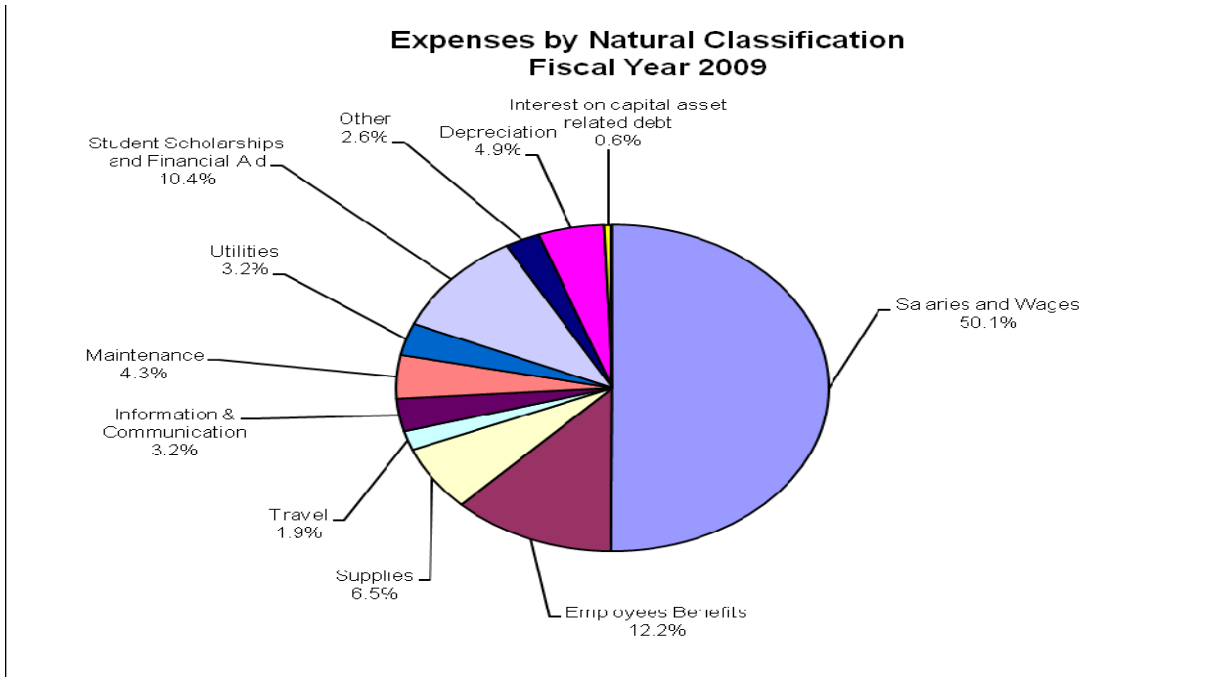
The following is a graphic illustration of expenses by function for the years ended June 30, 2009 and 2008:



Instructional expenditures are the largest expense for the College. Instructional expenses were \$11.2 million and \$10.0 million for fiscal years 2009 and 2008 respectively. Public service expenses were \$1.5 million for both fiscal years. Academic support expenses were \$1.6 million and \$1.8 million respectively. Student services expenses were \$2.6 million and \$2.3 million respectively. Institutional support expenses were \$4.9 million and \$3.9 million respectively. Operation and maintenance of plant expenses was approximately \$2.0 million for each year. Student aid expenses were \$3.0 million and \$2.3 million respectively. Total operating and non-operating expenses were \$28.4 million and \$25.2 million respectively.

James A. Rhodes State College  
 Management's Discussion and Analysis  
 June 30, 2009 and 2008

The following is a graphic illustration of expenses by natural classification for the years ended June 30, 2009 and 2008:



Salaries and wages were the largest expense for the College at 50.1% and 52.4% for fiscal years 2009 and 2008 respectively. Wages and benefits accounted for 62.2% and 65.2% of the College's total expenses respectively. The next largest expense was student scholarships. Salaries and wages were \$14.2 million and \$13.2 million respectively. Employee benefits were \$3.5 million and \$3.2 million respectively. Student scholarships were \$3.0 million and \$2.3 million respectively. Supplies were \$1.8 million and \$1.6 million respectively. Maintenance was \$1.2 million and \$1.0 million respectively. Total operating and non-operating expenses were \$28.4 million and \$25.2 million for fiscal years 2009 and 2008 respectively.

James A. Rhodes State College  
Management's Discussion and Analysis  
June 30, 2009 and 2008

**CONDENSED FINANCIAL INFORMATION**  
**STATEMENTS OF CASH FLOWS**  
**(in thousands)**

Net cash provided (used by):	<u>2009</u>	<u>2008</u>	<u>Difference</u>	<u>2007</u>	<u>Difference</u>
Operating Activities	\$-13,339	\$-11,396	\$-1,943	\$-10,536	\$-860
Non-capital Financing Activities	15,527	13,079	2,448	12,048	1,031
Capital Financing Activities	-730	-3,333	2,603	-1,845	-1,488
Investing Activities	<u>50</u>	<u>169</u>	<u>-119</u>	<u>286</u>	<u>-117</u>
Net increase (decrease) in cash	1,508	-1,481	2,989	-47	-1,434
Cash, Beginning of Year	<u>5,171</u>	<u>6,652</u>	<u>-1,481</u>	<u>6,699</u>	<u>-47</u>
Cash, End of Year	<u>\$6,679</u>	<u>\$5,171</u>	<u>\$1,508</u>	<u>\$6,652</u>	<u>\$-1,481</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, and grants and contracts. Tuition and fees generated cash of \$10.2, \$9.1 and \$9.2 million in fiscal years 2009, 2008, and 2007 respectively. Grants and contracts generated cash of \$2.4, \$2.1 and \$1.5 million in fiscal years 2009, 2008 and 2007 respectively. Major uses of cash included in the operating activities were payments for wages, supplies and services, and employee benefits. Payments to employees amounted to \$14.2, \$13.1 and \$12.5 million in fiscal years 2009, 2008, and 2007 respectively. Payments for supplies and services amounted to \$5.3, \$3.9 and \$4.2 million in fiscal years 2009, 2008, and 2007 respectively. Payments for benefits amounted to \$3.5, \$3.4 and \$2.9 million in fiscal years 2009, 2008, and 2007 respectively. State appropriations are the primary source of cash for non-capital financing activities. The College received \$10.0, \$8.8 and \$7.9 million in state appropriations in fiscal years 2009, 2008, and 2007 respectively. The 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. Major uses of cash included in the capital financing activities were payments for capital assets. The College paid \$0.9, \$3.2 and \$1.6 million for capital assets in fiscal years 2009, 2008, and 2007 respectively.



James A. Rhodes State College  
Management's Discussion and Analysis  
June 30, 2009 and 2008

**COMPONENT UNIT**

**Component Unit**

The College adopted Governmental Accounting Standards Board (GASB) Statement No. 39, Determining Whether Certain Organizations are Component Units. The James A Rhodes State College Foundation is a legally separate tax exempt entity governed by its own Board of Directors. The Foundation was created to support the College and its students. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources that the Foundation holds and invests are restricted to the activities of the College by the donors. Since these resources held by the Foundation can only be used for the benefit of the College and determined significant, the Foundation is considered a component unit of the College. The impact is that the financial information of the Foundation was included as a discretely presented component unit for the first time in FY2005.

