Terra Community College
Sandusky County, Ohio

Single Audit

July 1, 2008, through June 30, 2009
Fiscal Year Audited Under GAGAS: 2009

Balestra, Harr & Scherer, CPAs, Inc.
528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639

Mary Taylor, CPA
Auditor of State

Board of Trustees
Terra Community College
2830 Napoleon Road
Fremont, Ohio 43420

We have reviewed the *Independent Auditor's Report* of the Terra Community College, Sandusky 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 Terra Community College is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 22, 2009

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TERRA COMMUNITY COLLEGE
Sandusky County

ANNUAL REPORT
June 30, 2009 and 2008

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Balestra, Harr & Scherer, CPAs, Inc.

Members American Institute of Certified Public Accountants Members Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Terra Community College
2830 Napoleon Road
Fremont, Ohio 43420

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Terra Community College (the College), which is a component unit of the state of Ohio, 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 September 18, 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.

The Management's Discussion and Analysis on pages 3 through 9 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.

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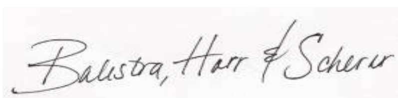
Board of Trustees
Terra Community College
Independent Auditor's Report
(Continued)

We conducted our audit to opine on the financial statements that collectively comprise the Government'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.



Balestra, Harr & Scherer, CPAs, Inc.
September 18, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Terra Community College's financial statements provides an overview of the College's financial activities for the years ended June 30, 2009 and 2008 with selected comparative information for the year ended June 30, 2007. Responsibility for the completeness and fairness of this information rests with the College and should be read in conjunction with the accompanying financial statements and notes.

Using the Annual Financial Report

The following activities are included in the financial statements:

Primary Institution (College) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service and support services.

Component Unit (Foundation) – The Terra College Foundation is a separate legal entity. Although legally separate, this "component unit" is important because the Primary Institution is financially accountable for it.

Management's discussion and analysis is focused on the Primary Institution. The College's financial basic statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus of the Statements of Net Assets is designed to present the College's financial position as of a point in time. This statement combines current financial resources (short-term spendable resources) with capital assets and other long-term resources. The Statement of Revenues, Expenses, and Changes in Net Assets focus on the change in net assets over the year to indicate whether there has been improvement or erosion of the College's financial health.

Financial Highlights

When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as Terra Community College's operating results.

The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Condensed Financial Information

Statement of Net Assets
(in thousands)

	2009	2008	2007
Assets			
Current assets	$ 8,488	$ 8,137	$ 7,545
Capital assets, net	16,552	16,273	16,999
Other noncurrent assets	1,407	1,337	1,071
Total assets	26,447	25,747	25,615
Liabilities			
Current liabilities	2,189	1,861	1,822
Noncurrent liabilities	313	359	426
Total liabilities	2,502	2,220	2,248
Net assets			
Invested in capital assets, net of related debt	16,552	16,207	16,734
Restricted			
Expendable	1,437	1,414	1,194
Unrestricted	5,956	5,906	5,438
Total net assets	$ 23,945	$ 23,527	$ 23,366

Assets: As of June 30, 2009 the College's total assets amount to approximately $26.4 million. Investment in capital assets, net of depreciation, represented the College's largest asset, totaling $16.6 million or 62 percent of total assets. Cash and cash equivalents and investments, totaling $6.8 million or 26 percent of total assets, were the College's next largest asset. Cash and investments decreased by approximately $321 thousand in 2009.

As of June 30, 2008 the College's total assets amounted to approximately $25.7 million. Investment in capital assets, net of depreciation, represented the College's largest asset, totaling $16.3 million or 63 percent of total assets. Cash and cash equivalents and investments, totaling $7.1 million or 28 percent of total assets, were the College's next largest asset. Cash and investments increased by approximately $884 thousand in 2008, compared to $308 thousand increase in 2007.

Liabilities: At June 30, 2009 the College's liabilities totaled approximately $2.5 million. Accounts payable and accrued liabilities represented $1.3 million or 52 percent, of total liabilities. Total liabilities increased $282 thousand during the year ended June 30, 2009. This was primarily due to outstanding accounts payable at fiscal year end.

As of June 30, 2008 the College's liabilities totaled approximately $2.2 million. Accounts payable and accrued liabilities represented $892 thousand or 40 percent of total liabilities. Total liabilities decreased $28 thousand during the year ended June 30,

