



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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JAMES A. RHODES STATE COLLEGE  
ALLEN COUNTY

SINGLE AUDIT

For the Years Ended June 30, 2012 and 2011  
Fiscal Years Audited Under GAGAS: 2012 and 2011





# Dave Yost • 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, 2011 through June 30, 2012. 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.

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

Dave Yost  
Auditor of State

December 31, 2012

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**James A. Rhodes State College**  
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*For the Fiscal Year Ended June 30, 2012 and 2011*

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# Balestra, Harr & Scherer, CPAs, Inc.

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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 James A. Rhodes State College, Allen County, Ohio (the College), as of and for the years ended June 30, 2012 and 2011, 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 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 whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of James A. Rhodes State College, Allen County, Ohio, as of June 30, 2012 and 2011, and the respective changes in financial position and where applicable, cash flows, thereof for the year 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 21, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the College's basic financial statements taken as a whole. The Schedule of Federal Awards Expenditures provides additional information required by the 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 is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.

November 21, 2012

**James A. Rhodes State College**  
**Management's Discussion and Analysis**  
**June 30, 2012 and 2011**  
**(Unaudited)**

James A. Rhodes State College (the "College") Management Discussion and Analysis (MD&A) presents an overview of its financial condition and assists the reader in focusing on significant financial issues for the year ended June 30, 2012 with selected comparative information for the years ended June 30, 2011 and 2010. The discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

The 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. The latest site visit was highly successful with the next HLC accreditation visit scheduled for 2018-19.

**FINANCIAL AND OTHER COLLEGE HIGHLIGHTS**

- The College began this fiscal year with the loss of over \$1.6 million in federal stimulus funds effective fiscal year 2012. The budget plan required a \$1 million operating margin, even while using conservative estimates of enrollment and state share of instruction income. Extensive planning helped to navigate what would otherwise have been an extremely difficult year. As the following information will demonstrate, the College was successful in accomplishing this goal.
- The College raised the tuition rate by 2.3% to \$98.07 per quarter credit hour. This equated to an increase of \$100 per full-time student who attended full-time for the full year. This increase was necessary to offset, in part, the loss of the federal stimulus funds. Even with these tuition increases, Rhodes State College remains the most affordable option for higher education in our region.
- Total state appropriations increased to \$9.7 million in fiscal year 2012, compared to \$9.2 million in 2011 as a result of the lagged funding model used by the state.
- Total net assets increased \$864,404 in 2012. This increase was primarily the result of continued strong enrollment and cost controls that were implemented throughout the year.
- Progress continued with the College's efforts to convert our academic calendar from the quarter system to the semester system effective Fall of 2012. This move aligns the College's calendar with all other public higher education institutions in the state, and turns what was a 10 week instructional quarter into 15 week instructional semesters.
- Full-Time Equivalent (FTE) enrollment at the College declined year-over-year for the first time in 10 years. This decline was driven by changes to financial aid eligibility and the pending transition to semesters.
- In 2012 the College began the expansion of the Countryman Information and Engineering Technology building. This expansion is designed as a 16,000 square foot, \$3.2 million investment in 5 classrooms, student soft space, faculty and administrative offices.

**James A. Rhodes State College**  
**Management's Discussion and Analysis**  
**June 30, 2012 and 2011**  
**(Unaudited)**

- In 2012 the College was awarded \$1,045,000 in additional general renovation funds as part of the state capital bill for 2013-14. These funds will fund the replacement of the roof and HVAC systems in our Tech Lab building.
- The College has focused on continuous improvements and institutional effectiveness. The strategic and institutional effectiveness planning system began the process of developing its next three year Strategic Plan entitled Vision 2012.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The College's basic financial statements include the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, and the Statements of Cash Flows. These financial statements are prepared in accordance with GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis-For Public Colleges and Universities*. These statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole. All comments and discussions included in this discussion and analysis relate to Rhodes State College and not to the Rhodes State College Foundation unless specifically noted.

The three financial statements should help the reader of the annual report understand how the College's overall financial condition has changed as a result of the current year's financial activities. These financial statements present similar information to that disclosed in private sector (i.e. corporate) financial statements. The financial statements will also assist the reader in evaluating the ability of the College to meet its financial obligations. The Statements of Cash Flows presents information related to both cash inflows and cash outflows and is further categorized by operating, noncapital financing and capital financing, and investing activities.

**STATEMENTS OF NET ASSETS**

The Statements of Net Assets presents financial information about all of the College's 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. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the College is improving or deteriorating.

**James A. Rhodes State College  
Management's Discussion and Analysis  
June 30, 2012 and 2011  
(Unaudited)**

**CONDENSED FINANCIAL INFORMATION  
STATEMENTS OF NET ASSETS**

	(in thousands)		
	2012	2011	2010
<b>ASSETS</b>			
Current Assets	\$17,076	\$17,696	\$13,992
Noncurrent, Capital Assets	30,961	30,679	29,882
Total Assets	48,037	48,375	43,874
<b>LIABILITIES</b>			
Current Liabilities	3,731	4,847	4,224
Noncurrent Liabilities	3,440	3,526	3,664
Total Liabilities	7,171	8,373	7,888
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	28,276	27,943	27,087
Restricted	25	9	9
Unrestricted	12,565	12,050	8,890
Total Net Assets	40,866	40,002	35,986
Total Liabilities and Net Assets	\$48,037	\$48,375	\$43,874

**Assets**

As of June 30, 2012, the College's total assets were \$48.0 million compared to \$48.4 million in fiscal year 2011 and \$43.9 million in fiscal year 2010. This reduction in total assets was a result of a \$2.67 million reduction in grant and student accounts receivable. Capital assets, net of accumulated depreciation are the college's largest asset. This represents 64.5 %, 63.4 %, and 68.1%, of total assets for fiscal years 2012, 2011, and 2010, respectively. Cash and cash equivalents are the second largest asset category at \$12.7 million, \$10.7 million, and \$9.6 million for fiscal years 2012, 2011, and 2010, respectively. This represents 26.4%, 22.0%, and 21.9% of the total assets for fiscal years 2012, 2011, and 2010 respectively.

**James A. Rhodes State College**  
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**(Unaudited)**

**Capital Assets**

The total cost of capital assets was \$46.8 million, \$44.8 million and \$43.1 million for fiscal years 2012, 2011, and 2010, respectively. The accumulated depreciation was \$15.9 million, \$14.3 million, and \$13.2 million for fiscal years 2012, 2011 and 2010, respectively. Depreciation expense for the fiscal years ended June 30, 2012, 2011, and 2010 were \$1.6 million for fiscal year 2012 and \$1.5 million for fiscal years 2011 and 2010, respectively.

**Liabilities**

As of June 30, 2012, the College's liabilities were \$7.2 million compared to \$8.4 million in fiscal year 2011 and \$7.9 million in fiscal year 2010. Accounts payable declined \$0.5 million year-over-year due to the settlement of the 2010 and 2011 cost share reconciliations with the Ohio State University at Lima, who shares our campus. Additional decreases in liabilities were driven by a year-over-year enrollment decline, reflected in the smaller deferred revenue for Summer quarter and smaller accrued liability for faculty wages.

Bonds payable, net represented the largest portion of liabilities with \$2.6 million, \$2.7 million, and \$2.7 million for fiscal years 2012, 2011, and 2010, respectively. Bonds payable, net represents approximately 36.4%, 32.0%, and 34.7% of total liabilities for fiscal years 2012, 2011, and 2010, respectively.

**Net Assets**

Net Assets as of June 30, 2012, were \$40.9 million compared to \$40.0 million as of June 30, 2011, and \$36.0 million as of June 30, 2010. Investments in capital assets, net of related debt represents the largest portion of net assets at 69.2%, 69.9%, and 75.3% of total net assets for fiscal years 2012, 2011, and 2010, respectively.

**James A. Rhodes State College**  
**Management's Discussion and Analysis**  
**June 30, 2012 and 2011**  
**(Unaudited)**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

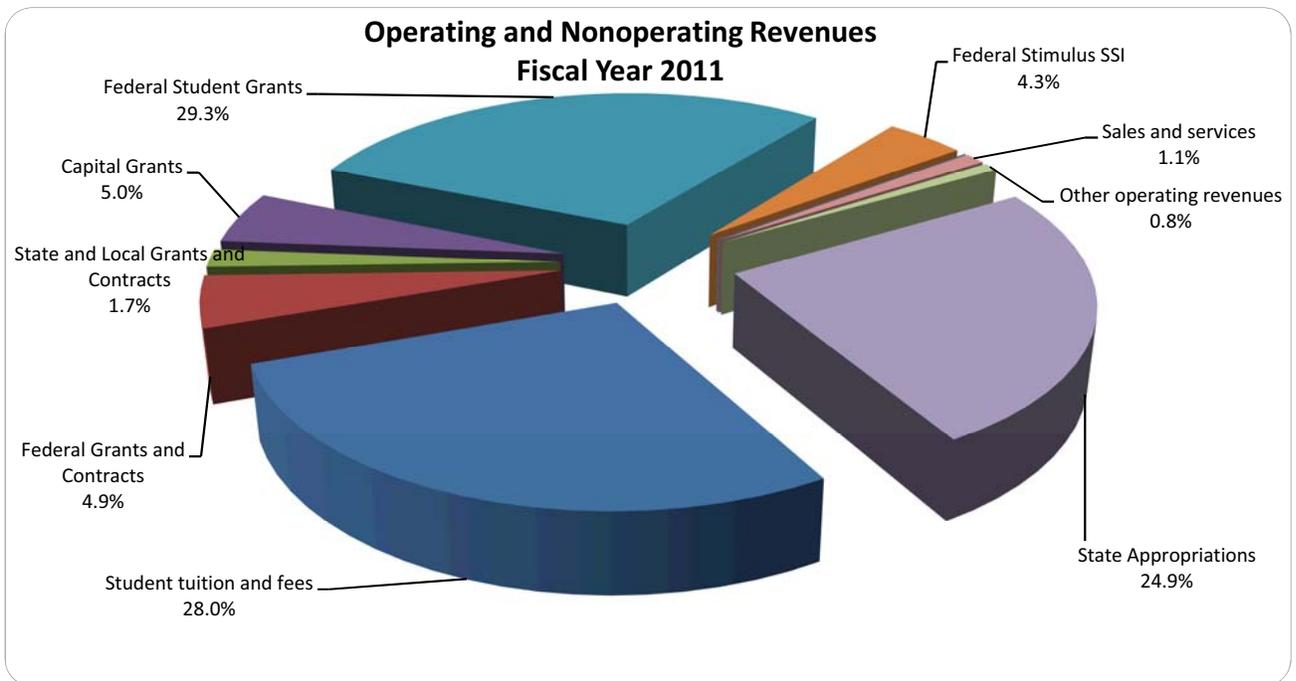
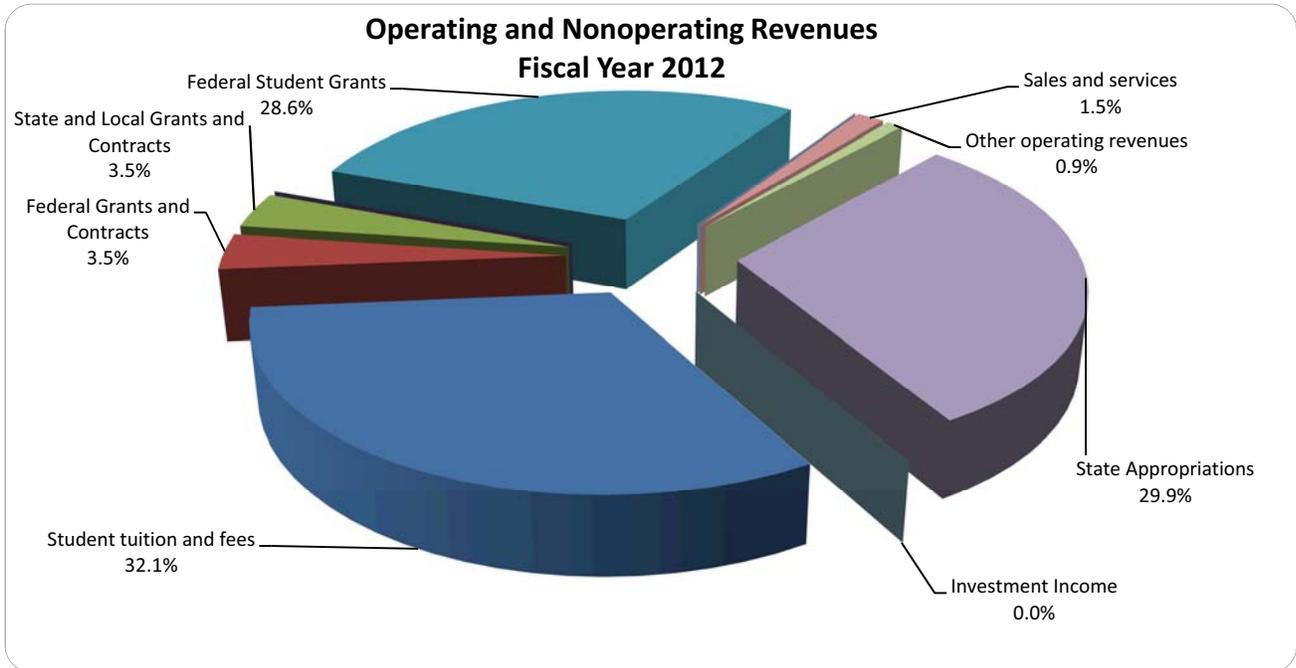
The Statements of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. The Governmental Accounting Standards Board Statement No. 35 requires state appropriations to be classified 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.