**CAPITAL ASSETS AND DEBT**

**Capital Assets**

The total cost of capital assets were \$41.8, \$41.0 and \$38.1 million for fiscal years 2009, 2008 and 2007 respectively. The accumulated depreciation was \$11.7, \$10.4 and \$9.5 million for fiscal years 2009, 2008 and 2007 respectively. Depreciation expense for the years ended June 30, 2009, 2008 and 2007 were \$1,388,514, \$1,172,656 and \$1,017,932 respectively. A summary of net capital assets for the years ended June 30 is as follows:

	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
Land Improvements	\$ 247,985	\$ 189,711	\$ 214,581
Buildings and Improvements	25,995,152	26,636,667	25,165,517
Infrastructure	64,589	70,459	76,327
Moveable Equipment	3,610,195	3,536,993	2,902,510
Library Books	<u>223,617</u>	<u>226,401</u>	<u>228,274</u>
 Total Capital Assets, Net	 <u>\$ 30,141,538</u>	 <u>\$ 30,660,231</u>	 <u>\$ 28,587,209</u>

During fiscal year 2009, the College purchased \$518,244 of moveable equipment, \$244,184 in building improvements, \$83,144 in land improvements and \$42,581 of library books. During fiscal year 2008, the College purchased \$1,056,368 of moveable equipment, \$2,155,883 in building improvements, and \$43,008 of library books.

**Debt**

In October 2003, the College issued \$3.1 million in general receipts bonds for the construction of Keese Hall. The bonds mature over thirty (30) years with principal and interest due semi-annually. This will impact cash flows by approximately \$220,000 each year.

James A. Rhodes State College  
 Management's Discussion and Analysis  
 June 30, 2009 and 2008

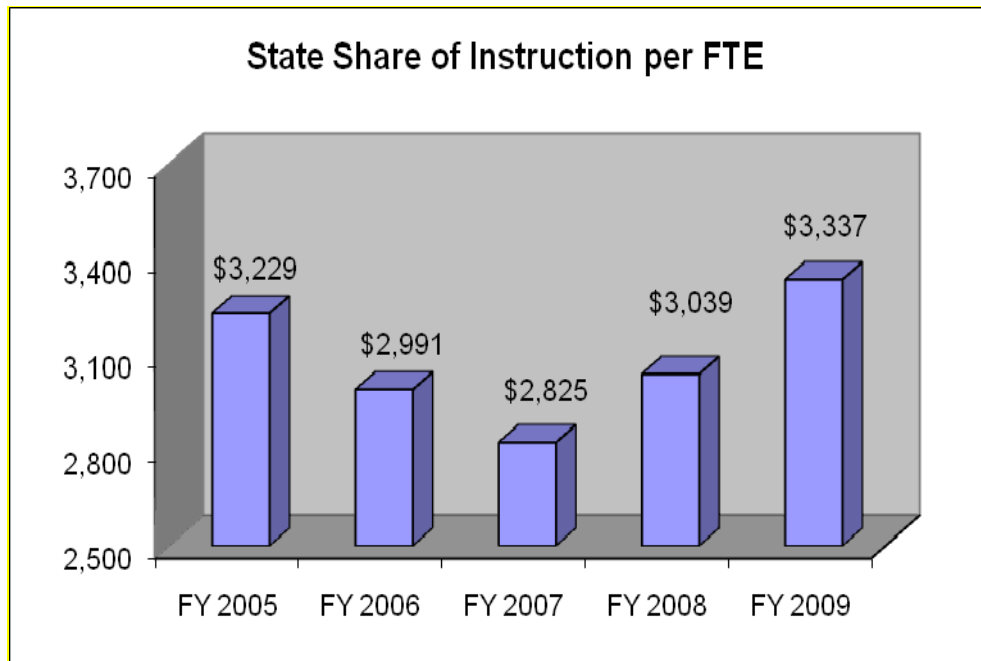
**State Appropriations per Dollar of Gross Tuition**

Fiscal Year	Gross Tuition	State Appropriations	Net State Appropriations per Dollar of Gross Tuition
2009	\$12,973,372	\$10,033,084	0.77
2008	\$11,999,821	\$ 8,772,455	0.73
2007	\$11,793,160	\$ 7,885,574	0.67
2006	\$10,505,975	\$ 7,668,903	0.73
2005	\$ 9,329,826	\$ 7,957,978	0.85

In 2002, the State contributed \$0.93 to James A. Rhodes State College for every dollar of gross tuition. In 2009 thru 2007, the College froze tuition rates while the State has agreed to increase appropriations. The appropriations have improved, but this is still below the 2002 rate.

**State Share of Instruction (SSI)**

In an effort to understand the funding from state appropriations, the table below shows the five-year trend in funding by annual full time equivalent (FTE). Annual FTE is calculated as total credit hours divided by forty-five (45).

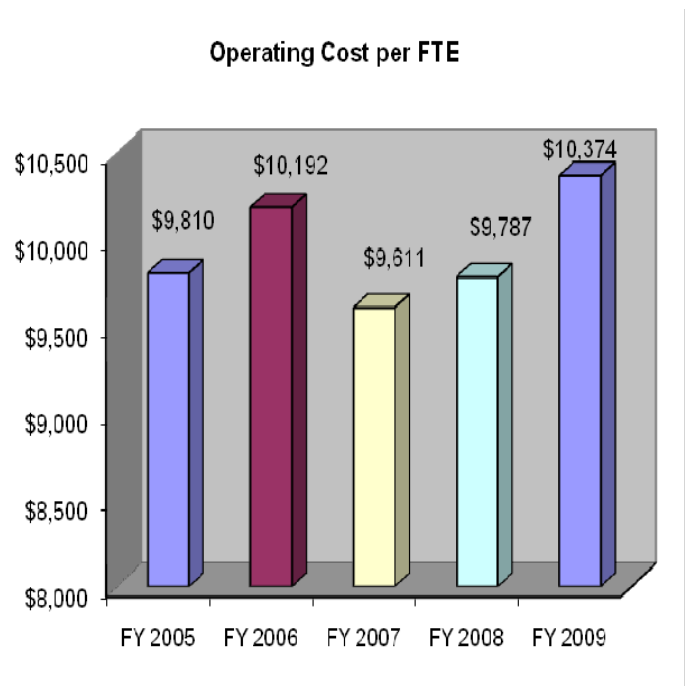
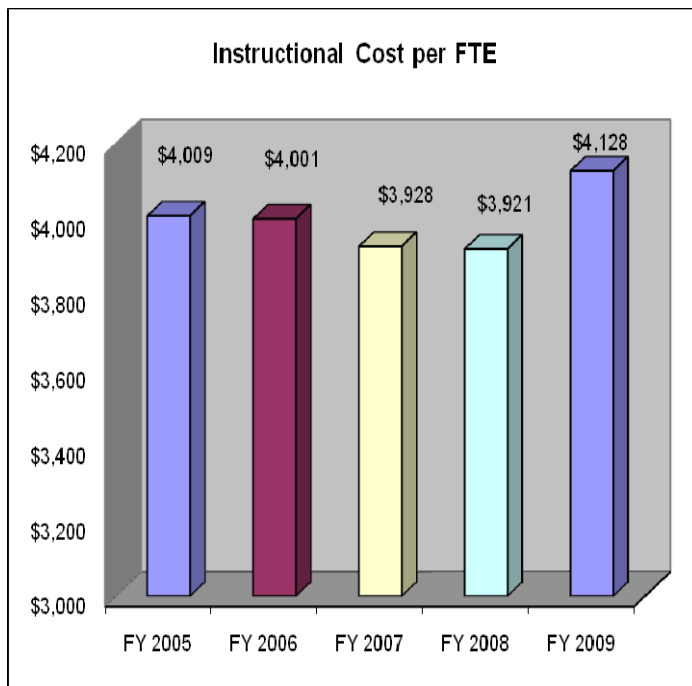