2008. This was primarily due to payments on capital leases which were offset by an increase in deferred revenue.

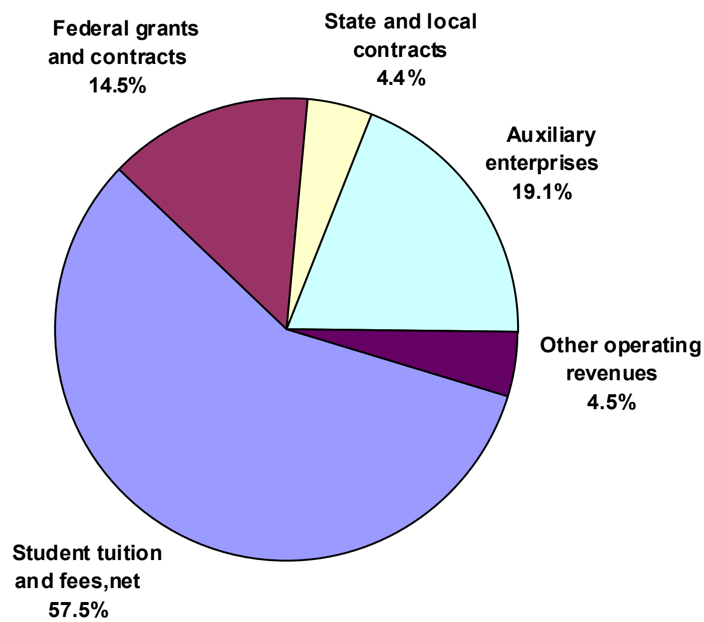
Net Assets: Net assets at June 30, 2009 totaled approximately $24 million or 91 percent of total assets. Net assets invested in capital assets totaled $16.6 million or 69 percent, of total net assets. Restricted and unrestricted net assets represented 6 percent and 25 percent of total net assets, respectively. Total net assets increased by $417 thousand during the year ended June 30, 2009.

Net assets at June 30, 2008 totaled approximately $23.5 million or 91 percent of total assets. Net assets invested in capital assets totaled $16.2 million or 69 percent, of total net assets. Restricted and unrestricted net assets represented 6 percent and 25 percent of total net assets, respectively. Total net assets increased by $160 thousand during the year ended June 30, 2008 and decreased by $149 thousand for the year ended June 30, 2007.

Statement of Revenues, Expenses and Changes in Net Assets
(in thousands)

	2009	2008	2007
Operating revenue			
Tuition and fees	$ 4,268	$ 4,819	$ 4,423
Government grants	1,405	1,238	1,308
Auxiliary services	1,420	1,268	1,184
Other operating revenue	332	433	379
Total operating revenue	7,425	7,758	7,294
Operating expenses			
Educational and general	15,016	14,534	13,715
Auxiliary expenses	1,357	1,094	1,032
Depreciation	779	895	979
Total operating expenses	17,152	16,523	15,726
Operating loss	(9,727)	(8,765)	(8,432)
Nonoperating revenue (expenses)			
State appropriations	6,474	6,302	6,058
Federal grants	3,164	2,286	1,796
Gifts and grants	14	5	49
Investment income	118	236	284
Insurance recovery	--	--	58
Other nonoperating	(40)	(207)	(21)
Total nonoperating revenue	9,730	8,622	8,224
Capital appropriations	414	303	59
Change in net assets during year	$ 417	$ 160	$ (149)

2009 CHART OF OPERATING REVENUES

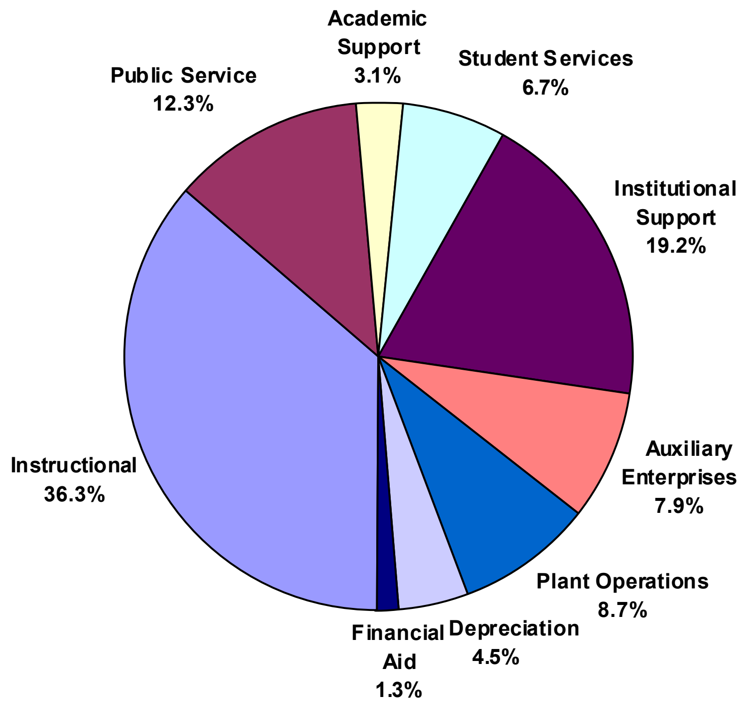


Total operating revenues were approximately $7.4 and $7.8 million, respectively for the years ended June 30, 2009 and 2008. The most significant sources of operating revenue for the College are net student tuition and fees (57.5 percent for 2009 and 62.1 percent for 2008), auxiliary enterprise revenue (19.1 percent for 2009 and 18.6 percent for 2008), and federal grants and contracts (14.5 percent for 2009 and 12.4 percent for 2008).

Tuition and fees continued to be the largest source of operating revenues for the College. Gross tuition revenue increased 5% and 9% for 2009 and 2008 primarily from a rise in enrollment. The College's full time equivalent (FTE) students for FY09 were 1,610 while in FY08 the total was 1,552 and for FY07 the total was 1,347. Over the past five years, the annual FTE average has been approximately 1,515. Auxiliary enterprises revenue from the College bookstore was impacted by higher enrollment with an increase of 12% from 2008 and an increase of 7% from 2007. In 2009 state grant revenue increased slightly at approximately 4% of operating revenues.