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>OPERATING REVENUES</b>			
Student Tuition and Fees, Net	\$10,318	\$10,326	\$9,795
Federal Grants and Contracts	1,131	1,811	1,728
State Grants and Contracts	1,141	641	550
Non-Governmental Grants and Contracts	0	0	16
Sales and Services	490	416	384
Other Operating Revenues	296	295	351
Total Operating Revenues	<u>13,376</u>	<u>13,489</u>	<u>12,824</u>
<b>OPERATING EXPENSES</b>			
Educational and General	29,651	31,232	29,433
Depreciation	1,605	1,534	1,517
Total Operating Expenses	<u>31,256</u>	<u>32,766</u>	<u>30,950</u>
Operating Loss	<u>(17,880)</u>	<u>(19,277)</u>	<u>(18,126)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations	9,663	9,215	9,154
Federal Student Grants	9,230	10,808	9,418
Federal Stimulus SSI	0	1,576	1,534
Capital Grants	0	1,848	0
Gifts	5	0	0
Investment Income	2	4	4
Interest on Capital Asset-Related Debt	(156)	(158)	(161)
Net Non-Operating Revenues (Expenses)	<u>18,745</u>	<u>23,293</u>	<u>19,949</u>
Increase in Net Assets	<u>864</u>	<u>4,016</u>	<u>1,823</u>
Net Assets, Beginning of Year	<u>40,002</u>	<u>35,986</u>	<u>34,163</u>
Net Assets, End of Year	<u>\$40,866</u>	<u>\$40,002</u>	<u>\$35,986</u>

**James A. Rhodes State College  
Management's Discussion and Analysis  
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(Unaudited)**

The following is a graphic illustration of revenues by source for the years ended June 30, 2012 and 2011:

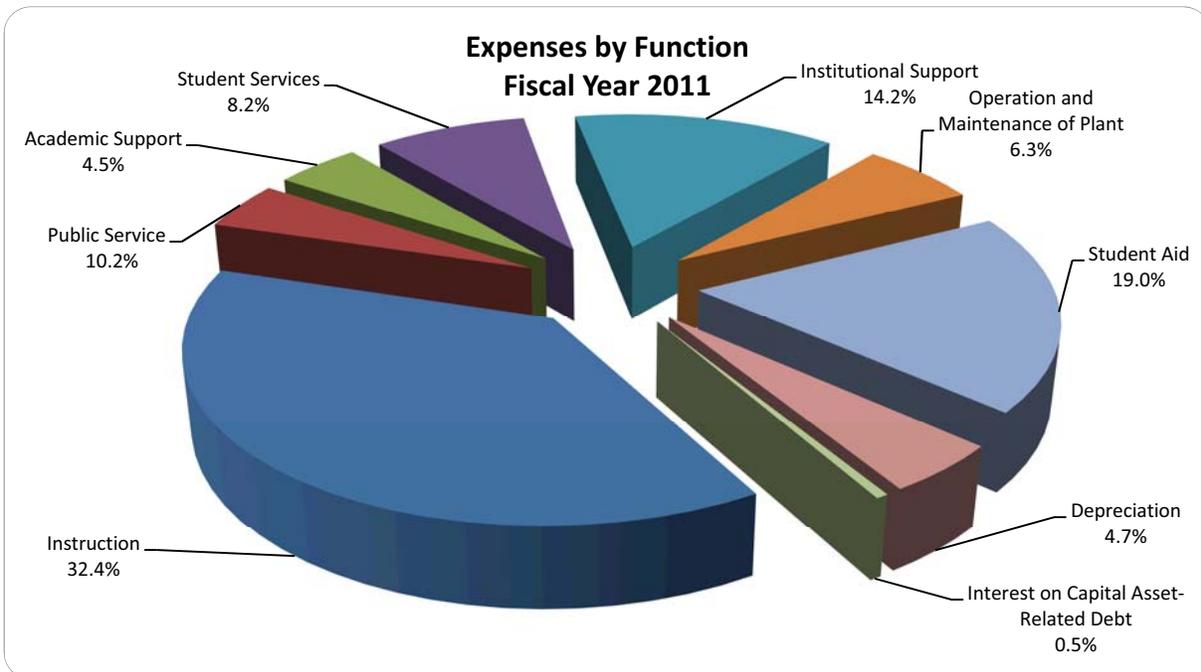
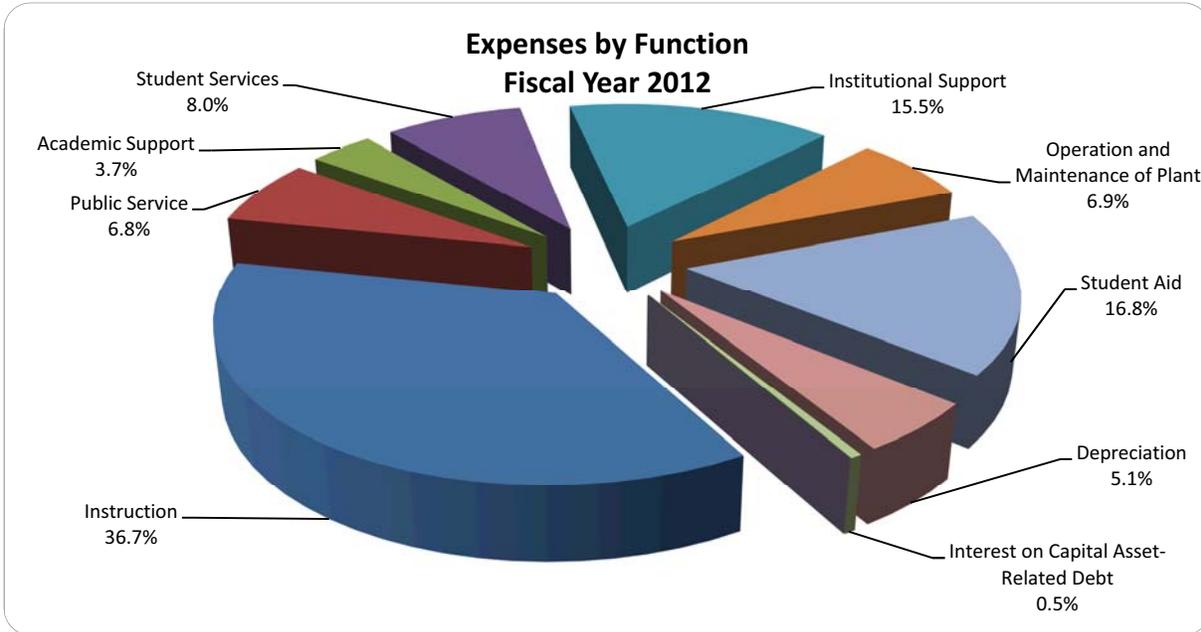


The College's largest sources of revenues are student tuition and fees (net of scholarship allowance), 32.0%, State appropriations, 29.9%, and Federal student grants, 28.6% for fiscal year 2012. Student tuition and fees (net of scholarship allowance) were unchanged at \$10.3 million for both fiscal years 2012 and 2011. Federal student grants were \$9.2 million and \$10.8 million for fiscal years 2012 and 2011,

**James A. Rhodes State College  
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respectively. State appropriations were \$9.7 million and \$9.2 million for fiscal years 2012 and 2011 respectively. Total operating and non-operating revenues were \$32.3 million and \$36.9 million for fiscal years 2012 and 2011, respectively.