James A. Rhodes State College  
 Management's Discussion and Analysis  
 June 30, 2009 and 2008

**Operating and Instructional Expenses per Annual Student FTE**

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Total Operating Expenses	\$ 28,219,237	\$ 25,073,891	\$ 23,623,328	\$ 22,942,490
Instructional Expenses	\$ 11,230,372	\$ 10,045,720	\$ 9,655,652	\$ 9,005,725
Annual Student FTE Enrollment	2,720	2,562	2,458	2,251

Annual full time equivalent (FTE) is calculated by taking the total number of student credit hours and dividing by forty-five (45). A review of the total instructional expenses shows that instructional expenses per FTE increased by 5.4% in FY2009, decreased by 0.2% in FY2008, decreased by 1.8% in FY2007, and decreased by 0.2% in FY2006. Operating expenses per FTE increased by 6.0% in FY2009, increased by 1.8% in FY2008, decreased by 5.7% in FY2007 and increased by 3.9% in FY2006.



James A. Rhodes State College  
Management's Discussion and Analysis  
June 30, 2009 and 2008

**FACTORS IMPACTING FUTURE PERIODS**

James A. Rhodes State College is dedicated to its mission statement to change lives, build futures and improve 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. 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 joined the Higher Education Compact by promising to not raise tuition rates for two years (FY2008 and FY2009) while the State has made an effort to increase subsidy funding. While the impact of the economic downturn is difficult to project and there have been several changes to the funding formula for higher education, the College is prepared to manage its financial resources in an effective and efficient manner.

Management believes the College's continuing efforts to seek other sources of funding, strong financial position and the ability to control costs will enable the College to continue to provide an excellent educational opportunity for students.

**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/Asst. Treasurer	Larry E. Hoffman, CPA	4240 Campus Drive Lima, OH 45804	419-995-8411

James A. Rhodes State College  
 Statements of Net Assets  
 As of June 30, 2009 and 2008

<b>ASSETS</b>	<b><u>2009</u></b>	<b><u>2008</u></b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 6,679,033	\$ 5,171,364
Accounts receivable (net of allowance of \$943,798 and \$522,380 respectively)	3,380,968	3,509,249
Appropriations receivable	1,189,499	1,589,124
Prepaid Expenses and other current assets	7,903	8,104
<b>TOTAL CURRENT ASSETS</b>	<b>11,257,403</b>	<b>10,277,841</b>
<b>NONCURRENT ASSETS:</b>		
Capital assets, net	30,141,538	30,660,231
<b>TOTAL NONCURRENT ASSETS</b>	<b>30,141,538</b>	<b>30,660,231</b>
<b>TOTAL ASSETS</b>	<b>\$ 41,398,941</b>	<b>\$ 40,938,072</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable, net	\$ 918,410	1,038,388
Current portion of bonds payable	60,000	55,000
Accrued liabilities	1,062,811	1,067,032
Deferred revenue	1,519,294	1,013,805
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,560,515</b>	<b>3,174,225</b>
<b>NONCURRENT LIABILITIES:</b>		
Bonds payable, net of current portion	2,799,527	2,859,098
Compensated absences	875,673	846,376
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>3,675,200</b>	<b>3,705,474</b>
<b>TOTAL LIABILITIES</b>	<b>7,235,715</b>	<b>6,879,699</b>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	27,286,913	27,746,132
Restricted, Expendable	8,467	8,467
Unrestricted	6,867,846	6,303,774
<b>TOTAL NET ASSETS</b>	<b>34,163,226</b>	<b>34,058,373</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 41,398,941</b>	<b>\$ 40,938,072</b>

The notes to the financial statements are an integral part of this statement.

James A. Rhodes State College  
Component Unit - Foundation  
Statements of Financial Position  
June 30, 2009 and 2008

<b>ASSETS</b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Cash and Cash Equivalents	\$ 352,107	\$ 561,601
Investments	1,164,007	1,345,261
Pledges Receivable	1,320,209	1,503,109
Accounts Receivable	3,395	2,368
Accrued Interest Receivable	216	388
Schell Foundation Loans Receivable	71,550	68,606
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 2,911,484</b>	<b>\$ 3,481,333</b>
	<hr/> <hr/>	<hr/> <hr/>
 <b>LIABILITIES AND NET ASSETS</b>		
Accounts Payable	\$ 396,801	\$ 214,791
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>396,801</b>	<b>214,791</b>
	<hr/>	<hr/>
 <b>NET ASSETS</b>		
Unrestricted	352,519	372,641
Temporarily Restricted	1,093,302	1,860,986
Permanently Restricted	1,068,862	1,032,915
	<hr/>	<hr/>
<b>TOTAL NET ASSETS</b>	<b>2,514,683</b>	<b>3,266,542</b>
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,911,484</b>	<b>\$ 3,481,333</b>
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The notes to the financial statements are an integral part of this statement.

James A. Rhodes State College  
 Statements of Revenues, Expenses, and Changes in Net Assets  
 For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>REVENUES</b>		
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of \$2,964,614 and \$2,403,746 respectively)	\$ 10,008,761	\$ 9,596,076
Federal grants and contracts	1,453,846	727,400
State and local grants and contracts	335,300	1,049,669
Nongovernmental grants and contracts	15,032	85,940
Sales and services	422,699	449,677
Other operating revenues	507,248	411,213
Total operating revenues	12,742,886	12,319,975
<b>EXPENSES</b>		
Operating Expenses:		
Educational and general:		
Instruction	11,230,372	10,045,720
Public Service	1,534,620	1,481,640
Academic Support	1,620,150	1,758,999
Student Services	2,564,550	2,315,706
Institutional Support	4,950,595	3,897,614
Operation and Maintenance of Plant	1,971,025	2,121,488
Student Aid	2,959,411	2,280,070
Depreciation	1,388,514	1,172,656
Total operating expenses	28,219,237	25,073,893
Operating income (loss)	(15,476,351)	(12,753,918)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	10,033,084	8,772,455
Federal student grants	5,339,545	4,136,783
Gifts	340,959	244,372
Investment income (net of investment expense)	49,637	169,379
Interest on capital asset-related debt	(163,688)	(165,997)
Other nonoperating revenues (expenses)	(18,333)	(9,581)
Net Nonoperating Revenues (Expenses)	15,581,204	13,147,411
Income (Loss) Before Other Revenues	104,853	393,493
Capital appropriations	-	1,394,830
Total other revenues	-	1,394,830
Increase (decrease) in net assets	104,853	1,788,323
<b>NET ASSETS</b>		
Net Assets, July 1	34,058,373	32,270,050
Net Assets, June 30	\$ 34,163,226	\$ 34,058,373

The notes to the financial statements are an integral part of this statement.