State appropriations, which is considered nonoperating revenue as defined by GASB 35, is a significant recurring source of revenue essential to the operation of the College. The College's state appropriation for the year ended June 30, 2009, amounted to $6.5 million. This represents an increase of $172 thousand or 3% from the College's appropriation for the prior year. In 2008, the appropriation increased $244 thousand or 4% in comparison to 2007.

2009 CHART OF OPERATING EXPENSES



Operating expenses, including $779 thousand of depreciation, totaled approximately $17.1 million as compared to $16.5 million in 2008 and $15.7 million in 2007. The majority of the College's operating funds are expended directly for the primary mission of the College – instruction (36.3 percent), institutional support (19.2 percent) and public service (12.3 percent). This combined 67.8 percent compares with 68.8 percent in 2008 and 68.8 percent in 2007.

Total operating expenses increased 3.8% from 2008 with instruction expenses increasing $134 thousand. Increased enrollment resulted in additional adjunct faculty and classroom supply costs. Total operating expenses had increased 5.1% from 2007 to 2008.

For the year ended June 30, 2009, student financial aid related to tuition and fees totaled $3.4 million, including scholarship allowance of $3.2 million and student aid expense of $216 thousand. In 2009 student financial aid increased by 36.0% in total from the prior year. For the year ended 2008 student financial aid was $2.5 million as compared to $2.0 million in 2007.

Statement of Cash Flows
(in thousands)

	2009	2008	2007
Net cash provided (used) by:			
Operating activities	$ (9,341)	$ (7,674)	$ (7,541)
Noncapital financing activities	9,652	8,593	7,903
Capital financing activities	(750)	(272)	(337)
Investing activities	(1,082)	(709)	134
Net increase/(decrease) in cash	(1,521)	(62)	159
Cash-beginning of year	3,171	3,233	3,074
Cash-end of year	$ 1,650	$ 3,171	$ 3,233

The primary purpose of the statement of cash flows is to provide information about the cash receipts and cash payments made by the College during the period. The statement of cash flows also helps financial statement readers assess:

- The College's ability to generate future net cash flows,
- The College's ability to meet obligations as they become due; and
- The College's need for external financing.

Major sources of funds included in operating activities are student tuition and fees ($4.2 million) and auxiliary enterprises ($1.4 million). The largest cash payments for operating activities were to employees, for wages and benefits, ($11.5 million) and to suppliers ($4.2 million).

The largest cash receipt in the noncapital financing activities group is the operating appropriation from the State of Ohio. Cash used by capital and related financing activities is primarily expended on the construction and acquisition of capital assets.

Capital Assets

Capital assets, net of accumulated depreciation, totaled approximately $16.6 million at June 30, 2009, a net increase of $278 thousand over the prior year-end. This compares with a decrease of $725 thousand in 2008 from 2007. Additions to capital assets during the year totaled $1.1 million primarily as a result of building renovation projects.

Factors impacting future periods

The economic position of Terra Community College is closely tied to that of the State. State Share of Instruction including federal stimulus funding for FY10 is projected at $6.1 million which is 1.4% above the funding received in FY09.

In July 2009, the Board of Trustees approved a 3.5% a tuition increase effective fall semester. Known expense increases for FY10 include a 2.25% salary increase for staff. Faculty negotiations are in-progress as well as cost cutting measures for employee health insurance plans.

The College experienced a 7% increase in full-time equivalent students from 1,552 FTE in 2008 to 1,660 in 2009. Both summer and fall terms in FY010 continue to reflect increased enrollment.

Management is taking every step it can to ensure the College remains in a strong financial position and be a valued resource to the community.

TERRA COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
June 30, 2009 and 2008

	2009	2008
Assets		
Current assets		
Cash and cash equivalents	$ 1,649,786	$ 3,170,826
Short-term investments	3,809,385	2,697,762
Intergovernmental receivable	586,425	210,066
Due from State of Ohio	67,923	30,439
Loans receivable, net	84,884	58,381
Other receivables	1,900,641	1,510,003
Inventory	242,040	345,004
Other current assets	147,099	114,437
Total current assets	8,488,183	8,136,918
Noncurrent assets		
Investments	1,322,399	1,233,626
Other Assets	84,600	103,620
Capital assets, gross	35,662,686	34,679,989
Accumulated depreciation	(19,111,015)	(18,406,645)
Capital assets, net	16,551,671	16,273,344
Total noncurrent assets	17,958,670	17,610,590
Total assets	26,446,853	25,747,508
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,300,049	892,255
Deferred revenue	574,269	579,940
Capital lease obligation, current	--	66,409
Compensated absences, current	314,716	322,225
Total current liabilities	2,189,034	1,860,829
Noncurrent liabilities		
Compensated absences, noncurrent	313,271	359,491
Total noncurrent liabilities	313,271	359,491
Total liabilities	2,502,305	2,220,320
Net assets		
Invested in capital assets, net of related debt	16,551,671	16,206,935
Expendable		
Other	230,422	258,641
Capital projects	1,206,790	1,155,752
Unrestricted	5,955,665	5,905,860
Total net assets	$ 23,944,548	$ 23,527,188

