ZANE STATE COLLEGE
MUSKINGUM COUNTY
Single Audit
For the Year Ended June 30, 2012

Perry & Associates
Certified Public Accountants, A.C

Dave Yost · Auditor of State

Board of Trustees
Zane State College
1555 Newark Road
Zanesville, Ohio 43701

We have reviewed the *Independent Accountant' Report* of the Zane State College, Muskingum County, prepared by Perry & Associates, Certified Public Accountants, A.C., 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 Zane State College is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

January 4, 2013

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Perry & Associates

Certified Public Accountants, A.C.

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INDEPENDENT ACCOUNTANTS' REPORT

December 18, 2012

Zane State College
1555 Newark Road
Zanesville, OH 43701

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities of **Zane State College**, Muskingum County, Ohio (the College), and its discretely presented component unit as of and for the year ended June 30, 2012, 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 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 respective financial position of the business-type activities and the discretely presented component unit of Zane State College, Muskingum County, Ohio, as of June 30, 2012, and the respective changes in financial position and 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 December 18, 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 Receipts and Expenditures provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and 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 statements. This schedule was subject to the auditing procedures 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.

Respectfully Submitted,

Perry & Associates CPA's A.C.

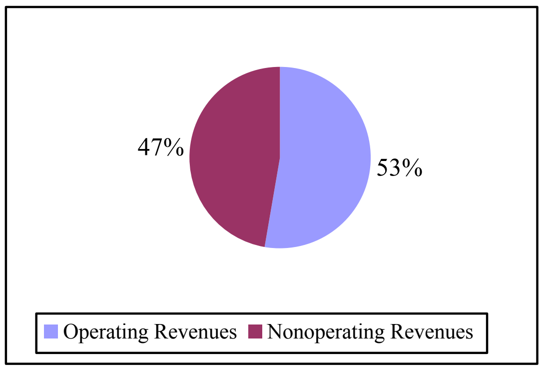
Perry and Associates
Certified Public Accountants, A.C.

The discussion and analysis of Zane State College's financial statements provides an overview of the College's financial activities for the year ended June 30, 2012. The financial statements and the related footnote disclosures along with the discussion and analysis have been prepared based on information that is the representation of management. Responsibility for the completeness and fairness of this information rests with management. The discussion and analysis contains financial activities of Zane State College.

Financial Highlights

Zane State College's financial position remained stable during the fiscal year ended June 30, 2012. Its combined net assets decreased $69,466 or .3% from the previous year.

The following chart provides a graphic breakdown of revenues by category for the fiscal year ended June 30, 2012:



Using This Annual Report

This report consists of three basic financial statements. The statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows provide information on the College as a whole and present a long-term view of the College's finances. The following activities are included in the College's basic financial statements:

- **Primary Institution (College):** Most of the programs and services generally associated with the College fall into this category, including instruction, research, public service, and support services.

- **Component Unit (Zane State College Foundation):** Most of the College's fund raising and restricted scholarship activity fall into this category.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets

One of the most important questions asked about the College's finances is, "Is Zane State College as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of revenues, expenses, and changes in net assets report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as the College's operating results.

These two statements report the College's net assets and changes in them. The College's net asset amount – the difference between assets and liabilities – is one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net assets are one indicator of whether its financial health is improving. However, several non-financial factors are relevant as well, such as the trend and quality of applicants, freshman class size, student retention, building condition, and campus safety, to assess the overall health of the College.

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

Net Assets Changes- Primary Institution

	6/30/2012	6/30/2011	Net Change
ASSETS			
Current Assets:			
Cash, cash equivalents and investments	$ 10,485,206	$ 9,800,627	$ 684,579
Accounts receivable - students, net	2,871,056	2,946,756	(75,700)
Accounts receivable - vendors	112,159	96,864	15,295
Grants receivable	445,891	532,904	(87,013)
Inventory	359,568	339,744	19,824
Total current assets	14,273,880	13,716,895	556,985
Noncurrent Assets:			
Capital assets, net of accumulated depreciation	15,146,468	15,769,518	(623,050)
Total noncurrent assets	15,146,468	15,769,518	(623,050)
TOTAL ASSETS	$ 29,420,348	$ 29,486,413	$ (66,065)
LIABILITIES			
Current Liabilities:			
Accrued wages and benefits	$ 935,585	$ 1,056,969	$ (121,384)
Vouchers payable	510,378	252,879	257,499
Compensated absences - current portion	63,121	64,761	(1,640)
Loans payable - current portion	16,254	15,098	1,156
Capital lease payable - current portion	320,099	392,154	(72,055)
Due to Component Unit	-	18,133	(18,133)
Deposits held in custody for others	216,143	155,467	60,676
Deferred revenue	1,326,899	1,325,641	1,258
Total current liabilities	3,388,479	3,281,102	107,377
Noncurrent Liabilities:			
Compensated absences	538,029	552,008	(13,979)
Loans payable	39,613	55,867	(16,254)
Capital lease payable	558,410	632,153	(73,743)
Total noncurrent liabilities	1,136,052	1,240,028	(103,976)
TOTAL LIABILITIES	4,524,531	4,521,130	3,401
NET ASSETS			
Invested in capital assets, net of related debt	14,212,092	14,674,246	(462,154)
Restricted:			
Expendable:			
Instructional Department uses	1,810,368	1,206,466	603,902
Capital projects	593,657	1,292,240	(698,583)
Unrestricted	8,279,700	7,792,331	487,369
Total net assets	24,895,817	24,965,283	(69,466)
TOTAL LIABILITIES AND NET ASSETS	$ 29,420,348	$ 29,486,413	$ (66,065)

Cash, cash equivalents and investments increased due to an increase in revenues over expenses. Grants receivable decreased due to timing differences of when grant receipts were received by the College. Vouchers payable increased due to vendor payments that were incurred but not paid until after fiscal year end. Capital lease payable decreased due to current year lease payments made by the College. Capital assets decreased due primarily to current year depreciation exceeding current year additions.

year depreciation exceeding current year additions.