The following is a graphic illustration of expenses by function for the years ended June 30, 2012 and 2011:

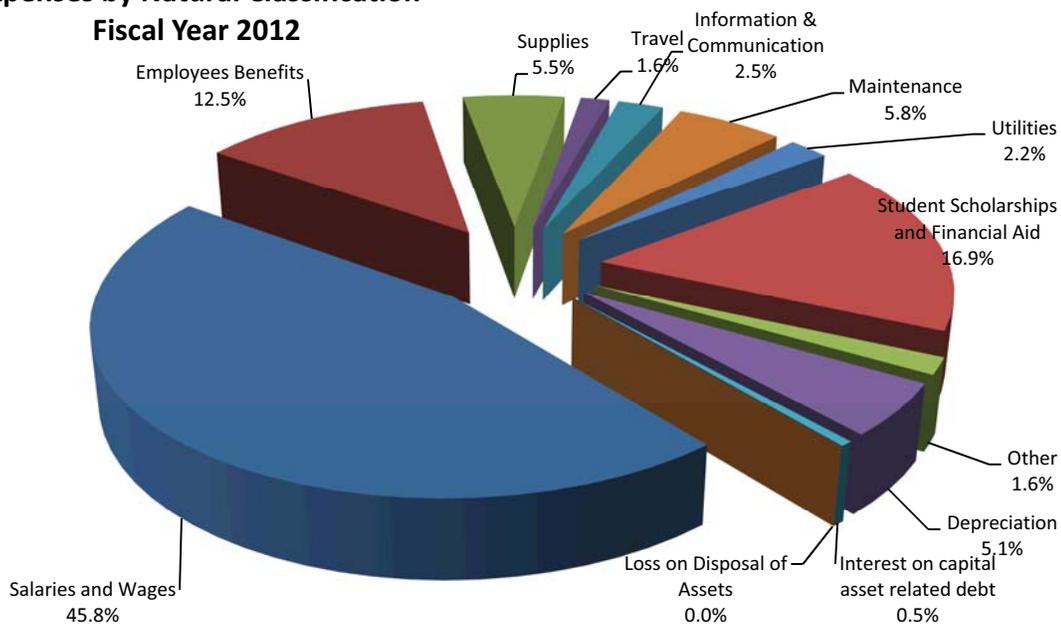


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Management's Discussion and Analysis  
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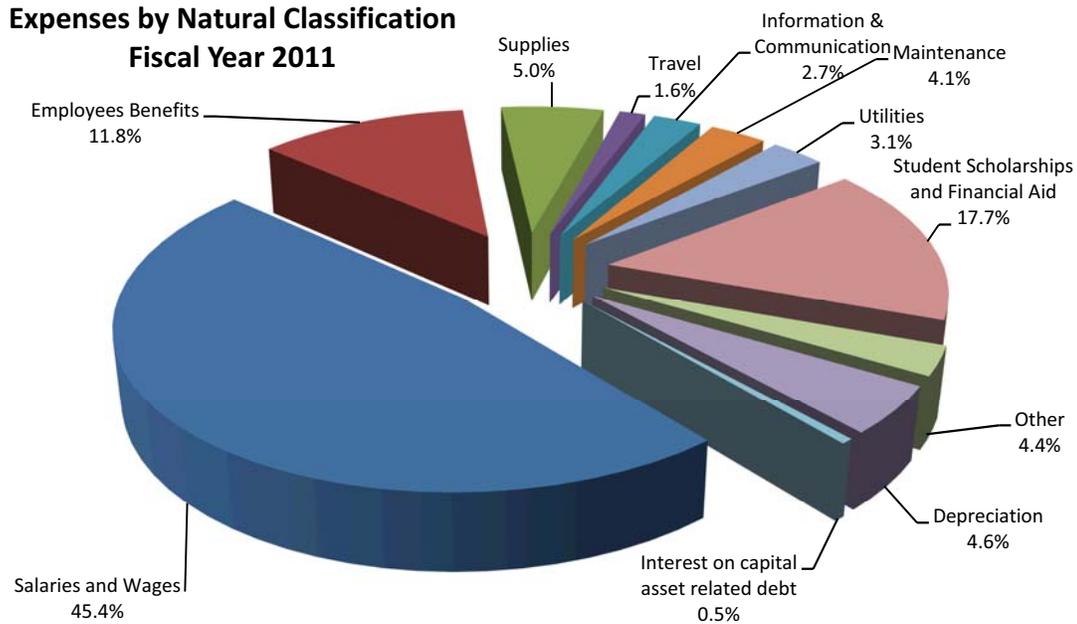
Instructional expenditures are the largest expense for the College. Instructional expenses were \$11.5 million and \$12.5 million for fiscal years 2012 and 2011, respectively. Public service expenses were \$2.1 million and \$1.5 million for fiscal years 2012 and 2011, respectively. Academic support expenses were \$1.2 million and \$1.5 million for fiscal years 2012 and 2011, respectively. Student services expenses were \$2.5 million and \$2.7 million for fiscal years 2012 and 2011, respectively. Institutional support expenses were \$4.9 million and \$4.7 million for fiscal years 2012 and 2011, respectively. Operation and maintenance of plant expenses was approximately \$2.2 million and \$2.1 million for fiscal years 2012 and 2011, respectively. Student aid expenses were \$5.3 million and \$6.3 million for fiscal years 2012 and 2011, respectively. Total operating and non-operating expenses were \$31.4 million and \$32.9 million for fiscal years 2012 and 2011, respectively.

The following is a graphic illustration of expenses by natural classification for the years ended June 30, 2012 and 2011:

**Expenses by Natural Classification  
Fiscal Year 2012**



**James A. Rhodes State College  
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(Unaudited)**



Salaries and wages were the largest expense for the College at 45.8% and 45.4% of the College's total expenses for fiscal years 2012 and 2011, respectively. Wages and benefits accounted for 58.3% and 57.2% of the College's total expenses, respectively. The next largest expense was student scholarships and financial aid, which accounted for 16.9% and 17.7% of total College expenses for fiscal years 2012 and 2011, respectively. Salaries and wages were \$14.4 million and \$15.1 million for fiscal years 2012 and 2011, respectively. Employee benefits were \$3.9 million and \$3.8 million for fiscal years 2012 and 2011, respectively. Student scholarships were \$5.3 million and \$5.9 million for fiscal years 2012 and 2011, respectively. Total operating and non-operating expenses were \$31.4 million and \$32.9 million for fiscal years 2012 and 2011, respectively.

**STATEMENTS OF CASH FLOWS**

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

**James A. Rhodes State College**  
**Management's Discussion and Analysis**  
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**(Unaudited)**

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net Cash Provided (Used By):			
Operating Activities	(\$14,756)	(\$19,886)	(\$17,136)
Non-Capital Financing Activities	18,894	21,621	20,422
Capital Financing Activities	(2,108)	(701)	(355)
Investing Activities	2	4	5
Net Increase (Decrease) in Cash	<u>2,032</u>	<u>1,038</u>	<u>2,936</u>
Cash, Beginning of Year	10,653	9,615	6,679
Cash, End of Year	<u>\$12,685</u>	<u>\$10,653</u>	<u>\$9,615</u>

Major sources of cash included in the operating activities were tuition and fees, and grants and contracts. Tuition and fees generated cash of \$10.9 million, \$8.9 million, and \$9.5 million in fiscal years 2012, 2011, and 2010, respectively. Grants and contracts generated cash of \$3.9 million in fiscal year 2012, \$1.1 million in fiscal year 2011 and \$1.7 million in fiscal years 2010. Major uses of cash included in the operating activities were payments to employees for wages, payments to suppliers for goods and services, and payments for student aid. Payments to employees amounted to \$14.4 million, \$15.1 million, and \$14.8 million in fiscal years 2012, 2011, and 2010, respectively. Payments to suppliers for goods and services amounted to \$5.9 million, \$4.6 million, and \$4.9 million in fiscal years 2012, 2011, and 2010, respectively. Payments for student aid amounted to \$5.3 million, \$5.9 million, and \$5.0 million in fiscal years 2012, 2011, and 2010, respectively.

Federal student grants are the primary source of cash for non-capital financing activities. The College received \$9.2 million, \$10.8 million, \$9.4 million in federal student grants in fiscal years 2012, 2011, 2010, respectively. The accounting standards require the College to reflect this source of revenue as non-operating even though the College's budget depends on these funds to continue operations.

Local funds and capital grants are the primary source of cash for capital financing activities. The College commenced with the construction of a \$3.2 million, 16,000 square foot expansion to the James J. Countryman building. The College received no capital grants funds in fiscal year 2012, \$1.8 million in fiscal year 2011, and no capital grants in 2010. Major uses of cash included in the capital financing activities were payments for purchases of capital assets. The College paid \$1.9 million, \$2.3 million, and \$1.3 million for purchases of capital assets in fiscal years 2012, 2011, and 2010, respectively.

**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

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June 30, 2012 and 2011  
(Unaudited)**

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 was \$46.8 million, \$44.8 million and \$43.1 million for fiscal years 2012, 2011, and 2010, respectively. The accumulated depreciation was \$15.9 million, \$14.3 million, and \$13.2 million for fiscal years 2012, 2011 and 2010, respectively. Depreciation expense for the fiscal years ended June 30, 2012, 2011, and 2010 were \$1.6 million for fiscal year 2012 and \$1.5 million for fiscal years 2011 and 2010, respectively. A summary of net capital assets for the years ended June 30 is as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Construction in Progress	\$ 1,107,604	\$ 193,090	\$ 0
Land Improvements	781,969	848,098	929,436
Infrastructure	46,980	52,849	58,719
Buildings and Improvements	23,167,263	24,096,477	25,042,465
Moveable Equipment	5,632,683	5,268,186	3,624,029
Library Books	224,866	220,185	227,430
Total Capital Assets, Net	<u>\$30,961,365</u>	<u>\$ 30,678,885</u>	<u>\$ 29,882,079</u>

During fiscal year 2012, the College purchased \$911,432 of moveable equipment and \$49,619 of library books. The College made payments of \$914,514 toward the construction of the \$3.2 million, 16,000 square foot Countryman Building Expansion in fiscal year 2012. During fiscal year 2011, the College purchased \$2,099,993 of moveable equipment and \$37,902 of library books. During fiscal year 2010, the College purchased \$746,666 of land improvements, \$461,073 of moveable equipment, and \$49,316 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. Debt service payments are approximately \$220,000 annually.

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Management's Discussion and Analysis  
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(Unaudited)**

**CONCLUDING THOUGHTS**

Rhodes State College is well positioned to meet the needs of the people and communities we serve. With employment recovering in the region, the College is able to grow our Workforce and Economic Development services, supporting state initiatives, and making West Central Ohio an increasingly attractive place to live, learn, and do business. Our Academic programs remain very strong, with wait lists for our high demand, high starting salary Allied Health and Nursing programs, a very strong Associates in Arts & Sciences program.

The major financial challenge the College faced in fiscal year 2012 was the loss of federal stimulus funding, which had temporarily offset a significant decline in state tax-funded support for higher education in Ohio. The College is facing two significant challenges in fiscal year 2013, both a significant drop in enrollment due to the conversion to semester terms and a substantial increase in our health care premiums. We have taken action in 2012 to prepare for 2013 and readers of this year's report should keep in mind that it reflects preparation for the conversion to the semester system, which presents a significant enrollment and financial risk to 2013 and beyond.