James A. Rhodes State College Foundation  
Statement of Activities  
For the Year Ended June 30, 2009 and 2008

	<b>2009</b>			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions	\$ 9,880	\$ 142,408	\$ 35,947	\$ 188,235
Interest and Dividends	2,460	26,922	-	29,382
Realized Gain (Loss) on Investments	(7,825)	(156,315)	-	(164,140)
Unrealized Gain (Loss) on Investments	(14,086)	(129,459)	-	(143,545)
	(9,571)	(116,444)	35,947	(90,068)
Assets Released from Restrictions	651,241	(651,241)	-	-
Total Revenues, Gains and Other Support	<u>641,670</u>	<u>(767,685)</u>	<u>35,947</u>	<u>(90,068)</u>
<b>EXPENSES</b>				
Academic Programs	567,805	-	-	567,805
Fundraising	11,138	-	-	11,138
Management and General	17,279	-	-	17,279
Scholarships	65,569	-	-	65,569
Total Expenses	<u>661,791</u>	<u>-</u>	<u>-</u>	<u>661,791</u>
Increase (decrease) in net assets	(20,121)	(767,685)	35,947	(751,859)
<b>NET ASSETS</b>				
Net Assets, July 1, 2008	<u>372,641</u>	<u>1,860,986</u>	<u>1,032,915</u>	<u>3,266,542</u>
Net Assets, June 30, 2009	<u>\$ 352,520</u>	<u>\$ 1,093,301</u>	<u>\$ 1,068,862</u>	<u>\$ 2,514,683</u>
	<b>2008</b>			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions	\$ 6,282	\$ 10,249	\$ 79,004	\$ 95,535
Interest and Dividends	6,245	36,449	-	42,694
Realized Gain (Loss) on Investments	1,364	10,191	-	11,555
Unrealized Gain (Loss) on Investments	(10,506)	(49,057)	-	(59,563)
	3,385	7,832	79,004	90,221
Assets Released from Restrictions and Transfers	551,372	(576,372)	25,000	-
Total Revenues, Gains and Other Support	<u>554,757</u>	<u>(568,540)</u>	<u>104,004</u>	<u>90,221</u>
<b>EXPENSES</b>				
Academic Programs	479,956	-	-	479,956
Fundraising	11,713	-	-	11,713
Management and General	25,379	-	-	25,379
Scholarships	55,850	-	-	55,850
Total Expenses	<u>572,898</u>	<u>-</u>	<u>-</u>	<u>572,898</u>
Increase (decrease) in net assets	(18,141)	(568,540)	104,004	(482,677)
<b>NET ASSETS</b>				
Net Assets, July 1, 2007 (restated - See note 18)	<u>390,782</u>	<u>2,429,526</u>	<u>928,911</u>	<u>3,749,219</u>
Net Assets, June 30, 2008	<u>\$ 372,641</u>	<u>\$ 1,860,986</u>	<u>\$ 1,032,915</u>	<u>\$ 3,266,542</u>

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



James A. Rhodes State College  
 Statements of Cash Flows  
 For the Years Ended June 30, 2009 and 2008

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Tuition and fees	\$ 10,250,652	\$ 9,140,997
Grants and contracts	2,408,555	2,145,891
Payments to suppliers	(5,360,129)	(3,935,270)
Payments for utilities	(907,358)	(848,852)
Payments to employees	(14,174,338)	(13,157,373)
Payments for benefits	(3,500,563)	(3,376,956)
Payments for student aid	(2,959,411)	(2,280,070)
Sales and services	440,982	457,700
Other receipts	462,562	457,757
Net cash used by operating activities	<u>(13,339,048)</u>	<u>(11,396,176)</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	10,033,084	8,772,455
Federal student grants	5,339,545	4,136,783
Gifts and grants for other than capital purposes	154,864	169,767
Student loan receipts	12,082,425	9,320,447
Student loan disbursements	(12,082,425)	(9,320,447)
Net cash provided by noncapital activities	<u>15,527,493</u>	<u>13,079,005</u>
 <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Capital appropriations	399,625	162,770
Proceeds from capital debt	-	-
Principal paid on bonds payable	(55,000)	(55,000)
Interest paid on bonds payable	(163,059)	(165,369)
Purchases of capital assets	(911,979)	(3,275,730)
Net cash used by financing activities	<u>(730,413)</u>	<u>(3,333,329)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	49,637	169,379
Net cash provided by investing activities	<u>49,637</u>	<u>169,379</u>
 <b>NET INCREASE (DECREASE) IN CASH</b>	1,507,669	(1,481,121)
 <b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	5,171,364	6,652,485
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u>\$ 6,679,033</u>	<u>\$ 5,171,364</u>
 <b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (15,476,351)	\$ (12,753,918)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	1,388,514	1,172,656
Changes in assets and liabilities:		
Increase in accounts receivable	314,376	(17,313)
Increase in accounts payable	(96,152)	377,529
Increase(Decrease) in accrued liabilities	(4,221)	(112,502)
Increase(Decrease) in deferred revenue	505,489	(100,317)
Increase in compensated absences	29,297	37,689
Net cash used by operating activities	<u>\$ (13,339,048)</u>	<u>\$ (11,396,176)</u>

The notes to the financial statements are an integral part of this statement.

James A. Rhodes State College  
Notes to the Financial Statements  
June 30, 2009 and 2008

**NOTE 1 - Summary of Significant Accounting Policies**

**Description of Entity**

James A. Rhodes State College (the College) is a public, state assisted, 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. In June 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 James A. 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.
- **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 with outside parties.

James A. Rhodes State College  
Notes to the Financial Statements  
June 30, 2009 and 2008

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

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.

**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). BTAs are those activities that are financed in whole or in part by fees charged to external parties for goods and services. Restricted grant revenue is recognized only to the extent expended.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

**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.

**Investments**

All investments are stated at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Investments in publicly traded securities are stated at their fair value as established by major securities markets. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenue, expenses, and changes in net assets.

**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.

James A. Rhodes State College  
Notes to the Financial Statements  
June 30, 2009 and 2008

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

<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 and grant advances.

**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 behalf of the students. 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.

**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, federal student 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.

James A. Rhodes State College  
Notes to the Financial Statements  
June 30, 2009 and 2008

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

**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 State Auditor of Ohio issued bulletin 2004-001 defining “significant” for purposes of GASB 39 as the component unit’s revenues or net assets must exceed 5% of the primary government’s total revenues or net assets. Based upon this criterion, the College determined that the James A. Rhodes State College Foundation will be included as a discretely presented component unit of the College in its financial statements beginning fiscal year ending June 30, 2005. Separate financial statements of the Foundation may be obtained by contacting the Office of Institutional Advancement, 4240 Campus Drive, Lima, OH 45804.

**Reclassifications**

Certain amounts in 2008 were reclassified to conform with 2009 presentation for comparative purposes.

**NOTE 2 – Deposit and Investment Risk Disclosures**

The College conforms to GASB 40, Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3). This statement amends statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principal areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that include investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; foreign exchange exposures that would indicate the foreign investment’s denomination. The provisions of this statement were effective for financial statements for the fiscal year ended June 30, 2005.