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2009 and 2008

	2009	2008
Assets		
Cash and cash equivalents	$ 363,019	$ 368,519
Contributions receivable	618,305	556,722
Other accounts receivable	135,287	82,327
Investments	1,409,661	1,260,962
Total assets	2,526,272	2,268,530
Liabilities		
Accounts payable	28,839	9,675
Total liabilities	28,839	9,675
Net assets		
Unrestricted	190,279	117,860
Temporarily restricted	434,201	506,431
Permanently restricted	1,872,956	1,634,564
Total net assets	$ 2,497,436	$ 2,258,855

See accompanying notes to financial statements

TERRA COMMUNITY COLLEGE
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
Years ended June 30, 2009 and 2008

	2009	2008
Operating revenues		
Student tuition and fees (net of scholarship allowances of $3,231,133 in 2009 and $2,340,386 in 2008)	$ 4,267,800	$ 4,819,168
Federal grants and contracts	1,074,930	959,967
State grants and contracts	330,269	277,639
Sales and services	182,074	171,393
Auxiliary enterprises	1,419,765	1,268,244
Other operating revenues	150,431	261,475
Total operating revenues	7,425,269	7,757,886
Operating Expenses		
Educational and general		
Instructional	6,226,002	6,092,106
Public service	2,102,170	2,154,172
Academic support	536,278	532,898
Student services	1,155,903	1,033,096
Institutional support	3,296,000	3,115,404
Operation and maintenance of plant	1,484,076	1,405,348
Student financial aid	215,904	200,367
Depreciation expense	778,770	894,904
Auxiliary enterprises	1,356,871	1,094,419
Total operating expenses	17,151,974	16,522,714
Operating loss	(9,726,705)	(8,764,828)
Nonoperating revenues (expenses)		
State appropriations	6,474,141	6,302,255
Federal grants	3,164,300	2,285,570
Gifts and grants	13,926	5,061
Investment income	117,992	236,724
Interest on indebtedness	(648)	(7,022)
Other nonoperating revenues	4500	--
Other nonoperating expense	(44,202)	(200,213)
Net nonoperating revenues	9,730,009	8,622,375
Income (loss) before capital appropriations	3,304	(142,453)
Capital appropriations	414,056	302,834
Change in net assets	417,360	160,381
Net assets		
Net assets- beginning of year	23,527,188	23,366,807
Net assets- end of year	$ 23,944,548	$ 23,527,188

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support				
Contributions	$ 77,692	$ 142,456	$ 238,392	$ 458,539
Contributed services and supplies	112,887	--	--	112,887
Investment return	7,419	(49,860)	--	(42,441)
Net assets released from restrictions	164,826	(164,826)	--	--
Total revenues, gains and other support	362,824	(72,230)	238,392	528,985
Expenses				
Program services				
Scholarships and loans	82,173	--	--	82,173
Instructional equipment	3,774	--	--	3,774
Other	14,099	--	--	14,099
Supporting services				
Management and general	61,248	--	--	61,248
Fund raising	129,110	--	--	129,110
Total expenses	290,404	--	--	290,404
Change in net assets	72,419	(72,230)	238,392	238,581
Net assets				
Net assets - beginning of year	117,860	506,431	1,634,564	2,258,855
Net assets - end of year	$ 190,279	$ 434,201	$ 1,872,956	$ 2,497,436

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support				
Contributions	$ 114,789	$ 360,224	$ 723,478	$ 1,198,491
Contributed services and supplies	110,746	--	--	110,746
Investment return	15,511	(72,022)	--	(56,511)
Net assets released from restrictions	224,016	(224,016)	--	--
Total revenues, gains and other support	465,062	64,186	723,478	1,252,726
Expenses				
Program services				
Scholarships and loans	86,497	--	--	86,497
Other	3,674	--	--	3,674
Supporting services				
Management and general	59,709	--	--	59,709
Fund raising	201,056	--	--	201,056
Total expenses	350,936	--	--	350,936
Change in net assets	114,126	64,186	723,478	901,790
Net assets				
Net assets - beginning of year	3,734	442,245	911,086	1,357,065
Net assets - end of year	$ 117,860	$ 506,431	$ 1,634,564	$ 2,258,855