**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	Christopher R. Schmidt	4240 Campus Drive, Lima, OH 45804	419-995-8342

**James A. Rhodes State College**  
**Statements of Net Assets**  
**June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12,684,871	\$ 10,653,211
Restricted cash and cash equivalents	15,502	0
Accounts receivable (net of allowance of \$1,773,208 and \$1,601,658 respectively)	4,302,042	6,968,574
Appropriations receivable	66,332	66,332
Prepaid expenses and other current assets	7,302	7,502
<b>TOTAL CURRENT ASSETS</b>	<b>17,076,049</b>	<b>17,695,619</b>
NONCURRENT ASSETS:		
Capital assets, net	30,961,365	30,678,885
<b>TOTAL NONCURRENT ASSETS</b>	<b>30,961,365</b>	<b>30,678,885</b>
<b>TOTAL ASSETS</b>	<b>\$ 48,037,414</b>	<b>\$ 48,374,504</b>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable, net	\$ 1,180,866	\$ 1,761,439
Retainage payable	15,502	0
Current portion of bonds payable	65,000	65,000
Accrued liabilities	1,111,519	1,214,012
Deferred revenue	1,292,164	1,765,010
Compensated absences	66,696	41,211
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,731,747</b>	<b>4,846,672</b>
NONCURRENT LIABILITIES:		
Bonds payable, net of current portion	2,610,815	2,675,385
Compensated absences, net of current portion	828,933	850,932
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>3,439,748</b>	<b>3,526,317</b>
<b>TOTAL LIABILITIES</b>	<b>7,171,495</b>	<b>8,372,989</b>
NET ASSETS:		
Invested in capital assets, net of related debt	28,276,365	27,943,002
Restricted, Expendable	24,603	9,051
Unrestricted	12,564,951	12,049,462
<b>TOTAL NET ASSETS</b>	<b>40,865,919</b>	<b>40,001,515</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 48,037,414</b>	<b>\$ 48,374,504</b>

See accompanying notes to the financial statements.

**James A. Rhodes State College Foundation**  
**Statements of Financial Position**  
**June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 463,414	\$ 434,323
Investments	1,689,139	1,594,701
Pledges receivable - Net	32,642	22,854
Accounts receivable	0	308
Loans receivable	23,120	19,838
<b>TOTAL ASSETS</b>	<b>\$ 2,208,315</b>	<b>\$ 2,072,024</b>
 <b>LIABILITIES</b>		
Accounts payable - Net	\$ 79,781	\$ 49,913
<b>TOTAL LIABILITIES</b>	<b>79,781</b>	<b>49,913</b>
 <b>NET ASSETS</b>		
Unrestricted	364,300	366,966
Temporarily restricted	501,686	506,964
Permanently restricted	1,262,548	1,148,181
<b>TOTAL NET ASSETS</b>	<b>2,128,534</b>	<b>2,022,111</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,208,315</b>	<b>\$ 2,072,024</b>

See accompanying notes to the basic financial statements.

**James A. Rhodes State College**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**For the Years Ended June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>REVENUES</b>		
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of \$5,561,816 and \$5,197,625 respectively)	\$ 10,317,798	\$ 10,326,069
Federal grants and contracts	1,131,294	1,811,440
State and local grants and contracts	1,141,061	641,443
Sales and services	490,343	415,683
Other operating revenues	295,686	294,769
Total operating revenues	13,376,182	13,489,404
<b>EXPENSES</b>		
Operating Expenses:		
Educational and general:		
Instruction	11,511,704	12,509,465
Public Service	2,149,019	1,526,428
Academic Support	1,177,772	1,497,948
Student Services	2,518,666	2,711,853
Institutional Support	4,867,610	4,665,859
Operation and Maintenance of Plant	2,156,421	2,065,266
Student Aid	5,270,061	6,255,430
Depreciation	1,605,085	1,534,179
Total operating expenses	31,256,338	32,766,428
Operating loss	(17,880,156)	(19,277,024)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	9,663,494	9,214,913
Federal student grants	9,230,550	10,808,194
Federal stimulus SSI	0	1,576,188
Capital grants	0	1,847,570
Gifts	4,802	0
Investment income (net of investment expense)	1,807	4,430
Interest on capital asset-related debt	(156,093)	(158,736)
Net Nonoperating Revenues	18,744,560	23,292,559
<b>Increase in net assets</b>	<b>864,404</b>	<b>4,015,535</b>
<b>NET ASSETS</b>		
Net Assets, July 1	40,001,515	35,985,980
Net Assets, June 30	<b>\$ 40,865,919</b>	<b>\$ 40,001,515</b>

See accompanying notes to the financial statements.

**James A. Rhodes State College Foundation**  
**Statements of Activities**  
**For the Years Ended June 30, 2012 and 2011**

	<b>For the Year Ended June 30, 2012</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions	\$ 500	\$ 65,932	\$ 114,264	\$ 180,696
Interest and dividends	2,430	38,278	0	40,708
Realized gain on investments	3,034	72,351	0	75,385
Unrealized gain on investments	(5,462)	(82,761)	0	(88,223)
Total Revenues	502	93,800	114,264	208,566
Loss on pledges and loans receivable	0	(1,884)	103	(1,781)
Assets released from restrictions and transfers	105,889	(105,889)	0	0
Bad debt recovery	0	8,695	0	8,695
Total Revenues, Gains and Other Support	106,391	(5,278)	114,367	215,480
<b>EXPENSES</b>				
Management and general	3,168	0	0	3,167
Fundraising	5,630	0	0	5,630
Academic programs	16,068	0	0	16,069
Scholarships/Grants	84,191	0	0	84,191
Total Expenses	109,057	0	0	109,057
Increase in net assets	(2,666)	(5,278)	114,367	106,423
<b>NET ASSETS</b>				
Net Assets - July 1, 2011	366,966	506,964	1,148,181	2,022,111
Net Assets - June 30, 2012	\$ 364,300	\$ 501,686	\$ 1,262,548	\$ 2,128,534

	<b>For the Year Ended June 30, 2011</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions	\$ 746	\$ 24,200	\$ 36,913	\$ 61,859
Interest and dividends	3,962	28,770	0	32,732
Realized gain on investments	4,058	46,779	0	50,837
Unrealized gain on investments	20,410	237,098	0	257,508
Total Revenues	29,176	336,847	36,913	402,936
Loss on pledges and loans receivable	0	(46,290)	0	(46,290)
Assets released from restrictions and transfers	60,517	(60,517)	0	0
Total Revenues, Gains and Other Support	89,693	230,040	36,913	356,646
<b>EXPENSES</b>				
Management and general	8,365	0	0	8,365
Fundraising	5,305	0	0	5,305
Academic programs	7,960	0	0	7,960
Scholarships/Grants	49,253	0	0	49,253
Total Expenses	70,883	0	0	70,883
Increase in net assets	18,810	230,040	36,913	285,763
<b>NET ASSETS</b>				
Net Assets - July 1, 2010	348,156	276,924	1,111,268	1,736,348
Net Assets - June 30, 2011	\$ 366,966	\$ 506,964	\$ 1,148,181	\$ 2,022,111

See accompanying notes to the financial statements.

**James A. Rhodes State College**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2012 and 2011**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2012</b>	<b>2011</b>
Tuition and fees	\$ 10,901,112	\$ 8,853,178
Grants and contracts	3,866,512	1,144,390
Payments to suppliers	(5,936,557)	(4,606,623)
Payments for utilities	(682,765)	(1,035,643)
Payments to employees	(14,401,884)	(15,067,357)
Payments for benefits	(3,993,052)	(3,961,206)
Payments for student aid	(5,316,573)	(5,891,413)
Sales and services	499,929	419,406
Other receipts	307,253	259,563
Net cash used for operating activities	<u>(14,756,025)</u>	<u>(19,885,705)</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	9,663,494	9,214,913
Federal student grants	9,230,550	10,808,194
Federal Stimulus SSI	0	1,576,188
Gifts and grants for other than capital purposes	(136)	21,319
Student loan receipts	13,800,028	15,901,960
Student loan disbursements	(13,800,028)	(15,901,960)
Net cash provided by noncapital activities	<u>18,893,908</u>	<u>21,620,614</u>
 <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Capital grants	0	1,847,570
Principal paid on bonds payable	(65,000)	(60,000)
Interest paid on bonds payable	(155,467)	(158,106)
Purchases of capital assets	(1,887,563)	(2,330,985)
Net cash used for financing activities	<u>(2,108,030)</u>	<u>(701,521)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	1,807	4,430
Net cash provided by investing activities	<u>1,807</u>	<u>4,430</u>
 <b>NET INCREASE IN CASH</b>	<u>2,031,660</u>	<u>1,037,818</u>
 <b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<u>10,653,211</u>	<u>9,615,393</u>
 <b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u>\$ 12,684,871</u>	<u>\$ 10,653,211</u>
 <b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (17,880,156)	\$ (19,277,024)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense	1,605,085	1,534,179
Changes in assets and liabilities:		
(Increase)/Decrease in accounts receivable, net	2,671,472	(2,687,691)
Increase/(Decrease) in accounts payable, net	(580,573)	759,161
Decrease in accrued liabilities	(102,493)	(57,766)
Decrease in deferred revenue	(472,846)	(125,177)
Increase/(Decrease) in compensated absences	3,486	(31,387)
Net cash used for operating activities	<u>\$ (14,756,025)</u>	<u>\$ (19,885,705)</u>

See accompanying notes to the financial statements.

**James A. Rhodes State College**  
**Notes to the Financial Statements**  
**June 30, 2012 and 2011**

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

**A. Reporting Entity**

James A. Rhodes State College (the “College”) is a public, state-assisted institution of higher education. 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 is not a component unit of the State of Ohio, and therefore, is not included in its Comprehensive Annual Financial Report (CAFR).

The College provides degree granting career education programs, non-credit workforce development, and consulting for business and industry. The College prepares students for entry into careers, develops the regional workforce through credit and non-credit occupational training, and offers curricular programs that prepare students for transfer completion baccalaureate programs at selected colleges and universities.

The College operates under the control of a seven member board of trustees. The board of trustees are responsible for oversight of academic programs, budgets, general administration and employment of faculty and staff.

The College is exempt from income taxes as a political subdivision under federal income tax laws and regulations of the Internal Revenue Service.

Component units are legally separate organizations for which the College is financially accountable for or for which the nature and significance of their relationship with the College are such that exclusion would cause the College’s financials to be misleading or incomplete.

The College’s financial statements include the financial data of its component unit, the James A. Rhodes State College Foundation (the “Foundation”). The Foundation is a legally separate, not-for-profit organization incorporated and operated exclusively for the benefit of the College. It is presented as a discrete component unit in the accompanying financial statements in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an Amendment of GASB Statement No. 14*. The Foundation reports under FASB standards and 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. During the fiscal year ended June 30, 2012 the Foundation distributed \$84,191 for scholarships and \$16,069 for College instructional programs. During the fiscal year ended June 30, 2011, the Foundation distributed \$49,253 for scholarships and \$7,960 for College instructional programs. Complete financial statements for the Foundation may be obtained from the Office of Institutional Advancement at 4240 Campus Drive, Lima, OH 45804.

