



Balestra, Harr & Scherer, CPAs, Inc.

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

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JAMES A. RHODES STATE COLLEGE
ALLEN COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2011 and 2010
Fiscal Year Audited Under GAGAS: 2011 and 2010



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the James A. Rhodes State College, Allen County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The James A. Rhodes State College is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

January 9, 2012

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James A. Rhodes State College
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Balestra, Harr & Scherer, CPAs, Inc.

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

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Independent Auditor's Report

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

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of James A. Rhodes State College, Allen County, Ohio (the College), as of and for the year ended June 30, 2011 and 2010, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

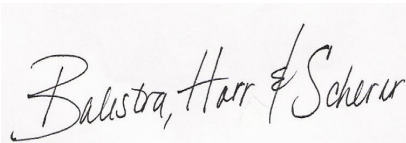
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of James A. Rhodes State College, Allen County, Ohio, as of June 30, 2011 and 2010, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011, 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.

James A. Rhodes State College
Board of Trustees
Independent Accountants' Report
Page 2

We conducted our audit to opine on the financial statements that collectively comprise the College's basic financial statements taken as a whole. The Schedule of Federal Awards Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
December 15, 2011

James A. Rhodes State College
 Management's Discussion and Analysis
 June 30, 2011 and 2010
 (Unaudited)

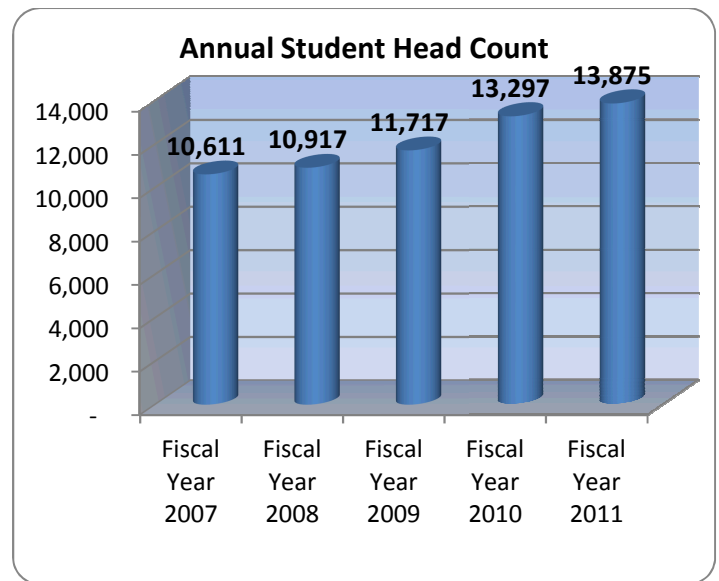
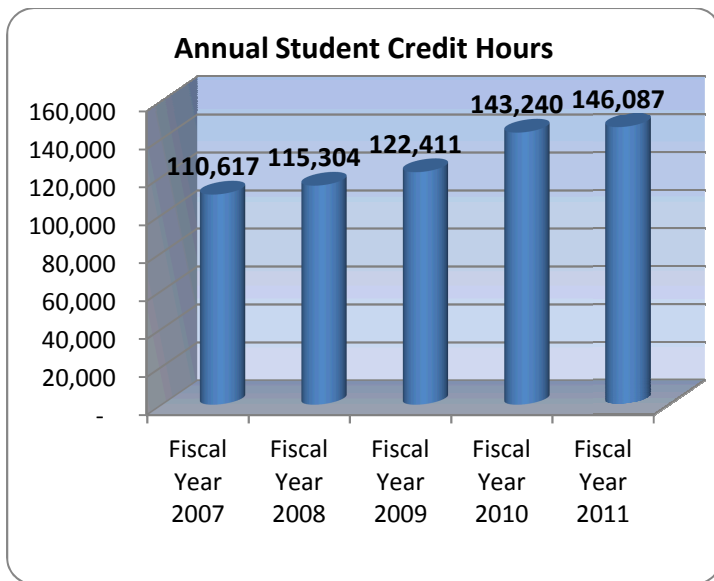
This section of James A. Rhodes State College annual financial report presents management's discussion and analysis of the College's financial performance during the fiscal years that ended June 30, 2011 and 2010. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes.