As of June 30, 2009, the College had the following deposits and investments:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Checking Accounts	\$ 2,957,147	\$ 2,568,564
STAR Ohio	4,104,105	4,104,105
Total Deposits and Investments	<u>\$ 7,061,252</u>	<u>\$ 6,672,669</u>

James A. Rhodes State College  
Notes to the Financial Statements  
June 30, 2009 and 2008

**NOTE 2 – Deposit and Investment Risk Disclosures (Continued)**

As of June 30, 2008, the College had the following deposits and investments:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Checking Accounts	\$ 850,313	\$ 642,465
Savings Accounts	284,941	284,941
STAR Ohio	<u>4,155,702</u>	<u>4,155,702</u>
Total Deposits and Investments	<u>\$ 5,290,956</u>	<u>\$ 5,083,108</u>

The differences between the bank balances and the carrying amounts are primarily due to outstanding checks and deposits in transit. In addition to the above, there was cash on hand in the amount of \$6,364 and \$88,256 at June 30, 2009 and 2008, respectively.

**Credit Risk.** STAR Ohio is an investment pool managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Act of 1940. STAR Ohio has obtained an AAAM money market rating by Standard & Poor's. The pooled collateral at Fifth Third Bank and Chase Bank is not rated.

**Concentration of Credit Risk.** For fiscal years 2009 and 2008 respectively, the College had approximately 100% and 94% of its investments in STAR Ohio and the remaining balance in high yield savings accounts.

**Foreign Currency Risk.** The College does not have exposure to foreign exchange risk since none of its deposits or investments are held in foreign currencies.

**Custodial Credit Risk.** Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. Of the bank balances, \$500,000 was insured by the Federal Depository Insurance Corporation (FDIC) for fiscal year 2009 and \$312,207 was insured for fiscal year 2008. For the fiscal years 2008 and 2007 respectively, the remaining amounts were not exposed to custodial credit risk because it was secured by pledges of pooled collateral held by the banks trust department covering more than 105% of the College's remaining balances. The collateral is limited to obligations of the United States and its agencies, and the State of Ohio as permitted by Ohio law. The securities are held at the Bank of New York. The College also does not have exposure to custodial credit risk for the investment in STAR Ohio as defined by Statement No. 40.

James A. Rhodes State College  
Notes to the Financial Statements  
June 30, 2009 and 2008

**NOTE 2 – Deposit and Investment Risk Disclosures (continued)**

**Component Unit – Foundation**

As of June 30, 2009, the Foundation had the following investments and maturities:

Investment Type	FMV	Investment Maturities in Years		
		Less than 1 year	1 to 5 years	Greater than 5 years
Corporate Bonds	\$ 102,491	25,174	77,317	-
Bond Funds	289,672	-	-	-
Common Stock	557,269	-	-	-
Equity Funds	214,575	-	-	-
Total Investments	<u>\$ 1,164,007</u>			

**Credit Risk.** Of the bonds, \$26,203 were rated AA, \$51,114 were rated A+, and \$25,173 were rated A by Standard and Poor's. The Bond Funds were not rated as of the date of the audit report.

**Concentration of Credit Risk.** The Foundation investment policy states the target normal asset allocation should be 70% equity and 30% fixed income. The allowable range for equities is 50-80%, for fixed income is 20-50% and cash is 0-5%. There are limits in the equity investments to no more than 20% of stock shall be invested outside the United States, that no more than 5% of the equity portion shall be invested in any one company, and that no more than 20% of the equity portion shall be invested in any one industry sector. As of June 30, 2009, the portfolio allocation had 6.4% in cash, 32.14% in fixed income and 61.46% in equities. Of the equity portfolio, 19.1% were in international equities, the largest holding of a single company was 3.5%, and the technology sector was 12.7%.

**Foreign Currency Risk.** The Foundation does not have exposure for foreign exchange risk since none of its deposits or investments are held in foreign currencies.

**Custodial Credit Risk.** The Foundation's investments are not exposed to custodial credit risk as defined by Statement No. 40. Securities are held by its agent in the name of Rhodes State College Foundation. Of the bank balances, \$352,107 was insured by the FDIC.

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**NOTE 2 – Deposit and Investment Risk Disclosures (continued)**

As of June 30, 2008, the Foundation had the following investments and maturities:

Investment Type	FMV	Investment Maturities in Years		
		Less than 1 year	1 to 5 years	Greater than 5 years
Corporate Bonds	\$ 150,471	50,033	100,438	-
Bond Funds	98,010			
Common Stock	723,838	-	-	-
Equity Funds	372,942	-	-	-
Total Investments	<u>\$ 1,345,261</u>			

**Credit Risk.** Of the bonds, \$26,120 were rated AAA, \$74,503 were rated AA, and \$49,848 were rated A.

**Concentration of Credit Risk.** The Foundation investment policy states the target normal asset allocation should be 70% equity and 30% fixed income. The allowable range for equities is 50-80%, for fixed income is 20-50% and cash is 0-5%. There are limits in the equity investments to no more than 20% of stock shall be invested outside the United States, that no more than 5% of the equity portion shall be invested in any one company, and that no more than 20% of the equity portion shall be invested in any one industry sector. As of June 30, 2008, the portfolio allocation had 11.94% in cash, 16.63% in fixed income and 71.43% in equities. A bond fund was sold in June and another bond fund was purchased in July. Of the equity portfolio, 19.70% were in international equities, the largest holding of a single company was 4.76%, and the technology sector was 16.00%.

**Foreign Currency Risk.** The Foundation does not have exposure for foreign exchange risk.

**Custodial Credit Risk.** The Foundation's investments are not exposed to custodial credit risk as defined by Statement No. 40. Securities are held by its agent in the name of Rhodes State College Foundation. Of the bank balances, \$304,878 was insured by the FDIC. The remaining balance of \$186,636 was collateralized by a collateral pool of more than 105% assigned to the Foundation.



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**NOTE 3 – Capital Assets**

Capital Assets consisted of the following as of June 30, 2009 and 2008:

	Beginning Balance July 1, 2008	Additions	Reductions	Ending Balance June 30, 2009
<b>Costs:</b>				
Land Improvements	\$ 346,435	83,144	-	\$ 429,579
Infrastructure	141,383	-	-	141,383
Buildings & Improvements	33,354,586	244,184	-	33,598,770
Moveable Equipment	6,191,475	518,244	92,721	6,616,998
Library Books	1,002,124	42,581	-	1,044,705
<b>Total Costs</b>	<b>41,036,003</b>	<b>888,153</b>	<b>92,721</b>	<b>41,831,435</b>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	156,724	24,870	-	181,594
Infrastructure	70,924	5,870	-	76,794
Buildings & Improvements	6,717,919	885,699	-	7,603,618
Moveable Equipment	2,654,482	426,709	74,388	3,006,803
Library Books	775,723	45,365	-	821,088
<b>Total Accum. Depreciation</b>	<b>10,375,772</b>	<b>1,388,513</b>	<b>74,388</b>	<b>11,689,897</b>
<b>Capital Assets, Net</b>	<b>\$ 30,660,231</b>	<b>(500,360)</b>	<b>18,333</b>	<b>\$ 30,141,538</b>