**B. Basis of Presentation**

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) as prescribed by the GASB. The College follows the “business-type activities” reporting requirements of GASB Statement No. 35 (as amended). The financial statement presentation required by GASB Statement No. 35 is intended to provide a comprehensive,

**James A. Rhodes State College**  
**Notes to the Financial Statements**  
**June 30, 2012 and 2011**

entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

The College follows all GASB pronouncements as well as Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, and has elected not to apply the FASB Statements and Interpretations issued after November 30, 1989, to its combined financial statements.

**C. Basis of Accounting**

The accompanying financial statements have been prepared by the College as a special-purpose government entity engaged in business type activities. For purposes of financial reporting, GASB Statement 35 defines business type activities as those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, these financial statements have been presented using the economic resources measurement focus and on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange transactions are recognized when the exchange takes place. Interfund receivables and payables have been eliminated in the Statement of Net Assets.

**D. Cash and Cash Equivalents**

Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents represent cash held in safe, cash on deposit in banks, and cash invested in STAR Ohio. STAR Ohio is an investment pool created pursuant to Ohio statues and managed by the Treasurer of the State of Ohio. The investment objectives of STAR Ohio are the preservation of capital, the maintenance of liquidity, and providing current income. STAR Ohio is similar in concept to a registered investment company investing in redeemable securities, commonly called a "money market mutual fund." 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 Company Act of 1940. As of June 30, 2012, STAR Ohio held federal agency debentures and discount notes, commercial paper, bank deposits, and money market funds. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on the balance sheet date.

**E. Investments**

The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets. The College had no assets characterized as investments as of June 30, 2012 and 2011.

The Foundation carries its investments at fair value. Since all its investments are in its endowment fund, investment income gains and losses are classified as temporarily restricted until they are appropriated for expenditure in accordance with Ohio's UPMIFA.

**F. Accounts Receivable**

Accounts receivable consists of tuition and fee charges to students and grant-related governmental and other sources. Accounts receivable are recorded net of estimated uncollectible amounts.

**James A. Rhodes State College**  
**Notes to the Financial Statements**  
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**G. Appropriations Receivable**

Appropriations receivable include amounts due from the State of Ohio for completed capital projects at the College.

**H. 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.

Classification	Years
Buildings and Improvements	10 – 50
Land Improvements	10 – 20
Infrastructure	10 – 25
Moveable Equipment	5 – 20
Library Books	10

**I. Deferred Revenue**

Deferred revenue is principally comprised of receipts relating to tuition and fees received in advance of the sessions that are primarily or fully conducted in the next accounting period. The College recognizes this revenue in the fiscal year that the sessions are predominately conducted.

**J. Compensated Absences**

GASB Statement No. 16, *Accounting for Compensated Absences*, specifies that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Regular full-time College employees are entitled to accrue sick leave benefits and vacation leave. Employees are eligible to accrue up to 15 days per year of sick leave, prorated accordingly in the case of part-time employees. Accumulation of sick leave benefits is unlimited. Upon retiring from active employment after ten or more years with a State of Ohio agency, an employee may elect to be paid in cash for one-fourth of the accrued balance but not to exceed 240 hours (30 days). The College calculates the compensated absences liability based on one-fourth of the unused sick leave balances up to a maximum accrual of 240 hours (30 days).

Regular full-time College employees are entitled to accrue vacation leave at varying rates depending on level of responsibility in the position and years of service, prorated accordingly in the case of part-time employees. Employees may accumulate vacation leave up to a maximum of 240 hours (30 days). Any

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vacation leave in excess of 240 hours (30 days) as of July 1 of each year is eliminated from the vacation leave balance. In the case of termination from the College, unused vacation leave up to 240 hours (30 days) will be paid to the employee, or to the next of kin or estate in the case of death. The College calculates the compensated absences liability based on the unused vacation balances up to a maximum accrual of 240 hours (30 days).

**K. Net Asset Classification**

In accordance with GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, the College’s resources are classified as follows:

*Invested in Capital Assets, Net of Related Debt* – comprised of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvements of those assets.

*Restricted* – represents funds that the College is legally or contractually obligated to spend in accordance with externally imposed restrictions, such as student loans or sponsored projects.

*Unrestricted* – represents funds that are not subject to restrictions. Unrestricted net assets may be designated for specific purposes by the board of trustees.

The College first applies restricted resources when an expense is incurred for purposes which both restricted and unrestricted net assets are available.

**L. Operating Revenues and Expenses**

The College presents its revenues and expenses as operating or non-operating based on recognition definitions per GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trusts Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include all charges to customers, grants received for student financial assistance, and interest earned on loans. Pell grants received for student financial assistance are considered non-operating revenues because they are a source of funding for our students. Other grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the college. Revenues from non-exchange transactions and state appropriations that represent subsidies or gifts to the College, as well as investment income, are considered non-operating since these are investing, capital, or noncapital financial activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor non-operating activities and are presented after non-operating activities on the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The College had no revenues for capital financing activities for the fiscal year ended June 30, 2012.

**M. Scholarship Allowances**

Student tuition and fees revenue is reported net of scholarship allowances in the accompanying State of Revenues, Expenses, and Changes in Net Assets.

The scholarship allowance represents the difference between actual charges for goods and services provided by the College and the amount that is paid by the student or by third parties on the students’

**James A. Rhodes State College**  
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behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as operating or non-operating revenues in the 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 discount and allowance.

**N. Budgetary Process**

Annually, the Business Office develops a balanced budget for the College based on projected expenditures from department directors and anticipated revenue, including tuition and fees and the subsidy from the Ohio Board of Regents. The Board of Trustees approves the budget.

**O. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosure in the notes to the financial statements. Actual results could differ from those estimates.

**P. James A. Rhodes State College Foundation – Summary of Significant Accounting Policies**

**Cash and Cash Equivalents**

For the purpose of the statement of cash flows, the Foundation considers cash in bank, time deposits, and highly liquid investments with maturities of three months or less when purchased to be cash or cash equivalents.

The Foundation maintains cash balances at one institution. Cash maintained in non-interest bearing accounts at a bank are fully insured by the Federal Deposit Insurance Corporation (FDIC) through December 31, 2012. Cash maintained in interest-bearing accounts at a bank are insured up to \$250,000. At June 30, 2012 and 2011, \$267,971 and \$250,000, respectively, of the cash balances maintained by the Foundation were fully insured by the FDIC.

**Use of Estimates**

Management of the Foundation has made estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities, and revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

**NOTE 2 – Deposits and Investments**

Ohio law provides that deposits may be placed in eligible banks or trust companies designated by the College. Such banks and trust companies shall furnish security for every such deposit as is required by Ohio Revised Code (“ORC”) section 135.18. Each public depository in which the College places deposits must pledge eligible securities of aggregate market value equal to the excess amount of deposits not insured by the Federal Depository Insurance Corporation (“FDIC”).

The College’s investment policy is governed by State statutes and authorizes the College to invest in securities of the U.S. government or one of its agencies or instrumentalities; the Treasurer of State’s pooled investment program (STAR Ohio); obligations of this State or any of its political subdivisions;

**James A. Rhodes State College**  
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certificates of deposit of any national bank located in Ohio; written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system or federal home loan bank; money market funds; bankers acceptances which are eligible for repurchase by the federal reserve system; other equity mutual fund investments; and various fixed income investments.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 40, *Deposit and Investment Risk Disclosures* and as amended by GASB Statement No. 59, *Financial Instruments Omnibus*.

The following table represents the total of the College's deposits as of June 30.

<b>Cash and Cash Equivalents</b>		
Balance on June 30		
<u>Account</u>	<u>2012</u>	<u>2011</u>
General Checking	\$ 1,534,308	\$ 2,034,635
Payroll Checking	7,031,278	4,499,108
Cash on Hand	4,142	6,132
	<u>\$ 8,569,728</u>	<u>\$ 6,539,875</u>

**Cash on Hand**

At June 30, 2012 and 2011, the College had \$4,142 and \$6,132, respectively, cash on hand, held in safe, which is reported as part of cash and cash equivalents on the Statement of Net Assets.

**Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the FDIC or by any other agency or instrumentality of the federal government. The College's policy for deposits requires any balance not covered by depository insurance to be collateralized by the financial institution with eligible pledged securities

The following summarizes the value of investments at June 30:

	<u>2012</u>	<u>2011</u>
STAR Ohio	\$ 4,115,143	\$ 4,113,336
Total Investments	<u>\$ 4,115,143</u>	<u>\$ 4,113,336</u>

**James A. Rhodes State College**  
**Notes to the Financial Statements**  
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The following table represents the custodial risks of the College's deposits and the deposits of the component unit as of June 30.

	<u>2012</u>		<u>2011</u>	
	<u>College</u>	<u>Component Unit</u>	<u>College</u>	<u>Component Unit</u>
Amounts insured by FDIC	\$ 500,000	\$ 267,971	\$ 500,000	\$ 250,000
Amounts collateralized by the pledged securities held by the financial institutions' trust department or agent in the name of the entity	8,584,496	49,541	5,267,904	114,346
Total Bank Balance	<u>\$ 9,084,496</u>	<u>\$ 317,512</u>	<u>\$ 5,767,904</u>	<u>\$ 364,346</u>

**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. For fiscal years 2012 and 2011, the College had 100% of its investments in STAR Ohio.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Ohio Revised Code limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations at the time of purchase. STAR Ohio is an investment pool managed by the Treasurer of the State of Ohio. STAR Ohio has obtained an AAAM rating, which is Standard & Poor's highest investment rating for a Local Government Investment Pool.

**James A. Rhodes State College Foundation**

Investments at June 30, 2012, by major security type, were as follows:

<u>Description</u>	<u>Cost</u>	<u>Fair Value</u>
Common Stock	\$ 355,599	\$ 514,547
Equity Funds	257,179	325,543
Bond Funds	801,215	849,049
Total Investments	<u>\$ 1,413,993</u>	<u>\$ 1,689,139</u>

**James A. Rhodes State College**  
**Notes to the Financial Statements**  
**June 30, 2012 and 2011**

Investments at June 30, 2011, by major security type, were as follows:

<u>Description</u>	<u>Cost</u>	<u>Fair Value</u>
Common Stock	\$ 570,560	\$ 743,303
Equity Funds	308,452	448,507
Bond Funds	352,265	402,891
Total Investments	<u>\$ 1,231,277</u>	<u>\$ 1,594,701</u>

**Risk and Uncertainties**

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statement of financial position of the Foundation.