See accompanying notes to financial statements

TERRA COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Tuition and fees	$ 4,235,626	$ 4,995,082
Grants and contracts	600,718	1,465,146
Other income	332,505	432,868
Auxiliary enterprise receipts	1,419,765	1,268,244
Payments to suppliers	(4,245,217)	(4,532,548)
Payroll and fringe benefits	(11,468,696)	(11,102,244)
Scholarships and fellowships	(215,904)	(200,367)
Net cash from operating activities	(9,341,203)	(7,673,819)
Cash flows from noncapital financing activities		
State appropriations	6,474,141	6,302,255
Grants and contracts other than capital	3,178,226	2,290,631
Net cash from noncapital financing activities	9,652,367	8,592,886
Cash flows from capital financing activities		
Purchases of capital assets	(1,101,299)	(369,903)
Proceeds from disposal of capital assets	4,500	--
State appropriations capital	414,056	302,834
Repayment of capital lease	(66,409)	(197,876)
Interest on capital lease	(648)	(7,022)
Net cash from financing activities	(749,800)	(271,967)
Cash flows from investing activities		
Change in short-term investments	(1,111,623)	(783,895)
Purchase of investments	(1,427,630)	(1,328,823)
Proceeds from sale and maturities of investments	1,332,673	1,186,173
Interest on investments	124,175	216,917
Net cash from investing activities	(1,082,405)	(709,628)
Net change in cash	(1,521,040)	(62,528)
Cash and cash equivalents, beginning of year	3,170,826	3,233,354
Cash and cash equivalents, end of year	$ 1,649,786	$ 3,170,826
Reconciliation of net operating (loss) to net cash from operating activities		
Operating loss	$ (9,726,705)	$ (8,764,828)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation expense	778,770	894,904
Changes in assets and liabilities		
Receivables	(830,984)	217,230
Inventories	102,964	(18,113)
Other assets	(13,642)	(173,096)
Accounts payable	407,315	(6,647)
Accrued salaries and benefits	(53,729)	5,886
Deposits held	479	(15,379)
Deferred revenue	(5,671)	186,224
Net cash from operating activities	$ (9,341,203)	$ (7,673,819)

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
Years ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Contributions	$ 158,560	$ (42)
Investment return	(53,126)	14,464
Scholarship and loan expenditures	(82,173)	(86,496)
Purchase of equipment for Terra Community College	(3,774)	--
Payments to suppliers	(72,408)	(178,256)
Net cash from operating activities	(52,915)	(250,330)
Cash flows from investing activities		
Proceeds from sale of long-term investments	46,021	48,742
Purchase of long-term investments	(236,998)	(489,992)
Net cash from investing activities	(190,977)	(441,250)
Cash flows from financing activities		
Proceeds from contributions restricted for long-term purposes	238,392	732,478
Net cash from financing activities	238,392	732,478
Net change in cash	(5,500)	40,898
Cash and cash equivalents, beginning of period	368,519	327,621
Cash and cash equivalents, end of period	$ 363,019	$ 368,519

Reconciliation of net operating revenues (expenses) to net cash from operating activities

	2009	2008
Change in net assets	$ 238,581	$ 901,790
Adjustments to reconcile change in net assets to net cash from operating activities:		
Unrealized loss and realized gain on investments	42,276	89,954
Change in contributions receivable	(61,584)	(466,056)
Contributions restricted for long-term purposes	(238,392)	(732,478)
Change in assets and liabilities		
Accounts receivable	(52,960)	(18,979)
Accounts payable	19,164	(24,561)
Net cash from operating activities	$ (52,915)	$ (250,330)

See accompanying notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The College is a component unit of the State of Ohio and is included in the basic financial statements of the State of Ohio. Terra College Foundation (Foundation) is a legally separate, tax-exempt organization that exists to provide financial assistance to the educational programs, services and facilities of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

Financial Statement 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). Terra Community College also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. In accordance with GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* (GASB No. 35) and subsequent standards issued by GASB, the financial statement presentation 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. 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.

The financial statements of the Terra College Foundation are included in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14.* This Statement amended 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.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets: The College's net assets are classified as follows:

Invested in capital assets, net of related debt. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted net assets - nonexpendable. Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2009 and 2008, the College had no nonexpendable restricted assets.

Restricted net assets – expendable. Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net assets - Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose.

Cash Equivalents: For the purposes of the statements of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments: The College accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net assets.

Accounts Receivable: Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Ohio. Accounts receivable also include amounts due from the federal government, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories: Inventories consist principally of books and supplies of the bookstore. Bookstore inventories at year-end are stated at the lower of cost or market value on the first-in, first-out basis.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings, 20 to 25 years for infrastructure and land improvements, and 5 to 15 years for equipment.

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

Compensated Absences: Employee vacation pay and sick time are accrued at year-end for financial statement purposes. The liabilities and expenses incurred are included at year-end as current and noncurrent compensated absences in the statements of net assets, and as a component of compensation and benefit expense in the statements of revenues, expenses, and changes in net assets.

Noncurrent Liabilities: Noncurrent liabilities include estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Income Tax: The College, as a political subdivision of the State of Ohio, is excluded from federal income taxes under Section 115 (1) of the Internal Revenue Code, as amended.

Classification of Revenues: The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenue - Operating revenues included activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) certain federal and most state and local grants and contracts and federal appropriations, and (4) interest on institutional student loans.

Nonoperating revenues - Nonoperating revenues included activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Termination Benefits: In 2006, Government Accounting Standards Board Statement No. 47, *Accounting for Termination Benefits* became effective. Currently, the College provides no benefits required to be recognized by this statement.

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.

NOTE 2 - DEPOSITS AND INVESTMENTS

In accordance with the State of Ohio's and the College's policy, the College is authorized to invest cash in certificates of deposit, repurchase agreements, United States treasury securities, federal government agency securities backed by the full faith and credit of the U.S. government, Ohio municipal securities and the State Treasurer's investment pool. The classification of cash and cash equivalents and investments in the financial statements is based on criteria set forth in GASB Statement No. 9. Cash equivalents are defined to include investments with original maturities of three months or less. Consistent with this definition, certificates of deposit with original maturities of more than three months are reported as investments in the Statement of Net Assets. However, for disclosure requirements of GASB Statement No. 40 such certificates of deposit are classified as deposits.