THE COLLEGE

James A. Rhodes State College (the "College") is a public, state assisted, two-year institution of higher learning. The College offers over 100 Associate degrees, majors, and certificate programs. In addition to degrees and certificates, the College provides educational opportunities through workshops, seminars, and on-site training for area businesses. The College serves a ten-county region in Northwest Ohio. Rhodes State College is accredited by The Higher Learning Commission (HLC) of the North Central Association of Colleges and Schools. The latest site visit was highly successful with the next HLC accreditation visit scheduled for 2018-19.

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

Listed below are the annual student credit hours and annual student headcount over the last five years.



FINANCIAL HIGHLIGHTS

In fiscal year 2011, the College provided over 146,000 credit hours, or a 2.0% increase over fiscal year 2010. The College has seven consecutive years of increased credit hours. Since fiscal year 2007, the College has provided an additional 35,470 student credit hours, a 32.1% increase. Annual student head count has risen steadily since fiscal year 2007. The increase in annual student head count for fiscal year 2011 was 578 students, or a 4.3% increase over fiscal year 2010.

Net assets increased by \$4,015,535 and \$1,822,754 in fiscal years 2011 and 2010, respectively. Unrestricted net assets increased by \$3,159,358 and \$2,022,258 in fiscal years 2011 and 2010, respectively.

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2011 and 2010
(Unaudited)

In fiscal year 2011, operating revenues increased by \$665,218 or 5.2%; net non-operating revenues increased \$3,343,877 or 16.8%; while operating expenses increased by \$1,816,314 or 5.9%. In fiscal year 2010, operating revenues increased by \$81,300 or 0.6%; net non-operating revenues increased \$4,367,478 or 28.0%; while operating expenses increased by \$2,730,877 or 9.7%.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. These financial statements differ significantly, in both the form and the accounting principles utilized, from prior financial statements. The financial statements presented prior to fiscal year 2003 focused on the accountability of fund groups while these statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole.

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

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

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

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

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2011 and 2010
(Unaudited)

CONDENSED FINANCIAL INFORMATION
STATEMENTS OF NET ASSETS
(in thousands)

	<u>2011</u>	<u>2010</u>	<u>Difference</u>	<u>2009</u>	<u>Difference</u>
ASSETS					
Current Assets	\$ 17,696	\$ 13,992	\$ 3,704	\$ 11,257	\$ 2,735
Noncurrent, Capital Assets	30,679	29,882	797	30,142	(260)
Total Assets	<u>48,375</u>	<u>43,874</u>	<u>4,501</u>	<u>41,399</u>	<u>2,475</u>
LIABILITIES					
Current Liabilities	4,805	4,224	581	3,561	663
Noncurrent Liabilities	3,568	3,664	(96)	3,675	(11)
Total Liabilities	<u>8,373</u>	<u>7,888</u>	<u>485</u>	<u>7,236</u>	<u>652</u>
NET ASSETS					
Invested in Capital Assets	27,943	27,087	856	27,287	(200)
Restricted, Expendable	9	9	0	9	0
Unrestricted	12,050	8,890	3,160	6,867	2,023
Total Net Assets	<u>40,002</u>	<u>35,986</u>	<u>4,016</u>	<u>34,163</u>	<u>1,823</u>
Total Liabilities and Net Assets	<u>\$ 48,375</u>	<u>\$ 43,874</u>	<u>\$ 4,501</u>	<u>\$ 41,399</u>	<u>\$ 2,475</u>

Assets

As of June 30, 2011, the College's total assets were \$48.4 million compared to \$43.9 million in fiscal year 2010 and \$41.4 million in fiscal year 2009. Capital assets, net of accumulated depreciation are the college's largest asset. This represents 63.4 %, 68.1%, and 72.8%, of total assets for fiscal years 2011, 2010, and 2009, respectively. Cash and cash equivalents are the second largest asset category at \$10.7 million, \$9.6 million, and \$6.7 million for fiscal years 2011, 2010, and 2009, respectively. This represents 22.0%, 21.9%, and 16.1% of the total assets for fiscal years 2011, 2010, and 2009, respectively.