Net Assets Changes - Component Unit- Zane State College Foundation

	6/30/2012	6/30/2011	Net Change
ASSETS			
Current Assets:			
Cash equivalents	$ 6,060	$ 1,663	$ 4,397
Investments	289,590	-	289,590
Due from Primary Government	-	18,133	(18,133)
Total current assets	295,650	19,796	275,854
Noncurrent Assets:			
Endowment Investments	4,540,474	3,013,968	1,526,506
Total noncurrent assets	4,540,474	3,013,968	1,526,506
TOTAL ASSETS	$ 4,836,124	$ 3,033,764	$ 1,802,360
NET ASSETS			
Restricted:			
Nonexpendable:			
Scholarships	$ 1,669,097	$ 1,751,500	$ (82,403)
Expendable:			
Scholarships	1,295,059	1,262,468	32,591
Capital Projects	1,353,171	-	1,353,171
Unrestricted	518,797	19,796	499,001
Total net assets	4,836,124	3,033,764	1,802,360
TOTAL LIABILITIES AND NET ASSETS	$ 4,836,124	$ 3,033,764	$ 1,802,360

The increase to Endowment Investments is due primarily to the Foundation receiving contributions for capital projects.

Operating Revenues and Expenses for FY2012 versus FY2011
Primary Institution

	6/30/2012	6/30/2011	Net Change
Operating Revenues			
Tuition and fees (net of scholarship allowance)	$ 10,665,921	$ 10,274,855	$ 391,066
State grants and contracts	73,817	141,098	(67,281)
Federal grants and contracts	1,764,666	1,979,546	(214,880)
Local grants	34,497	168,049	(133,552)
Private gifts, grants and contributions	193,000	13,684	179,316
Auxiliary services	3,489,117	3,729,612	(240,495)
Other	290,884	206,068	84,816
Total operating revenues	16,511,902	16,512,912	(1,010)
Operating Expenses (Includes depreciation expense)	31,226,341	30,736,724	489,617
Operating Loss	(14,714,439)	(14,223,812)	(490,627)
Nonoperating Revenues (Expenses)			
State Appropriations	6,038,314	6,686,514	(648,200)
Federal grants	8,608,707	9,116,901	(508,194)
Investment income	49,350	66,820	(17,470)
Other nonoperating expenses	(51,398)	(40,531)	(10,867)
Net nonoperating revenues (expenses)	14,644,973	15,829,704	(1,184,731)
Income Before Other Revenues, Expenses, Gains, or Losses	(69,466)	1,605,892	(1,675,358)
Capital Appropriations	-	3,660	(3,660)
Total Other Revenues	-	3,660	(3,660)
Increase (Decrease) in net assets	(69,466)	1,609,552	(1,679,018)
Net Assets, beginning of year	24,965,283	23,355,731	1,609,552
Net Assets, end of year	$ 24,895,817	$ 24,965,283	$ (69,466)

Tuition and fees increased due to a 5.6 increase in tuition and fees in Fall 2011. Federal grants decreased due mainly to decreased Pell grant and Federal Workstudy monies received during the fiscal year. State appropriations decreased as a result of the elimination of stimulus funding. Operating expenses increased due primarily to additional instructional services provided.

Changes in Revenues and Expenses for FY2012 versus FY2011
Component Unit- Zane State College Foundation

	6/30/2012	6/30/2011	Net Change
Operating Revenues			
In-kind Contribution (ZSC)*	$ 124,878	$ 155,398	$ (30,520)
Contributions	911,419	785,091	126,328
Total operating revenues	1,036,297	940,489	95,808
Operating Expenses	345,353	311,670	33,683
Operating Income	690,944	628,819	62,125
Nonoperating Revenues (Expenses)			
Investment income	4,082	373,498	(369,416)
Scholarships	(245,998)	(53,387)	(192,611)
Net nonoperating revenues (expenses)	(241,916)	320,111	(562,027)
Change in Net Assets before Capital Contributions	449,028	948,930	(499,902)
Capital Contributions	1,353,332	-	1,353,332
Change in Net Assets	1,802,360	948,930	853,430
Net Assets, beginning of year	3,033,764	2,084,834	948,930
Net Assets, end of year	$ 4,836,124	$ 3,033,764	$ 1,802,360

*See Note 10, page 27.

Decreases to investment income were due to decreases in market value and types of investments held at June 30, 2012. The decrease to in-kind contributions is due to a decrease in capital campaign consulting expense. The increase to scholarships nonoperating expenses is due to additional scholarships awarded during the 2012 fiscal year. Capital contributions increased due to the Foundation receiving donations for capital projects.

Operating Expenses for FY2012 versus FY2011
Primary Institution

	6/30/2012	6/30/2011	Net Change
Operating Expenses			
Educational and General			
Instructional	$ 9,962,402	$ 9,239,293	$ 723,109
Academic support	1,660,079	1,603,534	56,545
Student services	9,956,835	10,295,274	(338,439)
Institutional support	3,718,659	3,632,731	85,928
Depreciation	1,479,163	1,303,604	175,559
Operation and maintenance of plant	1,279,713	1,293,782	(14,069)
Total Educational and General	28,056,851	27,368,218	688,633
Auxiliary Enterprises			
Bookstore	2,963,349	3,180,832	(217,483)
Security and other auxiliary	206,141	187,674	18,467
Total Auxiliary Enterprises	3,169,490	3,368,506	(199,016)
Total Operating Expenses	$ 31,226,341	$ 30,736,724	$ 489,617

Instruction increased due to additional programs during the fiscal year. The bookstore experienced a reduction in revenue and expenses due primarily to student cost saving initiatives including the expansion of the book rental program.