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Deposits: *Custodial Credit Risk:* At June 30, 2009 and 2008, the carrying amounts of the College's deposits in all funds were $2,186,639, and $3,492,441 (which consists of cash and cash equivalents and certificates of deposits, excluding cash on hand of $1,770) and the bank balance was $2,357,411, and $3,673,189, respectively. The difference between carrying amount and bank balance was primarily due to outstanding checks at June 30, 2009 and 2008. Of the bank balances at June 30, 2009 and 2008, $2,357,411 and $423,385 was covered by federal depository insurance. The remaining balance at June 30, 2008 of $3,249,804 was uninsured.

Uninsured deposits are held in accounts collateralized by a collateral pool account of U.S. Treasuries held by the Federal Reserve Bank in "book entry" form in the name of the respective bank, but who also internally designate the securities as assigned to the College. There were no uninsured deposits as of June 30, 2009. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the College's deposits may not be returned to the College. The College follows the deposit policy for custodial risk in accordance with the Ohio Revised Code.

Investments: Investments are stated at their fair value at June 30, 2009 and 2008. The College's investments include the following investments and maturities:

		Investment Maturities (in years)		
Investment Type	Fair Value	<1	1-5	>5
June 30, 2009:				
Money Market	$ 311,160	$ 311,160	$ -	$ -
STAR Ohio Funds	2,959,602	2,959,602	-	-
U.S. Agency Obligations	1,322,399	-	135,139	1,187,260
	$ 4,593,161	$ 3,270,762	$ 135,139	$ 1,187,260
June 30, 2008:				
Money Market	$ 141,741	$ 141,741	$ -	$ -
STAR Ohio Funds	2,232,636	2,232,636	-	-
U.S. Agency Obligations	1,233,626	-	-	1,233,626
	$ 3,608,003	$ 2,374,377	$ -	$ 1,233,626

The U.S. Agency Obligations, which consisted of Federal Farm Credit Bank Notes, Federal Home Loan Mortgage Notes, and Federal National Mortgage Association Notes, are collateralized by underlying pools of mortgages which guarantee full and timely payment of principal and interest.

(Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the state of Ohio requirements and to ensure that the term of the maturity of investments does not exceed the availability of the funds invested.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's investment policy limits investments in fixed income securities to government and agency issues in the top quality rating of recognized credit services. Investments below investment grade and derivatives are not permitted.

As of June 30, 2009 and 2008 the College had the following investments and quality ratings:

		Quality Ratings
Investment Type	Fair Value	AAA
June 30, 2009:		
Money Market	$ 311,160	$ 311,160
STAR Ohio Funds	2,959,602	2,959,602
U.S. Agency Obligations	1,322,399	1,322,399
	$ 4,593,161	$ 4,593,161
June 30, 2008:		
Money Market	$ 141,741	$ 141,741
STAR Ohio Funds	2,232,636	2,232,636
U.S. Agency Obligations	1,233,626	1,233,626
	$ 3,608,003	$ 3,608,003

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's investment policy places no limit on the amount the College may invest in a single issuer. At June 30, 2009, more than 5 percent of the College's investments were in STAR Ohio (64.4%), Money Market (6.8%) and U.S. Agency Obligations (28.8%) investments.

(Continued)

NOTE 3 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2009 and 2008 consisted of accounts (tuition and other fees), notes, interest and intergovernmental grants. All receivables, except for doubtful accounts receivables in collection with the Ohio Attorney General, are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

NOTE 4 - CAPITAL ASSETS
Capital assets at June 30, 2009 and 2008 are summarized as follows:

Description	July 1, 2008	Additions	Deletions	June 30, 2009
Land	$ 302,404	$ --	$ --	$ 302,404
Improvements	2,572,245	--	--	2,572,245
Buildings	24,506,738	432,637	--	24,939,375
Equipment, furniture and books	7,265,401	299,368	(74,400)	7,490,369
Construction in progress	33,201	336,293	(11,201)	358,293
Total	34,679,989	$ 1,068,298	$ (85,601)	35,662,686
Accumulated depreciation	(18,406,645)	$ (778,770)	$ 74,400	(19,111,015)
Capital assets, net	$ 16,273,344			$ 16,551,671

	July 1, 2007	Additions	Deletions	June 30, 2008
Land	$ 302,404	$ --	$ --	$ 302,404
Improvements	2,572,245	--	--	2,572,245
Buildings	24,398,918	107,820	--	24,506,738
Equipment, furniture and books	7,236,732	28,669	--	7,265,401
Construction in progress	--	33,201	--	33,201
Total	34,510,299	$ 169,690	$ --	34,679,989
Accumulated depreciation	(17,511,741)	$ (894,904)	$ --	(18,406,645)
Capital assets, net	$ 16,998,558			$ 16,273,344

In fiscal year 2009 building renovations included energy management modifications and replacement of an elevator. Construction in progress included renovations for an academic service center and construction of a skilled trade center. Repairs to the roof totaling $107,820 were capitalized in fiscal year 2008.

(Continued)

NOTE 5 - STATE SUPPORT

Terra Community 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 current operating subsidies, the State of Ohio provides the funding for the construction of major plant facilities on Terra Community College's campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn initiates the construction and subsequent lease of the facility by the Ohio Board of Regents.