**NOTE 3 – Accounts Receivable**

The following is a summary of the accounts receivable as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Tuition and fees	\$ 4,904,891	\$ 5,828,150
Less allowance for uncollectible accounts	<u>(1,773,208)</u>	<u>(1,601,658)</u>
Net tuition and fees	3,131,683	4,226,492
Governmental	1,011,649	2,501,983
Other	158,710	240,099
Accounts Receivable, net	<u>\$ 4,302,042</u>	<u>\$ 6,968,574</u>

All receivables are expected to be collected in full within one year except certain tuition and fees receivables. As such, the discounting for time value is immaterial. An allowance for uncollectible accounts has been established based upon prior collection experience.

**James A. Rhodes State College**  
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**NOTE 4 – Capital Assets**

Capital asset activity for the years ended June 30, 2012 and 2011 was as follows:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Sales and Other Dispositions</u>	<u>June 30, 2012</u>
<b>Non-depreciable capital assets:</b>				
Construction in progress	\$ 193,090	\$ 914,514	\$ 0	\$ 1,107,604
Total non-depreciable assets	<u>193,090</u>	<u>914,514</u>	<u>0</u>	<u>1,107,604</u>
<b>Depreciable capital assets:</b>				
Land Improvements	1,176,246	12,000	0	1,188,246
Infrastructure	141,383	0	0	141,383
Buildings & Improvements	33,598,770	0	0	33,598,770
Moveable Equipment	8,770,500	911,430	32,203	9,649,727
Library Books	1,131,923	49,619	0	1,181,542
Total depreciable assets	<u>44,818,822</u>	<u>973,049</u>	<u>32,203</u>	<u>45,759,668</u>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	328,146	78,129	0	406,275
Infrastructure	88,534	5,869	0	94,403
Buildings & Improvements	9,502,293	929,214	0	10,431,507
Moveable Equipment	3,502,316	546,933	32,203	4,017,046
Library Books	911,738	44,938	0	956,676
Total accumulated depreciation	<u>14,333,027</u>	<u>1,605,083</u>	<u>32,203</u>	<u>15,905,907</u>
Total depreciable assets, net	<u>30,485,795</u>	<u>(632,034)</u>	<u>0</u>	<u>29,853,761</u>
Total capital assets, net	<u>\$ 30,678,885</u>	<u>\$ 282,480</u>	<u>\$ 0</u>	<u>\$ 30,961,365</u>

**James A. Rhodes State College**  
**Notes to the Financial Statements**  
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	<u>July 1, 2010</u>	<u>Additions</u>	<u>Sales and Other Dispositions</u>	<u>June 30, 2011</u>
<b>Non-depreciable capital assets:</b>				
Construction in progress	\$ 0	\$ 193,090	\$ 0	\$ 193,090
Total non-depreciable assets	<u>0</u>	<u>193,090</u>	<u>0</u>	<u>193,090</u>
<b>Depreciable capital assets:</b>				
Land Improvements	1,176,246	0	0	1,176,246
Infrastructure	141,383	0	0	141,383
Buildings & Improvements	33,598,770	0	0	33,598,770
Moveable Equipment	7,059,706	2,099,993	389,199	8,770,500
Library Books	1,094,021	37,902	0	1,131,923
Total depreciable assets	<u>43,070,126</u>	<u>2,137,895</u>	<u>389,199</u>	<u>44,818,822</u>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	246,810	81,336	0	328,146
Infrastructure	82,664	5,870	0	88,534
Buildings & Improvements	8,556,305	945,988	0	9,502,293
Moveable Equipment	3,435,677	455,838	389,199	3,502,316
Library Books	866,591	45,147	0	911,738
Total accumulated depreciation	<u>13,188,047</u>	<u>1,534,179</u>	<u>389,199</u>	<u>14,333,027</u>
Total depreciable assets, net	<u>29,882,079</u>	<u>603,716</u>	<u>0</u>	<u>30,485,795</u>
Total capital assets, net	<u>\$ 29,882,079</u>	<u>\$ 796,806</u>	<u>\$ 0</u>	<u>\$ 30,678,885</u>

During fiscal year 2012, the College incurred \$914,515 in construction in progress expenditures related to the construction of a \$3.2Million, 16,000 square foot addition on the Countryman Engineering Technology Building.

**James A. Rhodes State College**  
**Notes to the Financial Statements**  
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**State Appropriations not reflected in Capital Assets**

Rhodes State College receives funding for capital projects and renovations through state appropriations. These amounts are not reflected on our balance sheet. Release of these funds for spending requires the approval of the Board of Regents and the State Controlling Board. As of June 30, 2012, the College had \$3,939,706 available in state appropriations.

**NOTE 5 – Accrued Liabilities**

Accrued liabilities consist of the following as of June 30:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Accrued wages	\$ 831,713	\$ 856,628	\$ 780,252
Accrued benefits payable	279,806	357,384	491,526
Total	<u>\$ 1,111,519</u>	<u>\$ 1,214,012</u>	<u>\$ 1,271,778</u>

**NOTE 6 – Long-Term Obligations**

Changes in long-term obligations of the College during fiscal years 2012 and 2011 were as follows:

	<u>Principal Outstanding June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2012</u>	<u>Amount Due in 1 Year – Current Portion</u>
<b>Special Obligation Bonds:</b>					
Series 2003 Variable Rate Bonds 4.200% to 5.875%	\$ 2,750,000	\$ 0	\$ (65,000)	\$ 2,685,000	\$ 65,000
Discount on Bonds	(9,615)	0	430	(9,185)	0
Total Special Obligation Bonds	<u>2,740,385</u>	<u>0</u>	<u>(64,570)</u>	<u>2,675,815</u>	<u>65,000</u>
<b>Other Long-Term Obligations:</b>					
Compensated Absences	892,143	68,188	(64,702)	895,629	66,696
Total Long-Term Obligations	<u>\$ 3,632,528</u>	<u>\$ 68,188</u>	<u>\$ (129,272)</u>	<u>\$ 3,571,444</u>	<u>\$ 131,696</u>

**James A. Rhodes State College**  
**Notes to the Financial Statements**  
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	<u>Principal Outstanding June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2011</u>	<u>Amount Due in 1 Year – Current Portion</u>
<b>Special Obligation Bonds:</b>					
Series 2003 Variable Rate Bonds 4.200% to 5.875%	\$ 2,810,000	\$ 0	\$ (60,000)	\$ 2,750,000	\$ 65,000
Discount on Bonds	(10,044)	0	429	(9,615)	0
Total Special Obligation Bonds	<u>2,799,956</u>	<u>0</u>	<u>(59,571)</u>	<u>2,740,385</u>	<u>65,000</u>
<b>Other Long-Term Obligations:</b>					
Compensated Absences	<u>923,530</u>	<u>41,427</u>	<u>(72,814)</u>	<u>892,143</u>	<u>41,211</u>
Total Other Long-Term Obligations	<u>923,530</u>	<u>41,427</u>	<u>(72,814)</u>	<u>892,143</u>	<u>41,211</u>
Total Long-Term Obligations	<u>\$ 3,723,486</u>	<u>\$ 41,427</u>	<u>\$ (132,385)</u>	<u>\$ 3,632,528</u>	<u>\$106,211</u>

In October 2003, the College issued \$3,100,000 of General Receipts Bonds, Series 2003, to pay a portion of the construction costs for the original 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%.

Principal and interest requirements to retire the special obligation bonds follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 65,000	\$ 152,961	\$ 217,961
2014	70,000	150,126	220,126
2015	70,000	146,644	216,644
2016	75,000	142,475	217,475
2017	80,000	138,019	218,019
2018-2022	475,000	613,188	1,088,188
2023-2027	620,000	456,497	1,076,497
2028-2032	1,020,000	246,016	1,266,016
2033	210,000	24,234	234,234
Total	<u>\$ 2,685,000</u>	<u>\$ 2,070,160</u>	<u>\$ 4,755,160</u>

**James A. Rhodes State College**  
**Notes to the Financial Statements**  
**June 30, 2012 and 2011**

**NOTE 7 – Lease Commitments**

The College has entered into leases for duplicating equipment on a monthly basis. Future minimum rental payments under these operating leases with remaining terms in excess of one year as of June 30, 2012 are as follows:

	<u>2012</u>
2013	\$ 89,660
2014	84,055
Total	<u>\$ 173,715</u>

Operating lease expenditures for the years ended June 30, 2012 and 2011 were \$89,660 and \$89,660, respectively.

**NOTE 8 - State Support**

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

The State of Ohio provides funding for the construction and renovation of major plant facilities on the College campus by issuing revenue bonds through the Ohio Public Facilities Commission. As the projects are complete, the Ohio Board of Regents transfers title to the College and the assets are capitalized. However, the debt remains an obligation of the State of Ohio, which funds the debt service through its appropriations to the Board of Regents.

The College facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of the State of Ohio. If sufficient monies are not available from this fund, the Ohio Board of Regents may assess a special fee uniformly applicable in state-assisted institutions of higher education throughout the state.

Outstanding debt issued by the Ohio Public Facilities Commission is not included on the College’s Statement of Net Assets. In addition, the appropriations by the Ohio General Assembly to the Ohio Board of Regents for payment of debt services are not shown as appropriation revenue received by the College and the related debt service payments are not recorded in the accounts of the College.

**NOTE 9 – Defined Benefit Pension Plans**

All employees of the College are eligible to participate in one of two cost-sharing, multiple employer defined benefit pension plans. Academic personnel participate in the State Teachers Retirement System of Ohio (“STRS Ohio”) and non-academic personnel participate in the Ohio Public Employees Retirement System (“OPERS”). As further discussed in this note, there is also an alternative plan available.

**James A. Rhodes State College**  
**Notes to the Financial Statements**  
**June 30, 2012 and 2011**

***A. State Teachers Retirement System***

The College participates in the State Teachers Retirement System of Ohio, a cost-sharing, multiple employer public employee retirement plan. 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 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 DB 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 Ohio 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 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years, and so on) until 100 percent 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 percent instead of 2.2 percent. 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 Ohio Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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

**James A. Rhodes State College**  
**Notes to the Financial Statements**  
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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 percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio of another Ohio public retirement 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 percent of the original base amount for DB Plan participants.

The DB 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 DB 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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Ohio 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 percent for members and 14 percent for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2012, were 10 percent of covered payroll for members and 14 percent for employers.

**James A. Rhodes State College**  
**Notes to the Financial Statements**  
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Pension Obligations for STRS Ohio  
fiscal year ending June 30

	2012	2011	2010
Obligation	\$ 1,135,795	\$ 1,201,511	\$ 1,181,213
Funding %	91%	100%	100%
Contributions	\$ 80,844	\$ 124,528	\$ 122,078

Contributions to the DC and Combined plans for fiscal year 2012 were \$47,159 made by the College and \$33,685 made by plan members. Contributions to the DC and Combined plans for fiscal year 2011 were \$72,641 made by the College and \$51,887 made by the plan members, and \$71,212 made by the College and \$50,866 made by the plan members in 2010.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2011 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

**B. Ohio Public Employees Retirement System**

Plan Description – The College participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investmenst/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the fiscal years ended June 30, 2012 and 2011, the contribution rate for members in the state and local classification remained 10 percent.