Operating Expenses for FY2012 versus FY2011
Component Unit- Zane State College Foundation

	6/30/2012	6/30/2011	Net Change
Operating Expenses			
Educational and General			
General and administrative	$ 345,353	$ 311,670	$ 33,683
Total Educational and General	345,353	311,670	33,683
Total Operating Expenses	$ 345,353	$ 311,670	$ 33,683

The Statement of Cash Flows

Another way to assess the financial health of an institution is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess:

- an entity's ability to generate future net cash flows
- its ability to meet its obligations as they come due
- its need for external financing

Cash Flows
FY 2012 Versus FY 2011
Primary Institution

	6/30/2012	6/30/2011	Net Change
Cash provided (used) by:			
Operating activities	$ (13,049,120)	$ (12,947,132)	$ (101,988)
Noncapital financing activities	14,647,021	15,803,415	(1,156,394)
Capital and related financing activities	(962,672)	(2,058,437)	1,095,765
Investing activities	49,350	66,820	(17,470)
Net increase in cash	684,579	864,666	(180,087)
Cash, beginning of year	9,800,627	8,935,961	864,666
Cash, end of year	$ 10,485,206	$ 9,800,627	$ 684,579

Noncapital financing activities are comprised of state appropriations and certain federal grants which do not meet the definition of operating activities.

Capital and Debt Administration

Capital Assets

At June 30, 2012, the College had $15,146,468 invested in capital assets, net of accumulated depreciation of $13,988,104. Depreciation charges totaled $1,479,163 for the current fiscal year. Details of these assets for the two years are shown below:

Capital Assets, Net, at Year-End - Primary Institution

	6/30/2012	6/30/2011	Net Change
Land	$ 413,225	$ 293,225	$ 120,000
Construction in Progress	419,342	75,235	344,107
Buildings	11,242,682	11,923,757	(681,075)
General infrastructure	268,227	283,547	(15,320)
Machinery and equipment	1,759,774	2,024,866	(265,092)
Computers	911,329	1,027,626	(116,297)
Computer Software	103,651	102,798	853
Motor Vehicles	10,109	18,142	(8,033)
Library books	18,129	20,322	(2,193)
Total Capital Assets, Net	$ 15,146,468	$ 15,769,518	$ (623,050)

The decrease of $623,050 in capital assets was mainly attributable to current year depreciation exceeding current year additions of buildings, machinery and equipment, computers, computer software, and library books.

More detailed information regarding the College's capital assets is presented in Note 7 to the financial statements.

Debt

At June 30, 2012, the College had $934,376 in debt outstanding versus $1,095,272 in the previous year. The table below summarizes these amounts by type of debt instrument.

	6/30/2012	6/30/2011	Net Change
Lease Obligations	$ 878,509	$ 1,024,307	$ (145,798)
Loans Payable	55,867	70,965	(15,098)
	$ 934,376	$ 1,095,272	$ (160,896)

More detailed information about the College's long-term liabilities is presented in Note 8 to the financial statements.

Loans payable are comprised of purchase and installment agreements for the purchase of equipment. These agreements were entered into by the College directly with the companies from which it purchased the equipment.

Economic Factors that Will Affect the Future

The economic position of Zane State College is closely tied to the State. The recent economic downturn could adversely affect the amount of state funding the College expects to receive in the next biennium. The College transitioned from quarters to semesters as of fall term 2012. This typically leads to a temporary drop in enrollment, however the College's enrollment remains relatively steady. The Ohio Board of Regents is encouraging more post-secondary options and participation. The funding streams for these arrangements are still being determined. The College continues to put in place new programs of study and expects to see enrollment increases from the energy fields, especially in the natural gas technology program, as the Marcellus and Utica shale fields of eastern Ohio begin to be drilled.

Contacting the College's Financial Management

This financial report is designed to provide the Ohio Board of Regents, our citizens, taxpayers, investors and creditors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Albert Brown, Vice-President for Business Services-Treasurer, at Zane State College, 1555 Newark Road, Zanesville, Ohio 43701.

Zane State College
Statement of Net Assets
As of June 30, 2012

	Primary Institution Zane State College	Component Unit Zane State College Foundation
ASSETS		
Current Assets:		
Cash, cash equivalents and investments	$ 10,485,206	$ 6,060
Investments - Money Market	-	289,590
Accounts receivable - students, net	2,871,056	-
Accounts receivable - vendors	112,159	-
Grants receivable	445,891	-
Inventory	359,568	-
Total current assets	14,273,880	295,650
Noncurrent Assets:		
Capital assets, net	15,146,468	-
Endowment investments	-	4,540,474
Total noncurrent assets	15,146,468	4,540,474
TOTAL ASSETS	$ 29,420,348	$ 4,836,124
LIABILITIES		
Current Liabilities:		
Accrued wages and benefits	$ 935,585	$ -
Vouchers payable	510,378	-
Loans payable	16,254	-
Capital lease payable	320,099	-
Compensated Absences Payable	63,121	-
Deposits held in custody for others	216,143	-
Deferred revenue	1,326,899	-
Total current liabilities	3,388,479	-
Noncurrent Liabilities:		
Compensated absences	538,029	-
Loans payable	39,613	-
Capital lease payable	558,410	-
Total noncurrent liabilities	1,136,052	-
TOTAL LIABILITIES	4,524,531	-
NET ASSETS		
Invested in capital assets, net of related debt	14,212,092	-
Restricted:		
Nonexpendable:		
Scholarships	-	1,669,097
Expendable:		
Scholarships	-	1,295,059
Instructional Department uses	1,810,368	-
Capital projects	593,657	1,353,171
Unrestricted	8,279,700	518,797
Total net assets	24,895,817	4,836,124
TOTAL LIABILITIES AND NET ASSETS	$ 29,420,348	$ 4,836,124

See accompanying notes to the financial statements.