	Beginning Balance July 1, 2007	Additions	Reductions	Ending Balance June 30, 2008
<b>Costs:</b>				
Land Improvements	\$ 346,435	-	-	\$ 346,435
Infrastructure	141,383	-	-	141,383
Buildings & Improvements	31,198,703	2,155,883	-	33,354,586
Moveable Equipment	5,431,904	1,056,368	296,797	6,191,475
Library Books	959,116	43,008	-	1,002,124
<b>Total Costs</b>	<b>38,077,541</b>	<b>3,255,259</b>	<b>296,797</b>	<b>41,036,003</b>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	131,854	24,870	-	156,724
Infrastructure	65,054	5,870	-	70,924
Buildings & Improvements	6,033,186	684,733	-	6,717,919
Moveable Equipment	2,529,395	412,303	287,216	2,654,482
Library Books	730,843	44,880	-	775,723
<b>Total Accum. Depreciation</b>	<b>9,490,332</b>	<b>1,172,656</b>	<b>287,216</b>	<b>10,375,772</b>
<b>Capital Assets, Net</b>	<b>\$ 28,587,209</b>	<b>2,082,603</b>	<b>9,581</b>	<b>\$ 30,660,231</b>

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**NOTE 3 – Capital Assets (continued)**

Buildings and improvement cost consisted of the following:

	Year	2009	2008
Technical Education Addition	1988	\$ 4,083,411	\$ 1,639,788
Modular Trailers	1991	143,962	143,962
Public Service Building	1993	3,905,096	3,905,096
JJC Engineering Technology Building	1996	2,857,580	2,857,580
YMCA Child Care Center	1998	1,000,000	1,000,000
Life & Physical Sciences Building	2000	14,150,729	14,150,729
Keese Hall	2005	6,016,813	6,016,813
Cook Hall Renovations	various	895,870	895,870
Galvin Hall Renovations	various	545,310	545,310
Renovation Technical Education	2006-8	-	2,199,437
Total Cost		\$ 33,598,771	\$ 33,354,585

The other buildings on campus are recorded as assets of the Ohio State University. These buildings include Galvin Hall in 1966, Reed Hall in 1968, Technical Education Laboratory in 1970, and Cook Hall in 1976. The College entered into a partnership with the Ohio Board of Regents, UAW, and the Ford Motor Company in 1993 to construct a training facility located at 1155 Bible Road, Lima, OH 45801. The \$4.3 million building becomes the property of Ford Motor Company in January 2010 and therefore is not reflected on the College's financial statements.

**NOTE 4 – Accounts Receivable**

The following is a summary of the accounts receivable as of June 30, 2009 and 2008:

	2009	2008
Tuition and Fees	\$ 3,062,955	\$ 2,445,797
Governmental	747,186	1,272,873
Customized Training Services	94,646	112,929
Sponsored Billing Agencies	81,488	47,636
Foundation	338,491	152,394
Less allowance for uncollectible accounts	(943,798)	(522,380)
Accounts Receivable, Net	\$ 3,380,968	\$ 3,509,249

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**NOTE 5 – Accounts Payable, Accrued Liabilities and Compensated Absences**

The following is a summary of the accounts payable, accrued liabilities and compensated absences as of June 30, 2009 and 2008:

	2009	2008
Vendors and Suppliers	765,284	\$ 935,044
The Ohio State University (cost share)	120,977	75,781
Benefits Payable	308,360	338,420
Accrued Compensated Absences	875,673	846,376
Accrued Wages	786,600	756,175
Total	\$ 2,856,894	\$ 2,951,796
Current Portion	\$ 1,981,221	\$ 2,105,420
Long Term Portion	875,673	846,376
Total	\$ 2,856,894	\$ 2,951,796

**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.

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**NOTE 7 - Compensated Absences**

Sick pay was accrued for all employees with ten or more years of service in accordance with GASB 16, Accounting for Compensated Absences. Vacation pay was accrued for all eligible employees. At June 30, 2009 and 2008, compensated absences consisted of the following:

	<u>2009</u>		<u>2008</u>	
	<u>Hours</u>	<u>Amount</u>	<u>Hours</u>	<u>Amount</u>
Sick Pay	14,954	\$ 434,216	14,316	\$ 442,602
Vacation Pay	17,182	441,457	15,436	403,774
Total Compensated Absences		<u>\$ 875,673</u>		<u>\$ 846,376</u>

**NOTE 8 – Long Term Debt**

The College's long term debt consisted of the following:

	<u>2009</u>	<u>2008</u>
General Receipt Bonds	2,870,000	2,925,000
Less: Unamortized Discount on Bonds Payable	10,473	10,902
Bonds Payable, Net	<u>2,859,527</u>	<u>2,914,098</u>
Less: Current Portion	60,000	55,000
Long Term Portion	<u><u>2,799,527</u></u>	<u><u>2,859,098</u></u>

Long term debt activity is summarized as follows:

<u>Year</u>	<u>Beginning Balance</u>	<u>New Debt</u>	<u>Principal Payments</u>	<u>Ending Balance</u>	<u>Current Portion</u>
2009	2,925,000	-	55,000	2,870,000	60,000
2008	2,980,000	-	55,000	2,925,000	55,000

In October 2003, the College issued \$3,100,000 of General Receipts Bonds, series 2003 to pay a portion of the costs of Keese Hall. The series 2003 bonds are special obligations of the College. Principal and interest on the bonds are payable solely from the general receipts of the College and bond proceeds. The bonds are not obligations of the State of Ohio, are not general obligations of the College, and the full faith and credit of the College is not pledged to their payment. Bondholders have no right to have excises or taxes levied by the Ohio General Assembly. The principal and interest is payable semi-annually each June 1 and December 1 beginning June 1, 2004 and ending December 1, 2033. The interest rates range from 4.2% to 5.875%.

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**NOTE 8 – Long Term Debt (Continued)**

The amortization of bonds payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	60,000	160,836	220,836
2011	60,000	158,316	218,316
2012	65,000	155,691	220,691
2013	65,000	152,961	217,961
2014	70,000	150,126	220,126
2015-2019	400,000	688,656	1,088,656
2020-2024	525,000	555,688	1,080,688
2025-2029	695,000	379,672	1,074,672
2030-2034	930,000	143,056	1,073,056
Totals	<u>\$ 2,870,000</u>	<u>\$ 2,545,002</u>	<u>\$ 5,415,002</u>

In connection with the bonds described above, the College has pledged general receipts, net of State Foundation receipts, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The bonds are payable, through their final maturities as listed above, solely from these revenues pledged. Total principal and interest remaining to be paid on these bonds is \$5,415,002 at June 30, 2009 and \$5,633,255 at June 30, 2008.

Annual principal and interest payments on the revenue bonds are expected to be approximately 2% of the annual general revenues of the College. Principal and interest paid in 2009 totaled \$218,059 and \$220,561 paid in 2008. Total general revenues for 2009 were \$10,938,706 and \$10,456,966 for 2008.

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**NOTE 9 – Defined Benefit Pension Plan**

State Teachers Retirement System: The College participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan.

Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of

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**NOTE 9 – Defined Benefit Pension Plan (Continued)**

a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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

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

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

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

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly

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**NOTE 9 – Defined Benefit Pension Plan (Continued)**

Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2009, 2008, and 2007, plan members were required to contribute 10 percent of their annual covered salaries. The College was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

The College's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,148,916, \$1,078,435 and \$1,006,209, respectively. 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).



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**NOTE 10 - Postemployment Benefits**

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2009, 2008 and 2007. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the College, these amounts equaled \$82,065, \$77,031, and \$71,872 for fiscal years 2009, 2008, and 2007, respectively.