Such facilities are reflected as building or construction in progress in the accompanying statement of net assets. Neither the obligation for the bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. Debt service is funded through appropriations to the Ohio Board of Regents by the General Assembly.

In 2009 and 2008 the College received capital project appropriations of $414,056 and $302,834 for building renovations and equipment.

NOTE 6 - ACCRUED LIABILITIES

Accrued liabilities include payments for SERS and STRS, and alternative retirement benefit payments due on accrued salaries. Also included are vacation and sick leave benefits and salaries and wages payable at June 30.

The SERS and STRS payable represents withholdings from employees in one fiscal year to be paid to the School Employees Retirement System and the State Teachers Retirement System in subsequent fiscal year. Vacation and sick leave payable is management's estimation of earned benefits that would be paid to employees upon termination, retirement or by usage of vacation and sick leave. It is recorded in accordance with Statement No. 16 of the Governmental Accounting Standards Board. Salaries and wages payable represent employee earnings for one fiscal year that are not paid until the subsequent fiscal year. It is mostly faculty contracts that are earned but not yet paid at year-end.

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NOTE 7 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System: Terra Community College contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current College rate is 14 percent of annual covered payroll. A portion of the College's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.84 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The College's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were $609,616, $578,859, and $526,956, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

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.

(Continued)

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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 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.

(Continued)

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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 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 $552,260, $543,705 and $529,703, 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.

(Continued)

NOTE 8 - 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 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 $39,447, $38,836, and $37,850 for fiscal years 2009, 2008, and 2007, respectively.

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System (SERS) administers two post employment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was $96.40; SERS' reimbursement to retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2009, 2008, and 2007, the actuarially required allocation was 0.75 percent, 0.66 percent, and 0.68 percent. For the College, contributions for the years ended June 30, 2009, 2008, and 2007, were $2,960, $2,560, and $2,570, which equaled the required contributions for those years.

(Continued)

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

Health Care Plan

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

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2009, 2008, and 2007, the health care allocations were 4.16 percent, 4.18 percent, and 3.32 percent, respectively. For the College, the amount contributed to fund health care benefits, including the surcharge, during the 2009, 2008, and 2007 fiscal years equaled $21,936, $19,218 and $18,022, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at $35,800.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

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NOTE 9 – 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	$ 8,378,924	$ 8,155,077
Employee benefits	3,038,042	2,953,053
Utilities	571,824	529,552
Supplies and other services	4,168,510	3,789,761
Depreciation	778,770	894,904
Student scholarships and financial aid	215,904	200,367
	$ 17,151,974	$ 16,522,714

NOTE 10 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts, theft of, damage to, and destructions of assets, errors and omissions, injuries to employees and natural disaster. The College contracts with Ohio Casualty Group for property and general liability insurance, including boiler, machinery and vehicle coverage. Vehicles hold a $250 comprehensive and $500 collision deductible. Automobile liability coverage has a $1,000,000 limit for collision and a $1,000,000 limit for bodily injury. The professional liability coverage is through Ohio Casualty Group. The College has not had a significant reduction in coverage from the prior year. Settled claims have not exceeded any aforementioned commercial coverage in any of the past four years.

The College pays the State Worker's Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative cost. The College provides life insurance, and accidental death and dismemberment insurance to its full-time employees.

The College contracts with Medical Mutual of Ohio for hospitalization and dental insurance. The College pays 90% of the monthly premiums for health insurance coverage for full-time faculty as well as 100% of the single dental premium. The college pays 88% of health premiums and 88% of single dental premiums for full-time staff. The college pays 80% of health premiums and 88% of single dental premiums for union staff employees hired on or after January 1, 2008.

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NOTE 11 – NONCURRENT LIABILITIES

Noncurrent liabilities at June 30, 2009 and 2008 are summarized as follows:

	July 1, 2008	Current Additions	Reductions	June 30, 2009	Non Current Portion	Current Portion
Lease obligations						
Capital lease obligations	$ 66,409	$	$ (66,409)	$ --	$ --	$ --
Total lease obligations	66,409		(66,409)	--	--	--
Other liabilities						
Compensated absences	681,716	309,254	(362,983)	627,987	313,271	314,716
Total other liabilities	681,716	309,254	(362,983)	627,987	313,271	314,716
Total noncurrent obligations	$ 748,125	$ 309,254	$ (429,392)	$ 627,987	$ 313,271	$314,716

	July 1, 2007	Additions	Reductions	June 30, 2008	Non Current Portion	Current Portion
Lease obligations						
Capital lease obligations	$ 264,285	$ -	$ (197,876)	$ 66,409	$ --	$ 66,409
Total lease obligations	264,285	-	(197,876)	66,409	--	66,409
Other liabilities						
Compensated absences	675,830	316,964	(311,078)	681,716	359,491	322,225
Total other liabilities	675,830	316,964	(311,078)	681,716	359,491	322,225
Total noncurrent obligations	$ 940,115	$ 316,964	$ (508,954)	$ 748,125	$ 359,491	$388,634

The College entered into lease agreements for financing the acquisition of capital equipment. These leases qualify as a capital leases for accounting purposes (title transfers at the end of the lease term). The final lease payment was made in October 2008.