Zane State College

Statement of Revenues, Expenses, and Changes in Net Assets

For the Fiscal Year Ended June 30, 2012

	Primary Institution Zane State College	Component Unit Zane State College Foundation
REVENUE:		
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of $165,329)	$ 10,665,921	$ -
Local grants	34,497	-
In-kind contributions	-	124,878
Federal grants and contracts	1,764,666	-
State grants and contracts	73,817	-
Private gifts and grants	73,000	-
Contributions	120,000	911,419
Auxiliary Enterprises:		
Bookstore	3,322,238	-
Campus security	166,879	-
Other sources	290,884	-
Total Operating Revenues	16,511,902	1,036,297
EXPENSES:		
Operating Expenses:		
Educational and General:		
Instructional	9,962,402	-
Academic support	1,660,079	-
Student services	9,956,835	-
Institutional support	3,718,659	-
Depreciation	1,479,163	-
General & administrative	-	345,353
Operation and maintenance of plant	1,279,713	-
Total Educational and General	28,056,851	345,353
Auxiliary Enterprises:		
Bookstore	2,963,349	-
Campus security	195,754	-
Other auxiliary	10,387	-
Total Operating Expenses	31,226,341	345,353
Operating Income/(Loss)	(14,714,439)	690,944
NONOPERATING REVENUES (EXPENSES):		
Federal grants	8,608,707	-
State appropriations	6,038,314	-
Investment income	49,350	4,082
Interest on capital asset-related debt	(51,398)	-
Scholarships	-	(245,998)
Net nonoperating revenues (expenses)	14,644,973	(241,916)
Income before other revenues, expenses, gains or losses	(69,466)	449,028
Capital contributions	-	1,353,332
Total other revenues	-	1,353,332
Increase (Decrease) in Net Assets	(69,466)	1,802,360
Net Assets, Beginning of Year	24,965,283	3,033,764
Net Assets, End of Year	$ 24,895,817	$ 4,836,124

See accompanying notes to the financial statements.

Zane State College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

	Primary Institution Zane State College	Component Unit Zane State College Foundation
Cash Flows from Operating Activities:		
Tuition and Fees	$ 10,665,650	$ -
Grants and Contracts	2,151,735	-
Payments to Suppliers	(13,446,027)	-
Payments to Employees for Wages and Benefits	(16,200,479)	-
Book Store	3,322,238	-
Campus Security	166,879	-
Contributions	-	929,552
Other Receipts	290,884	-
Other Expenses	-	(220,475)
Net Cash Provided (Used) by Operating Activities	(13,049,120)	709,077
Cash Flows from Non-Capital and Related Financing Activities:		
State Appropriations	6,038,314	-
Federal Grants and Contracts	8,608,707	-
Scholarships	-	(245,998)
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	14,647,021	(245,998)
Cash Flows from Capital and Related Financing Activities:		
Purchases of Capital Assets	(465,304)	-
Capital Contributions	-	1,353,332
Principal Paid on Capital Leases and Loans	(445,970)	-
Interest Paid on Leases	(51,398)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(962,672)	1,353,332
Cash Flows from Investing Activities:		
Interest on Investments	49,350	4,082
Purchase of Investments	-	(1,526,506)
Net Cash Provided (Used) by Investing Activities	49,350	(1,522,424)
Net Increase in Cash and Cash Equivalents	684,579	293,987
Cash and Cash Equivalents at Beginning of Year	9,800,627	1,663
Cash and Cash Equivalents at End of Year	$ 10,485,206	$ 295,650
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Income (Loss)	$ (14,714,439)	$ 690,944
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	1,479,163	-
Change in Assets and Liabilities:		
Accounts Receivable, net	60,405	-
Grants Receivable	87,013	-
Inventories	(19,824)	-
Due from Primary Government	-	18,133
Vouchers Payable	257,499	-
Accrued Wages and Benefits	(121,384)	-
Compensated Absences	(15,619)	-
Deferred Revenue	(1,258)	-
Deposits Held in Custody for Others	(60,676)	-
Net Cash Used by Operating Activities	$ (13,049,120)	$ 709,077
Non-Cash Transactions:		
Acquisition of Capital Lease Assets	$ 285,074	$ -
In-kind Contributions	-	124,878
In-kind Disbursements	-	(124,878)
Donated Land	120,000	-
Total Non-Cash Transactions	$ 405,074	$ -

See accompanying notes to the financial statements.

NOTE 1 – DESCRIPTION OF THE COLLEGE AND REPORTING ENTITY

On September 19, 1969, the State of Ohio Board of Regents approved the charter of the Muskingum Area Technical Institute. In 1975, the College name was changed to the Muskingum Area Technical College. In 2004, the College name was changed to Zane State College (the College). The College is a technical institute as defined by Section 3357.01 of the Ohio Revised Code and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and the laws of the State of Ohio. The College exposes students to job training leading to employment upon graduation and prepares students for continuation of their education in obtaining a four year degree.

The College's official service area consists of three counties: Muskingum, Guernsey, and Noble. However, a significant number of students also attend from Morgan, Coshocton, Licking and Perry counties.

In 1971, working with the Ohio Board of Regents, the Muskingum Area Technical Institute and the Ohio University began a cooperative effort to provide the community with a coordinated state-assisted higher education complex of academic-technical programs and physical facilities. Planning for a new campus was accelerated after the Ohio General Assembly, on June 12, 1972, approved a $3 million appropriation for the construction of a new technical college facility. In March 1974 a master plan for the Muskingum Area Technical Institute and Ohio University-Zanesville campus was completed. This plan has guided campus development to the present time. An agreement for inter-institutional cooperation and coordination was signed on June 15, 1975, by Ohio University-Zanesville and Muskingum Area Technical Institute.

The College operates under a nine member appointed Board of Trustees, of which three are appointed by the Governor of the State of Ohio, and is responsible for the provision of public education to its student body.

The Zane State College Foundation is not a part of the primary government of the College, but due to its relationship with the College, it is discretely presented as a component unit within the College's financial statements. The Foundation is a non-profit, tax-exempt organization operated exclusively to provide support for the general educational needs of the College. Specific disclosures relating to the component unit can be found in Note 10.