Liabilities

As of June 30, 2011, the College's liabilities were \$8.4 million compared to \$7.9 million in fiscal year 2010 and \$7.2 million in fiscal year 2009. Bonds payable, net represented the largest portion of liabilities with \$2.7 million, \$2.7 million, and \$2.8 million for fiscal years 2011, 2010, and 2009, respectively. Bonds payable, net represents approximately 32.0%, 34.7%, and 38.7% of total liabilities for fiscal years 2011, 2010, and 2009, respectively. The general receipts bonds are payable over thirty years with final payment due in 2033.

Net Assets

Net Assets as of June 30, 2011, were \$40.0 million compared to \$36.0 million as of June 30, 2010, and \$34.2 million as of June 30, 2009. Invested in capital assets, net of related debt represents the largest portion of net assets at 69.9%, 75.3%, and 80.0% of total net assets for fiscal years 2011, 2010, and 2009, respectively.

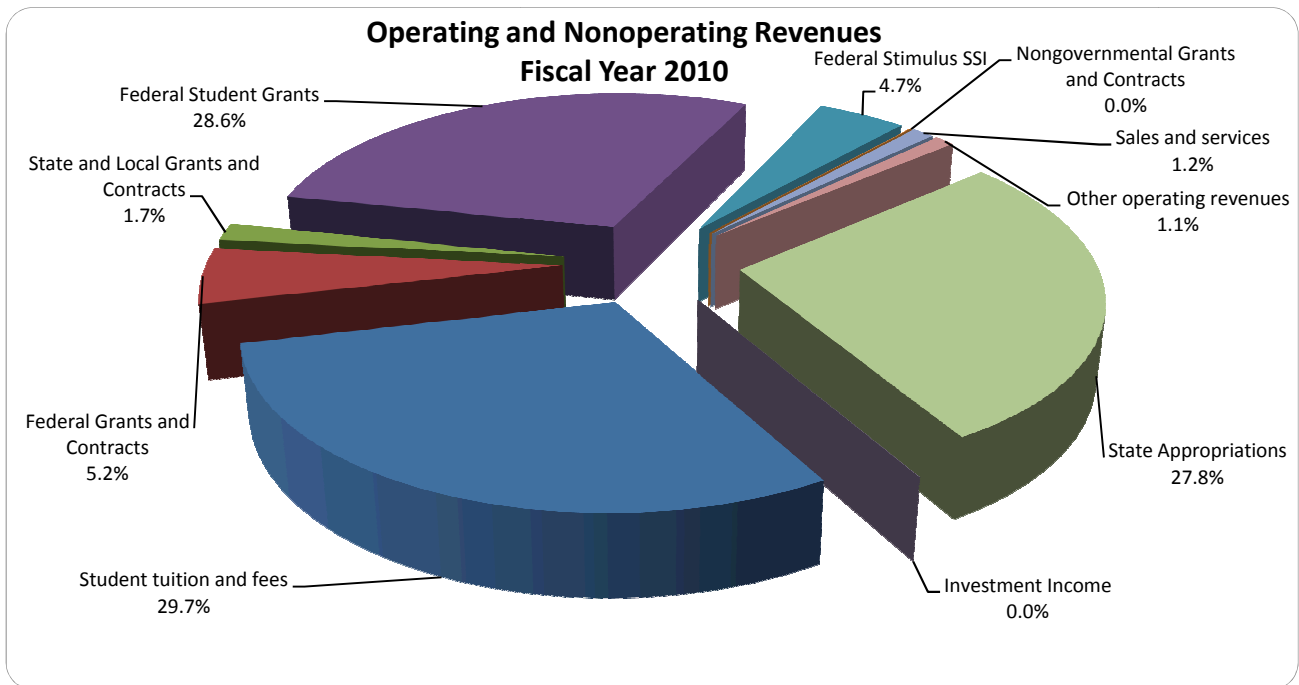
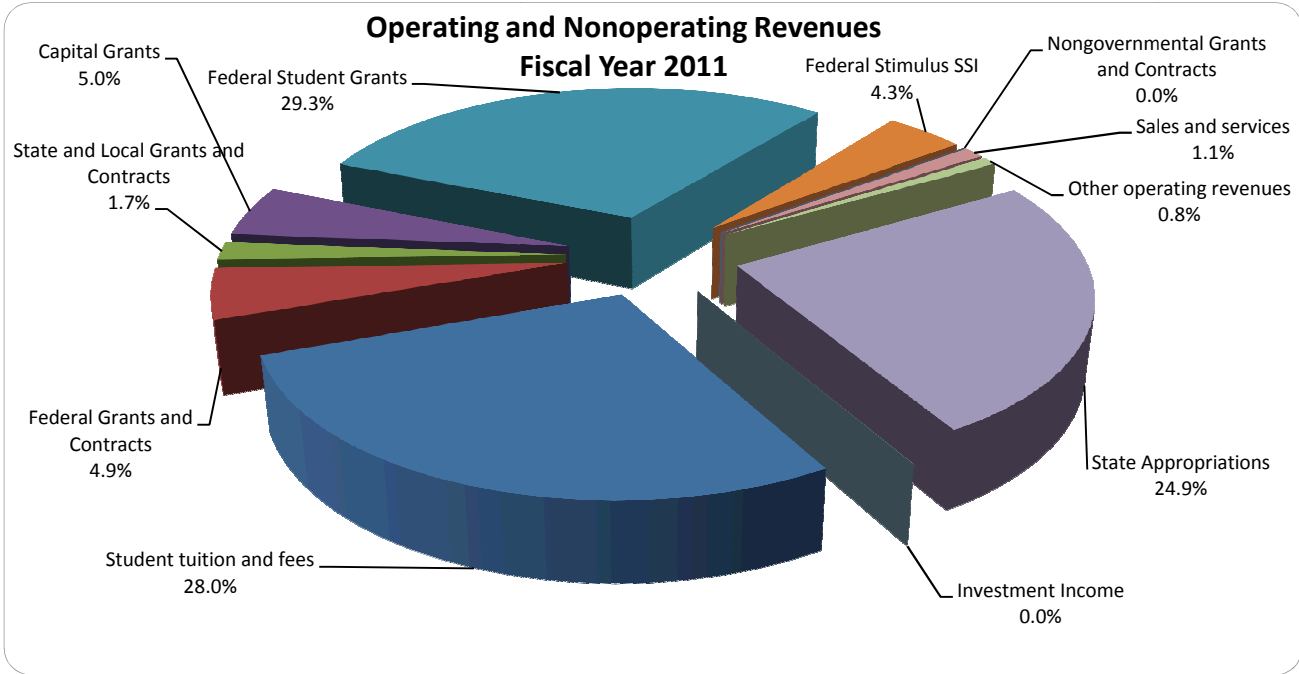
James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2011 and 2010
(Unaudited)