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**NOTE 11 - Cost Share Agreement**

According to the cost sharing agreement entered into as of July 1, 1971 between The Ohio State University and the College, 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 are made at year-end for variances between estimated and actual costs. The total cost of shared operations was \$4,121,290 and \$4,125,745 for the years ending June 30, 2009 and 2008 respectively, with a majority of the expenses for plant operations. Based upon the enrollment formula, the College's share was 68.4% and 70.0% for the years ending June 30, 2009 and 2008 respectively. The College had an account payable to The Ohio State University for \$120,977 and \$75,781 at June 30, 2009 and 2008 respectively.

**NOTE 12 - 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:

6-30-10	\$	95,016
6-30-11		83,052
6-30-12		83,052
6-30-13		83,052
6-30-14		77,448
Thereafter		<u>0</u>
TOTAL	\$	<u>421,620</u>

Operating lease expenditures for the years ending June 30, 2009 and 2008 were \$89,947 and \$95,226 respectively.

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**NOTE 13 – Operating Expenses by Natural Classification**

The College’s operating expenses by natural classification were as follows for the years ended June 30, 2009 and 2008:

	2009	2008
Salaries and wages	\$ 14,224,060	\$ 13,230,049
Employee benefits	3,470,503	3,243,411
Supplies	1,843,630	1,598,235
Travel	543,579	539,173
Information and communication	922,245	960,068
Maintenance	1,223,945	1,049,838
Utilities	907,358	848,852
Student Scholarships and financial aid	2,959,411	2,280,070
Other	735,992	151,541
Depreciation	1,388,514	1,172,656
Total Operating Expenses	<u>\$ 28,219,237</u>	<u>\$ 25,073,893</u>

**NOTE 14 – 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 years 2009 and 2008, the College contracted with a Commercial Insurer for property and fleet insurance, liability insurance, and various other coverages.

Major Coverages provided by this insurer is as follows at June 30, 2009:

- Building and Contents - replacement cost (\$10,000 deductible) \$54,353,000
- Automobile -
  - Liability \$1,000,000
  - Uninsured/Underinsured Motorists \$100,000
- Crime –
  - Employee Dishonesty \$1,000,000
  - Forgery/Alteration \$1,000,000
  - Funds Transfer Fraud \$1,000,000
  - Computer Fraud \$1,000,000
- General Liability -
  - Per occurrence \$1,000,000
  - Aggregate \$2,000,000

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**NOTE 14 – Risk Management (Continued)**

Excess Liability –

Per occurrence \$10,000,000

Aggregate \$10,000,000

Professional –

Educator’s Legal Liability - \$1,000,000 (per claim & aggregate)

Medical Professional Liability - \$1,000,000 (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 15 – Contingencies**

The College received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2009.

**NOTE 16 – Reclassification of Federal Pell Grant Income**

In prior periods, the College included federal Pell student grant revenues as part of operating revenue. Operating revenues generally result from exchange transactions such as payments received for providing goods or services. As a result of recently issued authoritative guidance on GASB Statement No. 24, Pell grant revenue has been clarified to be a non-exchange transaction. Therefore, the College has reclassified \$5.3 million, \$4.1 million, and \$3.9 million of federal student grant revenue from operating revenues to non-operating revenues for the years ended June 30, 2009, 2008 and 2007.

**NOTE 17 – Subsequent Event**

The College entered into contracts for the construction of a parking lot. The cost of the project is estimated to be \$786,000. The parking lot was completed in September 2009. The funding will come from unrestricted College funds.

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**NOTE 18 – Component Unit - James A. Rhodes State College Foundation**

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 501©(3) of the Internal Revenue Code. The Foundation provided \$65,569 in scholarships and \$567,805 for College initiatives for the year ending June 30, 2009. The Foundation provided \$55,850 in scholarships and \$479,956 for College initiatives for the year ending June 30, 2008.

**Fair Value of Pledges Receivable**

The fair value of unconditional promises to give (pledges receivable) is summarized as follows:

	<u>2009</u>	<u>2008</u>
Receivable in less than one year	\$1,118,165	\$ 603,846
Receivable one to five years	<u>202,044</u>	<u>899,263</u>
Net Present Value of Pledges Receivable	<u>\$ 1,320,209</u>	<u>\$1,503,109</u>

The discount rate used on long-term promises to give was 2.53% and 3.37% at June 30, 2009 and 2008 respectively.

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**NOTE 18 – Component Unit - James A. Rhodes State College Foundation (Continued)**

**Recently Issued Pronouncements/Prior Period Adjustment**

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 157, Fair Value Measurements. This standard clarifies the definition of fair value reporting, establishes a framework for measuring fair value and greatly expands disclosures about the use of fair value measurements. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007.

In August 2008, FASB issued Staff Position No. FAS 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds (“FSP 117-1”). This FSP provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations subject to the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). Additional disclosures about endowments for both donor-restricted funds and board designated funds for all organizations, including those that are not yet subject to an enacted version of the UPMIFA, are required to enable users to understand its endowment funds’ net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies. FSP 117-1 is effective for all fiscal years ending after December 15, 2008.

The implementation of the pronouncements identified above resulted in the following prior period reclassifications and adjustments:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	Total <u>Net Assets</u>
Beginning Balance 7-1-07	\$643,494	\$2,919,659	\$661,066	\$4,224,219
Prior Period Adjustments	<u>(252,712)</u>	<u>(490,133)</u>	<u>267,845</u>	<u>(475,000)</u>
Adjusted Balance 7-1-07	<u>\$390,782</u>	<u>\$2,429,526</u>	<u>\$928,911</u>	<u>\$3,749,219</u>

**NOTE 18 – Component Unit - James A. Rhodes State College Foundation (Continued)**

**Endowments**

**Interpretation of Relevant Law**

The Board of Trustees of James A. Rhodes State College Foundation has interpreted the Ohio Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policies of the organization.

**Investment Policy**

The investment objectives for the management of endowment assets and current contributions are to manage the contributions in a manner that will one, maximize the benefit intended by the donor, two, produce current income to support the programs of the College and donor objectives, and three, achieve growth of both principal value and income over time sufficient to preserve or increase the purchasing power of the assets, thus protecting the assets against inflation. The long term annualized total net rate of return objective is inflation plus five percent. Investment objectives will be achieved by maximizing total return consistent with prudent risk limits. To satisfy its long term net rate of return objective, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and from current yield (interest and dividends).

**Spending Policy**

The spending policy is to distribute annually five percent of a trailing three year average of the Foundation's total asset value. Such a policy should allow for steady growth for the support of operations and minimize the probability of invading the principal over time. It is the responsibility of the Investment Committee to periodically review the spending policy against actual returns in order to consider adjustments necessary for the preservation of the purchasing power of the endowment.