The College's contribution rate for members in state and local classifications for the fiscal years ended June 30, 2012 and 2011 was 14.0 percent. State statute sets a maximum contribution rate for the College of 14.0 percent.

**James A. Rhodes State College  
Notes to the Financial Statements  
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Pension Contributions for OPERS  
fiscal year ending June 30

	2012	2011	2010
Required Contributions	\$ 585,419	\$ 629,892	\$ 623,284
Funding %	100%	100%	100%

The College’s required contributions for pension obligations for the fiscal years ended June 30, 2012, 2011, and 2010 were \$585,419, \$629,892, and \$623,284 respectively; 100 percent has been contributed for fiscal year 2012 and 100 percent has been contributed for fiscal years 2011 and 2010. Contributions to the Member-Directed and Combined plans for fiscal year 2012 were \$47,416 made by the College and \$33,869 made by the plan members. Contributions to the Member-Directed and Combined plans for fiscal year 2011 were \$50,381 made by the College and \$35,986 made by the plan members.

***C. Alternative Retirement Plan***

**Plan Description** – An Alternative Retirement Plan (“ARP”) was established by the College’s board of trustees on February 5, 1999. The ARP is a defined contribution pension plan available to full-time administrative and professional staff in lieu of OPERS and STRS. For the employees who elected participation in ARP, prior employee contributions to STRS and OPERS were transferred from those plans and invested in individual accounts established with selected external investments managers. The ARP is self-directed and is not maintained by the College. The ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits, or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant’s choice of investment options.

**Funding Policy** – The Ohio Revised Code provides statutory authority for member and employer contributions. For the fiscal years ended June 30, 2012 and 2011, contributions equal to those required by STRS Ohio and OPERS are required to be made to the ARP; however, a portion (which may be revised pursuant to periodic actuarial studies) of the employer contribution must be contributed to STRS Ohio or OPERS to enhance the stability of those plans. The College’s required contributions for pension obligations to the plan for the fiscal years ended June 30, 2012 and 2011 were \$205,105 and \$88,060, respectively; 100 percent has been contributed for fiscal year 2012 and 100 percent has been contributed for fiscal year 2011.

**NOTE 10 – Postemployment Benefits**

***A. State Teachers Retirement System***

**Plan Description**

STRS Ohio administers a pension plan that is comprised of a Defined Benefit (DB) Plan; a self-directed Defined Contribution (DC) Plan, and a Combined Plan that is a hybrid of the DB Plan and the DC Plan.

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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 DB or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 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 Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

**Funding Policy**

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14.0 percent employer contribution rate, 1.0 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2012, 2011, and 2010. The 14.0 percent employer contribution rate is the maximum rate established under Ohio law.

Postemployment Obligations for STRS Ohio  
fiscal year ending June 30

	2012	2011	2010
Obligation	\$ 81,128	\$ 85,823	\$ 84,372
Funding %	91%	100%	100%

***B. Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code.

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OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of postretirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. The College’s contribution rate for members in state and local classifications for the fiscal years ended June 30, 2012 and 2011 remained 14.0 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active members do not contribute to the OPEB plan.

OPERS’ Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Postemployment Obligations for OPERS  
fiscal year ending June 30

	2012	2011	2010
Obligation	\$ 24,192	\$ 31,495	\$ 31,164
Funding %	100%	100%	100%

**James A. Rhodes State College**  
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**NOTE 11 – Risk Management -Property and Liability**

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of property; errors and omissions; injuries to third parties; automobile damage; and commercial crime. As a risk transfer technique, the College contracted with various insurance underwriters in fiscal years 2012 and 2011 for specific types of insurance. Insurance policies in place during fiscal year 2012 include the following:

<u>Type of Coverage</u>	<u>Coverage</u>	
Property	\$ 56,740,000	Replacement cost
Automobile	\$ 1,000,000	Per occurrence
Crime	\$ 1,000,000	Per occurrence
General Liability	\$ 1,000,000/\$2,000,000	Per occurrence/Aggregate
Medical/Professional Liability	\$ 1,000,000	Per occurrence
Day Care Liability	\$ 1,000,000/\$2,000,000	Per occurrence/Aggregate
Educators Legal Liability	\$ 1,000,000	Per occurrence
Law Enforcement	\$ 1,000,000	Per occurrence
Umbrella	\$ 10,000,000	Aggregate
Excess Liability	\$ 5,000,000	Per occurrence

**NOTE 12 - Cost Share Agreement**

According to the cost sharing agreement entered into as of July 1, 1971 between The Ohio State University-Lima Campus (the “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 and the University incur ongoing expenses that approximate each institution’s share of the total expense. At the end of each quarter, both institutions complete summaries of their actual incurred expenses and a payment made to the University or College based on estimated costs using formulas as prescribed in the cost sharing agreement. The total cost of shared operations, net of shared income, was \$4,030,733 and \$4,101,985 for the fiscal years ended June 30, 2012, and 2011, respectively. A majority of the expenses incurred were for plant operations. Based upon the various formulas, the College’s share was 65.9% and 65.8% of the total expenses, net of total shared income, for the fiscal years ending June 30, 2012 and 2011, respectively. At June 30, 2012, the University owed the College \$60,729 for the year ended June 30, 2012. The receivable for the College is included in accounts receivable, net on the statement of net assets.

At June 30, 2012 the University and the College were working to resolve a claim by the University involving costs related to the replacement of the Galvin Hall Roof and Boilers, completed in 2011, with a potential total liability to the College of not more than \$175,000. The College does not reflect this amount as a current liability.

**James A. Rhodes State College**  
**Notes to the Financial Statements**  
**June 30, 2012 and 2011**

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

The College’s operating expenses by natural classification for the years ended June 30, 2012 and 2011 were as follows:

	<b>2012</b>	<b>2011</b>
Salaries and wages	\$ 14,404,408	\$ 15,111,413
Employee benefits	3,914,764	3,825,707
Supplies	1,735,035	1,664,162
Travel	489,909	517,692
Information and communication	779,700	734,971
Maintenance	1,824,445	1,373,746
Utilities	682,765	1,035,643
Student scholarships and financial aid	5,316,573	5,891,412
Other	503,654	1,077,503
Depreciation	1,605,085	1,534,179
Total operating expenses	<u>\$ 31,256,338</u>	<u>\$ 32,766,428</u>

**NOTE 14 – 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 costs resulting from such audits could become a liability of the College. However, in the opinion of management, any such disallowed costs will not have a material adverse effect on the overall financial position of the College at June 30, 2012.

**James A. Rhodes State College**  
**Notes to the Financial Statements**  
**June 30, 2012 and 2011**

**NOTE 15 – James A. Rhodes State College Foundation**  
**Restrictions and Limitations on Net Asset Balances**

Temporarily restricted net assets are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Gifts and other donations available for:		
Schell Foundation Loan Fund	\$ 50,405	\$ 41,711
Instructional programs	158,560	107,124
Scholarships	<u>292,721</u>	<u>358,129</u>
Total gifts and other donations	<u>\$ 501,686</u>	<u>\$ 506,964</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors as follows:

Instructional Programs	\$ 16,068
Fundraising	5,630
Scholarships	<u>84,191</u>
Total	<u>\$ 105,889</u>

Permanently restricted funds consist of endowment funds. In certain cases, the donors of these funds have restricted the use of the income from such funds for scholarships. Expenses related to the purpose restrictions for which the donations were made are included in the appropriate program services category on the statement of activities and changes in net assets.

Permanently restricted net assets are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Scholarships	<u>\$ 1,262,548</u>	<u>\$ 1,148,181</u>
Total	<u>\$ 1,262,548</u>	<u>\$ 1,148,181</u>

**James A. Rhodes State College**  
**Notes to the Financial Statements**  
**June 30, 2012 and 2011**

**NOTE 16 – James A. Rhodes State College Foundation**  
**Fair Value Measurements**

The following table presents information about the Foundation's assets that are measured at fair value on a recurring basis at June 30, 2012, and the valuation techniques used by the Foundation to determine those fair values.

- Professional literature 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 (an exit price). This establishes a hierarchy for purposes of disclosure that prioritizes the inputs to valuation techniques used to measure fair value into three levels.
- Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets.
- Fair values categorized as Level 2 inputs use other inputs that are observable, either directly or indirectly. The equity and bond funds included in Level 2 at June 30, 2012 and 2011 are valued using market techniques which include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. The fair value may also be further adjusted for attributes of the interest held, including any restrictions or illiquidity on the disposition of the interest.
- Fair values categorized as Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. There were no Level 3 investments at June 30, 2012 and 2011.

The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

There were no transfers between the levels for the years ended June 30, 2012 and 2011.

**James A. Rhodes State College**  
**Notes to the Financial Statements**  
**June 30, 2012 and 2011**

**Fair Value Measurements at June 30, 2012**

<b>Description</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Total</b>
Common stock types:			
Basic materials	\$ 80,342	\$ 0	\$ 80,342
Communications	51,679	0	51,679
Consumer	126,504	0	126,504
Energy	60,198	0	60,198
Financial	67,443	0	67,443
Industrial	22,336	0	22,336
Technology	106,045	0	106,045
Total – Common stock types	514,547	0	514,547
Equity fund types:			
Real estate investment trust	0	52,344	52,344
Small cap funds	0	14,456	14,456
Index funds	0	258,743	258,743
Total – Equity fund types	0	325,543	325,543
Bond fund types:			
Other bond funds	0	849,049	849,049
Total – Bond fund types	0	849,049	849,049
Total – Investments	\$ 514,547	\$ 1,174,592	\$ 1,689,139

**James A. Rhodes State College**  
**Notes to the Financial Statements**  
**June 30, 2012 and 2011**

**Fair Value Measurements at June 30, 2011**

<b>Description</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Total</b>
Common stock types:			
Basic materials	\$ 74,825	\$ 0	\$ 74,825
Communications	43,059	0	43,059
Consumer	197,881	0	197,881
Energy	103,469	0	103,469
Financial	48,017	0	48,017
Industrial	133,154	0	133,154
Technology	142,898	0	142,898
Total – Common stock types	<u>743,303</u>	<u>0</u>	<u>743,303</u>
Equity fund types:			
Real estate investment trust	0	51,400	51,400
Commodity funds	0	28,338	28,338
Gold trust	0	36,500	36,500
Small cap funds	0	15,271	15,271
Index funds	0	316,998	316,998
Total – Equity fund types	<u>0</u>	<u>448,507</u>	<u>448,507</u>
Bond fund types:			
Corporate bonds	0	74,505	74,505
Other bond funds	0	328,386	328,386
Total – Bond fund types	<u>0</u>	<u>402,891</u>	<u>402,891</u>
 Total – Investments	 <u>\$ 743,303</u>	 <u>\$ 851,398</u>	 <u>\$ 1,594,701</u>