The cost of equipment under capital leases was $1,009,207 with the final purchases made in 2006. Accumulated depreciation on equipment under capital leases for 2009 and 2008 was $682,151 and $596,634.

(Continued)

NOTE 12 - CONTINGENCIES

At June 30, 2009, there were lawsuits or claims pending against Terra Community College. In the opinion of management, the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the financial position of Terra Community College.

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. College management believes disallowances, if any, will be immaterial.

NOTE 13 - COMPONENT UNIT DISCLOSURE

The accompanying financial statements of the Foundation have been prepared in accordance with pronouncements of the Financial Accounting Standards Board. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Contributions to the Foundation are recognized and reported as revenue at fair value upon the earlier of the period in which a pledge becomes unconditional or the period in which the contribution is received. Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted support, while contributions without donor-imposed restrictions are reported as unrestricted support.

Foundation investments are stated at market value, with changes in market value being recognized as gains and losses during the period in which they occur.

Fair value of investments held by the Foundation are summarized as follows:

	2009	2008
Money market funds	$ 127,880	$ 513,968
Debt securities	176,799	137,869
Equity securities	1,104,982	609,125
	$ 1,409,661	$ 1,260,962

During the years ended June 30, 2009 and 2008, the Foundation made contributions of $100,046 and $90,171, respectively, to or on behalf of the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Terra College Foundation, 2830 Napoleon Road, Fremont, Ohio 43420.

(Continued)

SUPPLEMENTAL INFORMATION

TERRA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass through Entity Number	Federal CFDA Number	Receipts Recognized	Program Expenditures
U.S. Department of Education				
Student Financial Aid Cluster				
Pell Grant Program	Direct	84.063	$ 2,960,022	$ 2,960,022
Pell Grant – Adm. Allowance	Direct	84.063	5,330	5,330
Total Pell Grant			2,965,352	2,965,352
Federal Supplemental Educational Opportunity Grant	Direct	84.007	85,357	85,357
Federal Work Study	Direct	84.033	98,682	98,682
Federal Family Education Loans (Note 2)	Direct	84.032	3,651,335	3,651,335
Academic Competitiveness Grant	Direct	84.375	20,239	20,239
Total Student Financial Aid Cluster			6,820,965	6,820,965
Office of Postsecondary Education				
Higher Education Institutional Aid	P031A080019	84.031	64,249	64,249
Pass-through Ohio Department of Education				
Career and Technical Education	VEC PII-P2009-509	84.048	45,700	45,700
Tech Prep Education	VETP-2009-18	84.243	163,439	163,439
Total Ohio Department of Education			209,139	209,139
Pass-through Ohio Bureau of Vocational Rehabilitation				
Vocational Rehabilitation Grant	DLM 98094	84.126	13,580	13,580
Total U.S. Department of Education			7,107,933	7,107,933
U.S. Department of Labor				
Pass-through Ohio Department of Job & Family Services				
WIA – Adult Program	48621	17.258	355,469	355,469
WIA – Youth Activities	48621	17.259	58,859	58,859
WIA – Dislocated Workers	48621	17.260	411,263	411,263
Total Workforce Investment Cluster			825,591	825,591
Pass-through Ohio Department of Employment Services				
Trade Adjustment Assistance	6170	17.245	57,128	57,128
Total U.S. Department of Labor			882,719	882,719

(Continued)

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass through Entity Number	Federal CFDA Number	Receipts Recognized	Program Expenditures
U.S. Department of Health & Human Services				
Administration for Children & Families				
Child Care and Development Block Grant	502227	93.575	$ 12,731	$ 12,731
Health Resources and Services Adm.				
Health Care and Other Facilities	C76HF05664	93.887	18,475	18,475
Pass-through Ohio Board of Regents				
Telehealth Network Grant	G994235	93.211	12,000	12,000
Total U.S. Department of Health & Human Services			43,206	43,206
U.S. Department of Veterans Affairs				
Vocational Rehabilitation for Disabled Veterans	14923435	64.116	29,781	29,781
Small Business Administration				
Pass-through Ohio Dept. of Development				
Small Business Development Center	56080	59.037	100,036	100,036
Total Federal Expenditures			$ 8,163,675	$ 8,163,675

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

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – OUTSTANDING LOANS

The College participates in the Federal Family Education Loan Program. The dollar amounts listed in the Schedule of Federal Awards Expenditures represents new loans awarded during the fiscal year ended June 30, 2009.

bhs Balestra, Harr & Scherer, CPAs, Inc.

Members American Institute of Certified Public Accountants Members Ohio Society of Certified Public Accountants

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
Terra Community College
2830 Napoleon Road
Fremont, Ohio 43420

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Terra Community College (the College), which is a component unit of the state of Ohio, as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated September 18, 2009. 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.

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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

Balestra, Harr & Scherer, CPAs, Inc.
September 18, 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
Terra Community College
2830 Napoleon Road
Fremont, Ohio 43420

Compliance

We have audited the compliance of Terra Community 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, Terra Community 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.

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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

Balestra, Harr & Scherer, CPAs, Inc.
September 18, 2009

TERRA COMMUNITY 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
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number	None

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

TERRA COMMUNITY COLLEGE

SANDUSKY 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 5, 2010

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