The College is associated with an insurance purchasing pool, the Ohio College Association Workers' Compensation Group Rating Program. This organization is presented in Note 13 to the financial statements.

Management believes the financial statements included in this report represent all of the funds of the College over which the College has the ability to exercise direct operating control.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

Pursuant to the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," as amended by GASB Statement No. 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities," the full scope of the College's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Basis of Accounting

The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the College must provide local resources to be used for a specified purpose, and expense requirements, in which the resources are provided to the College on a reimbursement basis.

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

C. Cash and Cash Equivalents

This classification appears on the statement of net assets and the statement of cash flows and includes cash on deposit with private bank accounts and savings accounts. For purposes of the statement of cash flows and presentation on the statement of net assets, all investments with original maturities of three months or less at the time they are purchased by the College are presented on the financial statements as cash equivalents.

D. Investments

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

E. Receivables

Receivables consist of tuition and fees and charges to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the Federal government, state and local governments, private sources in connections with reimbursements of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

F. Inventories

Inventories, consisting of expendable supplies and merchandise for resale, are stated at the lower of cost or market value using the first-in, first-out method.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

G. Capital Assets

Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of $5,000 at the date of acquisition and an expected useful life of one or more years. Library books are significant in the aggregate and are therefore also capitalized. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 40 years for buildings and infrastructure, 5 to 10 years for equipment, 4 to 5 years for computer software, 5 years for vehicles, and 5 years for library books and materials. Improvements are depreciated over the remaining useful lives of the related capital assets.

The College's policy is to capitalize net interest on construction projects until substantial completion of the projects. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2012, no material interest costs were incurred on construction projects for the College.

H. Noncurrent Long-Term Liabilities

Noncurrent long-term liabilities include loan and capital lease obligations and compensated absences that will not be paid within the next fiscal year.

I. Compensated Absences

The College follows the provisions of Governmental Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences."

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the College will compensate the employees for the benefits through paid time off or some other means. The College records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the College has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the College's termination policy. The College records a liability for accumulated unused sick leave for certified employees, administrators, and classified employees after five years of current service with the College.

J. Deferred Revenue

Deferred revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, related to the subsequent accounting period. The effect of not allocating the summer term between fiscal years does not have a significant impact on the financial statement presentation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

K. Net Assets

The College's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt – This represents the College's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

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

Unrestricted Net Assets – Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College.

L. Scholarship Allowances and Student Aid

Student tuition and fees revenue and certain other revenues from College charges are reported net of scholarship allowances in the accompanying statement of revenues, expenses, and changes in net assets. The scholarship allowance is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students. Certain aid such as loans and funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues.

M. Revenue and Expense Recognition

The College presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust 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 activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) certain federal and most state and local grants and contracts and federal appropriations, and (4) interest on institutional student loans. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as state appropriations, certain federal grants, and investment income. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities on the accompanying statement of revenues, expenses, and changes in net assets.

The College's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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. Income Taxes

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

P. Use of Estimates

Management of the College has made estimates and assumptions relating to the reporting of assets and liabilities 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 3 – STATE SUPPORT

The College is a state-assisted institution of higher education that 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.

In addition to the student subsidies, the State of Ohio provides the funding for the construction and renovation of major plant facilities on the College's campus. The funding is obtained from the issuance of special obligation bonds issued by the Ohio Public Facilities Commission (OPFC), which proceeds in turn cause the construction and subsequent lease of the facility to the Ohio Board of Regents. Upon completion of a facility, the Board of Regents turns over control to the College, which capitalizes the cost thereof.

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

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

Outstanding debt issued by OPFC is not included on the College's statement of net assets. In addition, the appropriations by the General Assembly to the Board of Regents for payment of debt service are not reflected as appropriation revenue received by the College, and the related debt service payments are not recorded in the College's accounts.

NOTE 4 – 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 Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The College's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2012, the College's bank balance of $10,986,532, $1,000,000 was covered by FDIC and the remaining balance was collateralized by the financial institution's public entity deposit pool in the manner described above.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2012 were as follows:

	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 3,036,385	$ (165,329)	$ 2,871,056
Intergovernmental	445,891	-	445,891
Vendor	112,159	-	112,159
Total Accounts Receivable	$ 3,594,435	$ (165,329)	$ 3,429,106

NOTE 6 – DONOR RESTRICTED ENDOWMENTS

If a donor has not provided specific instructions, state law permits the Board to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the Board is required to consider the College's "long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions." Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established. All expenditures must be approved by the Board.

At June 30, 2012, there was no net appreciation on donor-restricted assets available to be spent.

NOTE 7 – CAPITAL ASSETS

A summary of the changes in the capital assets is presented as follows:

	Balance at 7/1/2011	Increases	Decreases	Balance at 6/30/2012
Capital Assets, Non-Depreciable:				
Land	$ 293,225	$ 120,000	$ -	$ 413,225
Construction in Progress	75,235	358,097	(13,990)	419,342
Total Non-Depreciable	368,460	478,097	(13,990)	832,567
Capital Assets, Depreciable:				
Buildings	21,979,490	19,685	-	21,999,175
General Infrastructure	382,998	-	-	382,998
Machinery and Equipment	3,091,995	72,886	-	3,164,881
Computers	1,513,195	242,296	-	1,755,491
Computer Software	290,888	49,025	-	339,913
Motor Vehicles	102,208	-	-	102,208
Library books	549,225	8,114	-	557,339
Total Depreciable	27,909,999	392,006	-	28,302,005
Less Accumulated Depreciation:				
Buildings	(10,055,733)	(700,760)	-	(10,756,493)
General Infrastructure	(99,451)	(15,320)	-	(114,771)
Machinery and Equipment	(1,067,129)	(337,978)	-	(1,405,107)
Computers	(485,569)	(358,593)	-	(844,162)
Computer Software	(188,090)	(48,172)	-	(236,262)
Motor Vehicles	(84,066)	(8,033)	-	(92,099)
Library books	(528,903)	(10,307)	-	(539,210)
Total Depreciation	(12,508,941)	(1,479,163)	-	(13,988,104)
Total Capital Assets, Depreciable, net	15,401,058	(1,087,157)	-	14,313,901
Capital Assets, net	$ 15,769,518	$ (609,060)	$ (13,990)	$ 15,146,468