**James A. Rhodes State College**  
**Notes to the Financial Statements**  
**June 30, 2012 and 2011**

**NOTE 17 – James A. Rhodes State College Foundation**  
**Endowments**

The Foundation's endowment consists of donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board of Directors of the 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:

- a. General economic conditions
- b. The possible effect of inflation and deflation
- c. The tax consequences of investment decisions
- d. The role each investment or course of action plays within the overall investment portfolio of the fund
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the organization
- g. The need of the institution and of the fund to make distributions and to preserve capital
- h. An asset's special relationship or special value, if any, to the charitable purposes of the institution

**James A. Rhodes State College**  
**Notes to the Financial Statements**  
**June 30, 2012 and 2011**

**Endowment Net Asset Composition by Type of Fund as of June 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ (1,308)	\$ 307,274	\$ 1,300,819	\$1,606,785
Total Funds	<u>\$ (1,308)</u>	<u>\$ 307,274</u>	<u>\$ 1,300,819</u>	<u>\$1,606,785</u>

**Changes in Endowment Net Assets for the Fiscal Year End June 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets, beginning of year	\$ (401)	\$ 344,919	\$ 1,177,678	\$ 1,522,196
Contributions	500	1,000	123,141	124,641
Investment income	6,439	29,977	0	36,416
Investment expenses	(1,660)	(7,565)	0	(9,225)
Expenditures	(5,966)	(57,047)	0	(63,013)
Net appreciation (realized and unrealized)	(220)	(4,010)	0	(4,230)
Net Assets, end of year	<u>\$ (1,308)</u>	<u>\$ 307,274</u>	<u>\$ 1,300,819</u>	<u>\$ 1,606,785</u>

**Endowment Net Asset Composition by Type of Fund as of June 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ (401)	\$ 344,919	\$ 1,177,678	\$ 1,522,196
Total Funds	<u>\$ (401)</u>	<u>\$ 344,919</u>	<u>\$ 1,177,678</u>	<u>\$ 1,522,196</u>

**Changes in Endowment Net Assets for the Fiscal Year End June 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets, beginning of year	\$ (85,255)	\$ 171,584	\$ 1,102,390	\$ 1,188,719
Contributions	0	5,180	75,288	80,468
Investment income	108	27,670	0	27,778
Investment expenses	(32)	(8,460)	0	(8,492)
Net appreciation (realized and unrealized)	84,778	186,551	0	271,329
Expenditures	0	(37,606)	0	(37,606)
Net Assets, end of year	<u>\$ (401)</u>	<u>\$ 344,919</u>	<u>\$ 1,177,678</u>	<u>\$ 1,522,196</u>

**James A. Rhodes State College**  
**Notes to the Financial Statements**  
**June 30, 2012 and 2011**

**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 \$1,308 and \$401 at June 30, 2012 and 2011, respectively. These deficiencies resulted from unfavorable market fluctuations.

**Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Foundation must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, approved by the Board of Directors, the endowment assets are invested to manage the contributions in a manner that will maximize the benefit intended by the donor, produce current income to support the programs of the College and donor objectives, and 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. Actual returns in any given year may vary from this amount. 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 and How the Investment Objectives Relate to Spending Policy**

Ohio law states that the appropriation for expenditure in any year of an amount greater than seven percent of the fair market value of an endowment fund calculated on the basis of fair market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure was made creates a rebuttable presumption of imprudence. For an endowment fund in existence for fewer than three years, the fair market value of the endowment fund must be calculated for the period that the fund has been in existence.

The Foundation has elected to distribute annually five percent of a trailing three year average of the Foundation's total asset value. The Foundation believes that such a policy should allow for steady growth for the support of operations and minimize the probability of invading the principal over time. The Investment Committee reviews the spending policy periodically 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, 2012 and 2011**

**NOTE 18 – James A. Rhodes State College Foundation**  
**Charles E. Schell Foundation Grant/Loan Program**

The Charles E. Schell Foundation Grant/Loan Program Fund is an interest-free loan that is made available through the generosity of the Charles E. Schell Foundation as administered by the Fifth Third Bank. This loan is non-interest bearing and carries a moral obligation repayment clause. It is to be used for the educational benefits of citizens of Ohio, Kentucky, and West Virginia. To qualify, James A. Rhodes State College students need to meet specific requirements.

The minimum loan is \$500 and the maximum loan is \$2,500. Students are to repay these loans at no interest beginning six months after graduation. The Foundation collected \$13,214 and \$11,271 in student repayments in fiscal years 2012 and 2011, respectively. The Foundation does not pursue collections on these loans.

**NOTE 19 – James A. Rhodes State College Foundation**  
**Lima Community Foundation**

Three separate scholarship funds are held by The Lima Community Foundation: The John J. and Martha M. Hudson Scholarship Fund (formerly the John J. Hudson Fund), the James J. Countryman Scholarship Fund, and the Thomas R. and Gloria P. Leech Scholarship Fund (originally the Thomas R. Leech Memorial Scholarship Fund). All three funds were established to award scholarships to students attending James A. Rhodes State College.

The following table presents the fair value of these funds as of June 30:

	<u>2012</u>	<u>2011</u>
John J. and Martha M. Hudson Scholarship Fund	\$ 7,314	\$ 7,479
James J. Countryman Scholarship Fund	34,933	38,271
Thomas R. and Gloria P. Leech Scholarship Fund	13,952	14,686

Scholarship awards made from each of these funds for the fiscal years 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
James J. Countryman Scholarship Fund	\$ 1,000	\$ 500
Thomas R. and Gloria P. Leech Scholarship Fund	350	350

The Lima Community Foundation manages all three funds according to their investment policy. As such, there is no balance recorded on the financial statements of the Foundation. Scholarship money transferred annually from the Lima Community Foundation is treated as revenue and expense in the year awarded.

**James A. Rhodes State College**  
 Allen County, Ohio  
 Schedule of Federal Awards Expenditures  
 For the Year Ended June 30, 2012

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	\$136,875
Federal Family Education Loans	NA	84.032	13,613,675
Federal Supplemental Educational Opportunity Grants (FSEOG)	NA	84.007	125,829
Federal Pell Grant Program	NA	84.063	<u>9,219,818</u>
<i>Total Student Financial Aid Cluster</i>			<u>23,096,197</u>
<i>Passed through the Ohio Department of Education</i>			
Vocational Education: Basic Grants to States	CDP-P	84.048	<u>164,508</u>
<b>Total United States Department of Education</b>			<u>23,260,705</u>
<b>National Science Foundation</b>			
<i>Passed through Moraine Valley Community College</i>			
American Mathematical Association Two Year Colleges	N	47.076	<u>99,877</u>
<b>Total National Science Foundation</b>			<u>99,877</u>
<b>United States Department of Justice</b>			
<i>Direct from the Federal Government</i>			
Edward Byrne Memorial Competitive Grant Program	NA	16.751	<u>21,866</u>
<b>Total United States Department of Justice</b>			<u>21,866</u>
<b>United States Department of Labor</b>			
<i>Direct from the Federal Government</i>			
Community Based Job Training Grants	NA	17.269	<u>229,799</u>
<i>Passed through the Ohio Department of Job and Family Services</i>			
Job Training Partnership Act	CB-17295-08-60-A-39	17.246	<u>133,385</u>
<b>Total United States Department of Labor</b>			<u>363,184</u>
<b>United States Department of Health and Human Services</b>			
<i>Passed through Ohio Department of Job and Family Services</i>			
Child Care Development Fund	N	93.575	<u>5,000</u>
<b>Total United States Department of Health and Human Services</b>			<u>5,000</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	<u>27,189</u>
<b>Total United States Department of Agriculture</b>			<u>27,189</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	<u>91,312</u>
<b>Total United States Department of Commerce</b>			<u>91,312</u>
<b>Small Business Administration</b>			
<i>Passed through Ohio Department of Development</i>			
Small Business Development Center	N	59.037	<u>205,900</u>
<b>Total Small Business Administration</b>			<u>205,900</u>
<b>Total Federal Financial Assistance</b>			<u>\$24,075,033</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  
For the Fiscal Year Ended June 30, 2012

**NOTE 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of James A. Rhodes State College (the “College”) under programs of the federal government for the year ended June 30, 2012. 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*. Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

**NOTE 2 – Summary of Significant Accounting Policies**

**A. Basis of Presentation**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**B. Pass-through Entities**

Pass-through entity identifying numbers are presented where available.

**NOTE 3 – Student Financial Aid Cluster**

The Student Financial Aid Cluster includes federally guaranteed loans issued to students of the College under the Federal Direct Loan Program and awards to provide financial assistance to students, primarily under the Federal Pell Grant, Federal Academic Competiveness Grant, Federal College Work Study, and Federal Supplemental Education Opportunity Grants of the United State Department of Education. The College receives awards to make loans to eligible students under certain federal student loan programs. These loans are considered for purposes of determining the total federal expenditures. Several banks act as lenders for the College. The amount shown reflects the fiscal year amount that has been certified by the College.



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## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *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, Allen County, Ohio (the College), as of and for the years ended June 30, 2012 and 2011 which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 21, 2012. 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*.

### 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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the College's financial statements will not be prevented or detected and timely corrected.

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the College's financial statements are free of material misstatement, we tested 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the Government's management in a separate letter dated November 21, 2012.

We intend this report solely for the information and use of the management, the audit committee, members of the Board, federal awarding agencies, others within the College, and pass-through entities. We intend it for no one other than these specified parties.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.

November 21, 2012



# Balestra, Harr & Scherer, CPAs, Inc.

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## Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by 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 could directly and materially affect each of James A. Rhodes State College's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the College's major federal programs. 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 the Comptroller General of the United States' *Government Auditing Standards*; 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 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 other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on 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 could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### 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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected or corrected.

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 over compliance that might be deficiencies, 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.

We intend this report solely for the information and use of the management, the audit committee, members of the Board, federal awarding agencies, other within the College, and pass-through entities. It is not intended for anyone other than these specified parties.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
November 21, 2012

James A. Rhodes State College  
*Schedule of Findings*  
*OMB Circular A-133 Section .505*  
*For the Fiscal Year Ended June 30, 2012*

**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 Family Education Loans, CFDA # 84.032; Federal Work Study Program, CFDA# 84.033; Federal Pell Grant Program, CFDA# 84.063; Federal Supplemental Education Opportunity Grants, CFDA# 84.007
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

James A. Rhodes State College  
*Schedule of Findings*  
*OMB Circular A-133 Section .505*  
*For the Fiscal Year Ended June 30, 2012*

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**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	



# Dave Yost • 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 10, 2013**