James A. Rhodes State College  
Notes to the Financial Statements  
June 30, 2009 and 2008

**NOTE 18 – Component Unit - James A. Rhodes State College Foundation (Continued)**

**Endowment Net Asset Composition**

Endowment net asset composition by type of fund as of June 30, 2009:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor restricted	\$ (117,342)	\$ 156,737	\$ 1,066,460	\$ 1,105,855
Board designated	-	-	-	-
<b>Total Funds</b>	<b>\$ (117,342)</b>	<b>\$ 156,737</b>	<b>\$ 1,066,460</b>	<b>\$ 1,105,855</b>

Endowment net asset composition by type of fund as of June 30, 2008:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor restricted	\$ (4,902)	\$ 331,374	\$ 1,029,349	\$ 1,355,821
Board designated	-	-	-	-
<b>Total Funds</b>	<b>\$ (4,902)</b>	<b>\$ 331,374</b>	<b>\$ 1,029,349</b>	<b>\$ 1,355,821</b>



James A. Rhodes State College  
Notes to the Financial Statements  
June 30, 2009 and 2008

**NOTE 18 – Component Unit - James A. Rhodes State College Foundation (Continued)**

**Changes in Endowment Net Assets**

Changes in endowment net assets for the fiscal year ended June 30, 2009:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Net assets, beginning of year	\$ (4,902)	\$ 331,374	\$ 1,029,349	\$ 1,355,821
Reclassification	9,342	(9,342)	-	-
Net assets reclassified	4,440	322,032	1,029,349	1,355,821
Investment return:				
Investment income	11,254	13,813	-	25,067
Investment expenses	(3,228)	(3,962)	-	(7,190)
Net appreciation (realized and unrealized gains and losses)	(119,463)	(146,629)	-	-
Total investment return	(111,437)	(136,778)	-	(248,215)
Contributions	12,132	5	35,904	48,041
Transfers	734	-	1,207	1,941
Appropriation for expenditure	(23,211)	(28,522)	-	(51,733)
Net Assets, end of year	<u>\$ (117,342)</u>	<u>\$ 156,737</u>	<u>\$ 1,066,460</u>	<u>\$ 1,105,855</u>

James A. Rhodes State College  
Notes to the Financial Statements  
June 30, 2009 and 2008

**NOTE 18 – Component Unit - James A. Rhodes State College Foundation (Continued)**

Changes in endowment assets for the fiscal year ended June 30, 2008:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Net assets, beginning of year	\$ -	\$ 411,617	\$ 936,227	\$ 1,347,844
Reclassification	2,667	(2,667)	-	-
Net assets reclassified	2,667	408,950	936,227	1,347,844
Investment return:				
Investment income	5,230	27,859	-	33,089
Investment expenses	(1,214)	(6,468)	-	(7,682)
Net appreciation (realized and unrealized gains and losses)	(5,577)	(29,708)	-	(35,285)
Total investment return	(1,561)	(8,317)	-	(9,878)
Contributions	-	11,833	68,122	79,955
Transfers	-	(25,000)	25,000	-
Appropriation for expenditure	(6,008)	(56,092)	-	(62,100)
Net Assets, end of year	\$ (4,902)	\$ 331,374	\$ 1,029,349	\$ 1,355,821

**Endowment Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. Such amounts totaled \$117,342 and \$4,902 at June 30, 2009 and 2008 respectively. These deficiencies resulted from unfavorable market fluctuations.

James A. Rhodes State College  
Allen County, Ohio  
Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	Agency or Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>United States Department of Education</b>			
<i>Direct from the Federal Agency</i>			
<i>Student Financial Aid Cluster:</i>			
Federal Work Study Program	NA	84.033	\$144,374
Federal Family Education Loans	NA	84.032	12,064,595
Academic Competitiveness Grant	NA	84.375	88,388
Federal Supplemental Educational Opportunity Grants (FSEOG)	NA	84.007	146,893
Federal Pell Grant Program	NA	84.063	5,339,545
<i>Total Student Financial Aid Cluster</i>			<u>17,783,795</u>
<i>Passed through the Ohio Department of Education</i>			
Vocational Education: Basic Grants to States	CDP-P	84.048	145,758
Tech Prep Education	TP-FB	84.243	163,439
Subtotal			<u>309,197</u>
<b>Total United States Department of Education</b>			<u>18,092,992</u>
<b>National Science Foundation</b>			
<i>Passed through Moraine Valley Community College</i>			
American Mathematical Association Two Year Colleges	NA	47.076	15,068
<b>Total United States Department of Health and Human Services</b>			<u>15,068</u>
<b>United States Department of Labor</b>			
<i>Direct from the Federal Government</i>			
Community Based Job Training Grants	NA	17.269	630,559
<i>Passed through the Ohio Department of Job and Family Services</i>			
Job Training Partnership Act	CB-17295-08-60-A-39	17.246	180,293
<b>Total United States Department of Labor</b>			<u>810,852</u>
<b>United States Department of Agriculture</b>			
<i>Passed through Ohio Department of Education</i>			
Child and Adult Food Care Program	N	10.558	29,545
<b>Total United States Department of Agriculture</b>			<u>29,545</u>
<b>United States Department of Commerce - Economic Development Administration</b>			
<i>Passed through City of Lima</i>			
Workforce Development Response Plan and Training Program	N	11.303	7,495
<b>Total United States Department of Commerce</b>			<u>7,495</u>
<b>Small Business Administration</b>			
<i>Passed through Ohio Department of Development</i>			
Small Business Development Center	N	59.037	111,874
<b>Total Small Business Administration</b>			<u>111,874</u>
<b>Total Federal Financial Assistance</b>			<u><u>\$19,067,826</u></u>

NA - Direct from the federal government

N - Pass through number was not provided to the College.

See accompanying notes to the schedule of federal awards expenditures

**JAMES A. RHODES STATE COLLEGE**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

**JUNE 30, 2009**

**NOTE 1 – BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis. Amounts presented are total federal expenditures for each program.

**NOTE 2 – FAMILY EDUCATION LOANS**

During the fiscal year ended June 30, 2009, the College processed new loans under the Guaranteed Student Loan Program. Several banks act as lenders for the College. The amount shown reflects the fiscal year amount that has been certified by the College.



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

Board of Trustees  
James A. Rhodes State College  
4240 Campus Drive  
Lima, Ohio 45804

We have audited the financial statements of the business-type activities and the discretely presented component unit of the James A. Rhodes State College (the College), as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated November 13, 2009, wherein we noted that the James A. Rhodes State College Foundation component unit implement FSP FAS 117-1. 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 the 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 to opine on the effectiveness of the College's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the 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 College'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 the College's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the College's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of 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 weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Trustees

James A. Rhodes State College

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*

Page 2

### **Compliance and Other Matters**

As part of reasonably assuring whether the 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 directly and materially affect 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 management, the audit committee, members of the Board, and 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.



Balestra, Harr & Scherer, CPAs, Inc.

November 13, 2009



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

Board of Trustees  
James A. Rhodes State College  
4240 Campus Drive  
Lima, Ohio 45804

**Compliance**

We have audited the compliance of James A. Rhodes State College (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the College's major federal program. The College's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the 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 its major federal program for the year ended June 30, 2009.

**Internal Control Over Compliance**

The College's management 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 the College's internal control over compliance with requirements that could directly and materially affect 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 College's internal control over compliance.

### **Internal Control Over Compliance (Continued)**

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, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement 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 the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the College's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of the 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 management, the audit committee, members of the Board, and 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.



Balestra, Harr & Scherer, CPAs, Inc.  
November 13, 2009



**JAMES A. RHODES STATE COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 SECTION .505**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**1. 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 significant internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance 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 significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Aid Cluster: Federal Supplemental Educational Opportunity Grants, CFDA# 84.007; Federal Work- Study Program, CFDA# 84.033; Federal Pell Grant Program, CFDA# 84.063, Academic Competitiveness Grant, #84.375; Federal Family Education Loans CFDA# 84.032  Community Based Training Grants – 17.269
(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**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*OMB CIRCULAR A-133 SECTION .505*  
*FOR THE FISCAL YEAR ENDED JUNE 30, 2009*  
 (CONTINUED)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	None
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**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



Mary Taylor, CPA  
Auditor of State

**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 19, 2010**