NOTE 8 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is as follows:

	Balance 7/1/2011	Additions	Reductions	Balance 6/30/2012	Amount Due Within One Year
Compensated Absences	$ 616,769	$ 481,129	$ (496,748)	$ 601,150	$ 63,121
Loans	70,965	-	(15,098)	55,867	16,254
Lease Obligations	1,024,307	285,074	(430,872)	878,509	320,099
Long-Term Liabilities	$ 1,712,041	$ 766,203	$ (942,718)	$ 1,535,526	$ 399,474

During fiscal year 2009, the College entered into a lease for the purchase of computers and related equipment. The lease agreement was issued in the amount of $549,584 with an interest rate of 3.5%.

During fiscal year 2011, the College entered into several leases for copiers and technology equipment. The leases were issued for a total amount of $1,157,481 with interest rates ranging from 0% to 7.4%

During fiscal year 2012, the College entered in leases for telecommunications equipment and CADD software. The telecommunications lease was issued for a total amount of $236,049 with an interest rate of 2.9%. The CADD software lease was issued for a total amount of $49,025 with an interest rate of 5.15%.

Principal and interest requirements to retire loans outstanding at June 30, 2012, are as follows:

Fiscal Year Ending June 30	Principal	Interest
2013	$ 16,254	$ 3,590
2014	17,498	2,346
2015	22,115	1,036
	$ 55,867	$ 6,972

NOTE 9 – CAPITAL LEASES

The College leases copiers, computers and related equipment under capital leases. Capital leases are capitalized as capital assets, net, with a corresponding liability. Capital assets acquired by lease have been capitalized in the statement of net assets in the amount of $1,617,356, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net assets. Principal payments in fiscal year 2012 totaled $430,872.

The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2012:

Year Ending December 31,	
2013	$352,721
2014	274,858
2015	234,495
2016	58,881
2017	23,608
Minimum lease payments	944,563
Less: Amount representing interest at the College’s incremental borrowing rate	(66,054)
Present value of minimum lease payments	$878,509

NOTE 10 – COMPONENT UNIT DISCLOSURES - ZANE STATE COLLEGE FOUNDATION

Description of the Foundation

The Zane State College Foundation (hereinafter "the Foundation") is a nonprofit organization as determined by Section 501(c)(3) of the Internal Revenue Code, further, the Foundation is organized under Section 509(a)(1) and 170(b)(1)(a)(iv) of the Internal Revenue Code.

The Foundation is organized and shall be operated exclusively for directorial, scientific or charitable purposes by conducting or supporting activities which benefit, or carry out the purpose of Zane State College, a state institution of higher learning, authorized under Chapter 3357 of the Ohio Revised Code including, but not limited to the creation of an endowment fund for annual scholarships in each technology program, the improvement of technical laboratory equipment, and opportunities for the professional development of College employees.

Solely for the above purpose, the Foundation is empowered to exercise all rights and powers conferred by the laws of the State of Ohio upon nonprofit corporations, including, but not limited to:

A. To accept, acquire, receive, take, and hold by bequest, devise, grant, gift, purchase, exchange, lease, transfer, judicial order or decree, or otherwise, for any of its objects and purposes, any property, both real and personal, whatever kind, nature or description and wherever situated;

B. To seal, exchange, convey, mortgage, lease, transfer, or otherwise dispose of any such property, both real and personal, as the objects and purposes of the Foundation may require, subject to such limitations as may be prescribed by law; and

C. To invest and reinvest its funds in such savings accounts, stocks, bonds, debentures, mortgages, or in such other securities, investments, and property as the Board of Directors shall deem advisable, subject to the limitations and conditions contained in any bequest, devise, grant, or gift, provided such limitations and conditions are not in conflict with those provisions of the Internal Revenue Code and its regulations dealing with organizations exempt from taxation under Section 501(c)(3), as such provisions now exist or as they may hereafter be amended.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," and Statement No. 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities," issued in June and November 1999. Since the Foundation is a component unit of the College, it is required to apply these Statements the same as the College.

Summary of Significant Accounting Policies

Net Asset Classifications

In the accompanying financial statements, assets with similar characteristics have been combined in the following net asset groups:

Unrestricted Assets – These assets are used for continuing activities, scholarships, and operations of the Foundation at the discretion of the Foundation's governing body.

NOTE 10 – COMPONENT UNIT DISCLOSURES - ZANE STATE COLLEGE FOUNDATION (Cont.)

Restricted: Expendable – Temporarily Restricted Assets – A donor imposed restriction that permits the Foundation to expend the donated assets as specified by the donor. The restriction remains in effect until satisfied by either the passage of time or by actions of the Foundation. The Foundation's expenditures of temporarily restricted assets are restricted to scholarships and capital projects.

Restricted: Nonexpendable – Permanently Restricted Assets – A donor imposed restriction that stipulates that resources be maintained permanently but permits the Foundation to expend part or all of the income or other economic benefit derived from the donated asset. The Foundation's income derived from these resources is restricted to expenditures on scholarships.

Income Tax Status

The Foundation has been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Cash and Investments

Custodial credit risk for deposits is the risk that in the event of bank failure, the Foundation will not be able to recover deposits or collateral securities that are in the possession of an outside party.

At June 30, 2012, the carrying amount of the Foundation's deposits was $6,060 and the bank balance of the Foundation's deposits was $6,060. At June 30, 2012, the entire amount was covered by Federal Deposit Insurance.