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

	<u>2011</u>	<u>2010</u>	<u>Difference</u>	<u>2009</u>	<u>Difference</u>
OPERATING REVENUES					
Student Tuition and Fees, Net	\$ 10,326	\$ 9,795	\$ 531	\$ 10,009	\$ (214)
Federal Grants and Contracts	1,811	1,728	83	1,590	138
State Grants and Contracts	641	550	91	199	351
Non-Governmental Grants and Contracts	0	16	(16)	15	1
Sales and Services	416	384	32	423	(39)
Other Operating Revenues	295	351	(56)	507	(156)
Total Operating Revenues	<u>13,489</u>	<u>12,824</u>	<u>665</u>	<u>12,743</u>	<u>81</u>
OPERATING EXPENSES					
Educational and General	31,232	29,433	1,799	26,831	2,602
Depreciation	1,534	1,517	17	1,388	129
Total Operating Expenses	<u>32,766</u>	<u>30,950</u>	<u>1,816</u>	<u>28,219</u>	<u>2,731</u>
Operating Loss	<u>(19,277)</u>	<u>(18,126)</u>	<u>(1,151)</u>	<u>(15,476)</u>	<u>(2,650)</u>
NONOPERATING REVENUES (EXPENSES)					
State Appropriations	9,215	9,154	61	10,033	(879)
Federal Student Grants	10,808	9,418	1,390	5,340	4,078
Federal Stimulus SSI	1,576	1,534	42	0	1,534
Capital Grants	1,848	0	1,848	0	0
Gifts	0	0	0	341	(341)
Investment Income	4	4	0	49	(45)
Interest on Capital Asset-Related Debt	(158)	(161)	3	(164)	3
Other Non-Operating Revenues (Expenses)	0	0	0	(18)	18
Net Non-Operating Revenues (Expenses)	<u>23,293</u>	<u>19,949</u>	<u>3,344</u>	<u>15,581</u>	<u>4,368</u>
Increase in Net Assets	<u>4,016</u>	<u>1,823</u>	<u>2,193</u>	<u>105</u>	<u>1,718</u>
Net Assets, Beginning of Year	<u>35,986</u>	<u>34,163</u>	<u>1,823</u>	<u>34,058</u>	<u>105</u>
Net Assets, End of Year	<u>\$ 40,002</u>	<u>\$ 35,986</u>	<u>\$ 4,016</u>	<u>\$ 34,163</u>	<u>\$ 1,823</u>