The following summarizes the market value of investments at June 30, 2012:

Investment Type	Market Value	Years: Less than 1
Common Stock	$ 1,032,957	$ 1,032,957
Mutual Funds	3,456,660	3,456,660
Corporate Bonds	50,857	50,857
Money Markets	289,590	289,590
	$ 4,830,064	$ 4,830,064

Interest Rate Risk- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Foundation's investment policy provides for management of the portfolio to minimize principal fluctuations with a long-term investment mix and with an initial target of 65% of its assets to be invested in Equities, 30% in Fixed Income and 5% in Cash Equivalents.

NOTE 10 – COMPONENT UNIT DISCLOSURES - ZANE STATE COLLEGE FOUNDATION (Cont.)

Credit Risk- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Foundation's investment policy limits investments to the following categories: Equities, Fixed Income and Cash Equivalents. The benchmark for the domestic equity portion of the portfolio will be the S&P 500 Equity Index. The fixed income portfolio should have an average credit quality of "A". Cash equivalents, if not guaranteed by the U.S. Government, should be the equivalent of A-2 by Standard and Poor's or P-2 by Moody's. The corporate bonds were rated A by Standard and Poor's. The money market funds were rated AAAm. The mutual funds were not rated.

Concentration of credit risk- Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in one single issuer.

The Foundation's investment policy calls for initial targets of asset categories along with acceptable ranges in order to balance the risks as follows: an initial target of 65% of its assets to be invested in Equities, 30% in Fixed Income and 5% in Cash Equivalents. It is the intent of the Foundation that as a general practice, the investment should remain in a range of +/- 10% of the target benchmarks.

Diversification. The equity portion will be diversified in terms of sector, industry, and company. No single equity position shall represent more than 10% of the equity investment fund. The fixed income portion should be properly diversified in terms of issuer, maturities/duration, and yield curve exposure. The fixed income portfolio may be invested in U.S. Government and agency obligations, marketable corporate bonds, mortgage-backed or asset-backed securities. The fixed income portfolio may include non-investment grade securities, with total exposure not to exceed 10% of the portfolio.

The Foundation's investments categories are diversified in common stocks (multiple equity positions - 21%), mutual funds (multiple equity positions - 72%), corporate bonds (multiple equity positions – 1%), and money markets (multiple equity positions - 6%).

Custodial credit risk- For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

The Foundation's policy does not address custodial credit risk. All of the Foundation's investments are held in the name of the Foundation.

The Foundation determines the fair market values of its financial instruments based on the fair value hierarchy established in SFAS No. 157, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the Foundation's own assumptions based on market data and on assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The Standard describes three levels within its hierarchy that may be used to measure fair value:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

NOTE 10 – COMPONENT UNIT DISCLOSURES - ZANE STATE COLLEGE FOUNDATION (Cont.)

Level 2 Inputs: Significant other observable inputs other than Level 1 quoted prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Inputs: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would rise in pricing an asset or liability.

The fair value of investments held by the Foundation at June 30, 2012 is summarized as follows:

Investment Type	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common Stock	$ 1,032,957	$ -	$ -
Mutual Funds	3,456,660	-	-
Corporate Bonds	50,857	-	-
Money Markets	289,590	-	-
	$ 4,830,064	$ -	$ -

Interpretation of UPMIFA: The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization

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. The Foundation did not have any deficiencies of this nature as of June 30, 2012.

NOTE 10 – COMPONENT UNIT DISCLOSURES - ZANE STATE COLLEGE FOUNDATION (Cont.)

Donated Facilities/Operating Expenses

The Foundation occupies office space at Zane State College located at 1555 Newark Road, Zanesville, Ohio. No rent is paid by the Foundation. Zane State College pays operating expenses for the Foundation. The value of the operating expenses paid by the College was $124,878. This amount has been recorded in the financial statements as a contribution to and an expense from unrestricted net assets and is described in the revenue section as in-kind contributions (ZSC), see MD&A, page 8.

Net Assets Released from Restrictions

Net assets were released from donor restrictions in fiscal year 2012 by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. The Foundation distributed $245,998 in scholarships that related to the satisfaction of these donor restrictions.

NOTE 11 – PENSION AND RETIREMENT PLANS

School Employees Retirement System

The College contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website, at www.ohsers.org, under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the current employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ended 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate was allocated to the Health Care and Medicare B Funds. The College's contributions to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were $496,292, $493,136, and $433,955, respectively; which equal the required annual contribution for each year.

State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

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

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

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 Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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

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

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

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

Benefits are increased annually by 3% 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 these active members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the 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 Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2012, 2011 and 2010, plan members were required to contribute 10 percent of their annual covered salaries. The College was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The College's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were $881,003, $802,265, and $743,358, respectively; which were equal to the required annual contribution for each year.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Alternative Retirement Plan

The College offers a defined contribution plan as an alternative to participation with State mandated defined benefit plans in accordance with state law. Non-elective employee contributions and employer contributions are made to the plan in amounts equivalent to the participant's compensation which would have otherwise been contributed to the State Retirement System that applies to the participant's position. There was one participant in the program. Contributions to the plan for the fiscal years ended June 30, 2012, 2011 and 2010 were $16,756, $26,770, and $19,485, respectively.

NOTE 12 – POST-EMPLOYMENT BENEFITS

State Teachers Retirement System

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

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the 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.

NOTE 12 – POST-EMPLOYMENT BENEFITS (Cont.)

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2012, 2011 and 2010. For the College, these amounts equaled $62,929, $57,305, and $53,097, for fiscal years 2012, 2011, and 2010, respectively, which equaled the required allocation for those years.

School Employees Retirement System

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was $99.90 for most participants, but could be as high as $319.70 per month depending on their income; SERS' reimbursement to retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2012, 2011, and 2010, the actuarially required allocations were 0.75 percent, 0.76 percent, and 0.76 percent, respectively. For the College, contributions for the fiscal years ended June 30, 2012, 2011, and 2010 were $26,580, $26,770, and $14,259, respectively, which equaled the required allocations for those years.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e).

NOTE 12 – POST-EMPLOYMENT BENEFITS (Cont.)

Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2012, 2011, and 2010, the health care allocations were 0.55 percent, 1.43 percent, and 0.46 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at $35,800. The surcharge added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the College, the amounts assigned to health care benefits, including the surcharge, during the 2012, 2011, and 2010 fiscal years equaled $19,497, $50,370, and $23,558, respectively, which equaled the required allocations for those years.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS website at www.ohsers.org under *Employer/Audit Resources*.

NOTE 13 – RISK MANAGEMENT

A. Property and Liability

The College is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the College contracted through the Young Insurance Agency for liability, property, vehicle insurance, and errors and omissions insurance with Ohio Casualty Company.

Coverage provided is as follows:

Umbrella Liability	$ 4,000,000 limit
Building and Contents - replacement cost ($10,000 deductible)	40,916,712 limit
Inland Marine Watercraft ($250 deductible)	18,840 limit
Inland Marine Contractor Equipment ($500 deductible)	33,782 limit
Inland Marine EDP coverage Main ($1,000 deductible)	500,000 limit
Inland Marine EDP Coverage WPTC ($1,000 deductible)	25,000 limit
Boiler and Machinery ($1,000 deductible)	40,916,712 limit
Theft, Disappearance and Destruction ($0 deductible)	100,000 limit
	inside and outside premises
Employee Dishonesty Insurance	100,000 limit each employee
Automobile Liability - Bodily Injury and Property Damage ($500 deductible)	1,000,000 each accident
General and Professional Liability Insurance	1,000,000 each occurrence
	2,000,000 aggregate

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

NOTE 13 – RISK MANAGEMENT (Cont.)

B. Workers' Compensation

For fiscal year 2012, the College participated in the Ohio College Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the College by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating colleges is calculated as one experience and a common premium rate is applied to all colleges in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to colleges that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

NOTE 14 – CONTINGENCIES

A. Grants

The College received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Current Unrestricted Educational and General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial position of the College at June 30, 2012.

B. Litigation

The College is not currently party to any legal proceedings.

NOTE 15 – NET ASSETS RESTRICTED BY ENABLING LEGISLATION

Of the College's $2,404,025 in restricted net assets, none was restricted by enabling legislation.

Zane State College
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
Appalachian Regional Commission				
Direct from the Federal Agency:				
Appalachian Area Development	N/A	23.002	$ 851,560	$ 840,355
Small Business Administration				
Direct from the Federal Agency:				
Small Business Development Centers	N/A	59.037	51,853	52,856
United States Department of Education				
Direct from the Federal Agency:				
Student Financial Aid Cluster:				
Federal Direct Student Loans	N/A	84.268	15,281,116	15,281,116
Federal Work-Study Program	N/A	84.033	106,292	106,292
Federal Pell Grant Program	N/A	84.063	9,038,700	9,038,700
Total Student Financial Aid Cluster			24,426,108	24,426,108
Higher Education Institutional Aid	N/A	84.031	367,939	402,062
TRIO - Student Support Services	N/A	84.042	159,325	182,659
Passed Through the Ohio Department of Education:				
Career and Technical Education - Basic Grants to States	3L90	84.048	82,515	82,515
Tech-Prep Education	3690	84.243	-	5,299
Total Passed Through the Ohio Department of Education			82,515	87,814
Total United States Department of Education			25,035,887	25,098,643
Total Federal Financial Assistance			$ 25,939,300	$ 25,991,854

See the Notes to the Schedule of Federal Award Receipts and Expenditures

Note A – Significant Accounting Policies

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports Zane State College's (the College's) federal award programs' receipts and disbursements. The Schedule has been prepared on the accrual basis of accounting.

Note B – Federal Direct Student Loans Program

During the fiscal year ended June 30, 2012, the College processed $15,281,116 of new loans under the Federal Direct Student Loans Program, CFDA #84.268. The College is responsible only for certain administrative duties with respect to federal guaranteed student loan programs.

Perry & Associates

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

December 18, 2012

Zane State College
1555 Newark Road
Zanesville, OH 43701

To the Board of Trustees:

We have audited the financial statements of the business-type activities and the discretely presented component unit of **Zane State College**, Muskingum County, Ohio (the College) as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements as listed in the table of contents, and have issued our report dated December 18, 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 intend this report solely for the information and use of management, the audit committee, members of the Board, federal awarding agencies, pass-through entities and others within the College. We intend it for no one other than these specified parties.

Respectfully Submitted,

Perry & Associates CPA's A.C.

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Certified Public Accountants, A.C.

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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

December 18, 2012

Zane State College
1555 Newark Road
Zanesville, OH 43701

To the Board of Trustees:

Compliance

We have audited the compliance of **Zane State College**, Muskingum County, Ohio (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 the College's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying Schedule of Audit 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 opine on the College's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Comptroller General of the United States' *Government Auditing Standards;* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* These 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 these requirements and performing other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with these requirements.

In our opinion, Zane 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. 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 and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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 management, the audit committee, members of the Board, federal awarding agencies, pass-through entities and others within the College. It is not intended for anyone other than these specified parties.

Respectfully Submitted,

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.

Zane State College
SCHEDULE OF AUDIT FINDINGS
OMB CIRCULAR A -133 § .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 weaknesses reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	Student Financial Aid Cluster: Federal Direct Student Loans CFDA #84.268, Federal Work-Study Program CFDA #84.033, Federal Pell Grant Program CFDA #84.063 Higher Education Institutional Aid CFDA #84.031
(d)(1)(viii)	**Dollar Threshold: Type A/B Programs**	Type A: > $ 300,000 Type B: > $ 100,000
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

ZANE STATE COLLEGE

MUSKINGUM 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 17, 2013

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