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

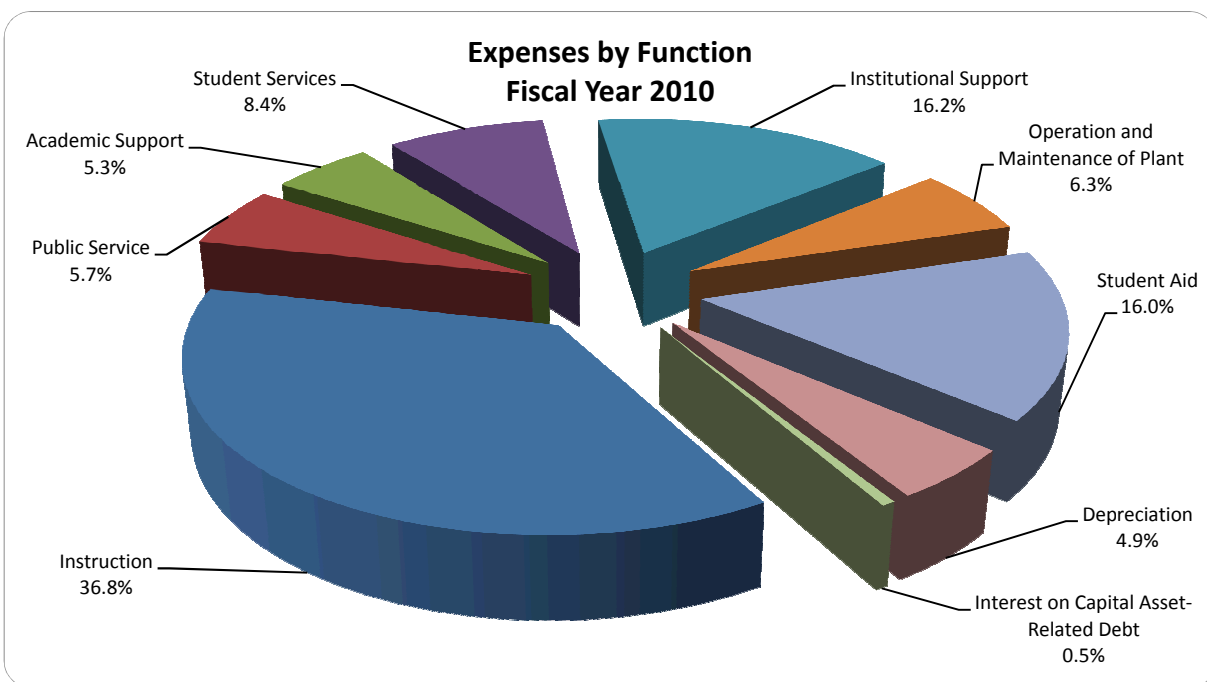
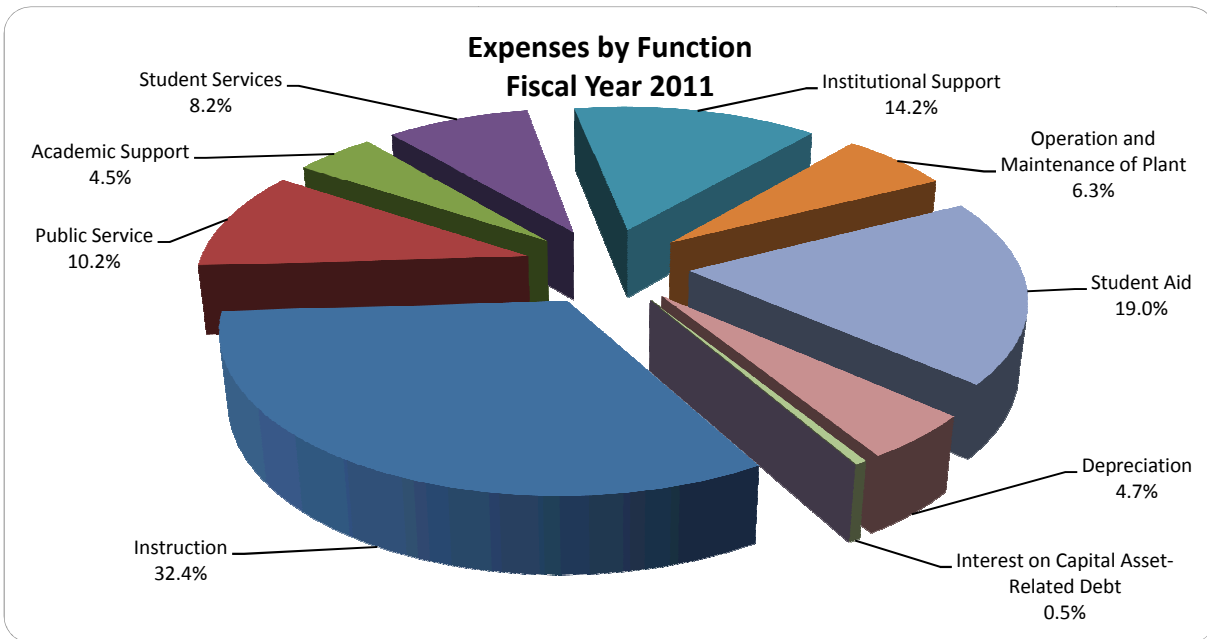
The following is a graphic illustration of revenues by source for the years ended June 30, 2011 and 2010:



James A. Rhodes State College
 Management's Discussion and Analysis
 June 30, 2011 and 2010
 (Unaudited)

The College's largest sources of revenues are student tuition and fees (net of scholarship allowance), 28.0%, Federal student grants, 29.3%, and State appropriations, 24.9% for fiscal year 2011. Student tuition and fees (net of scholarship allowance) were \$10.3 million and \$9.8 million for fiscal years 2011 and 2010, respectively. Federal student grants were \$10.8 million and \$9.4 million for fiscal years 2011 and 2010, respectively. State appropriations were \$9.2 million for both fiscal years 2011 and 2010. Total operating and non-operating revenues were \$36.9 million and \$32.9 million for fiscal years 2011 and 2010, respectively.

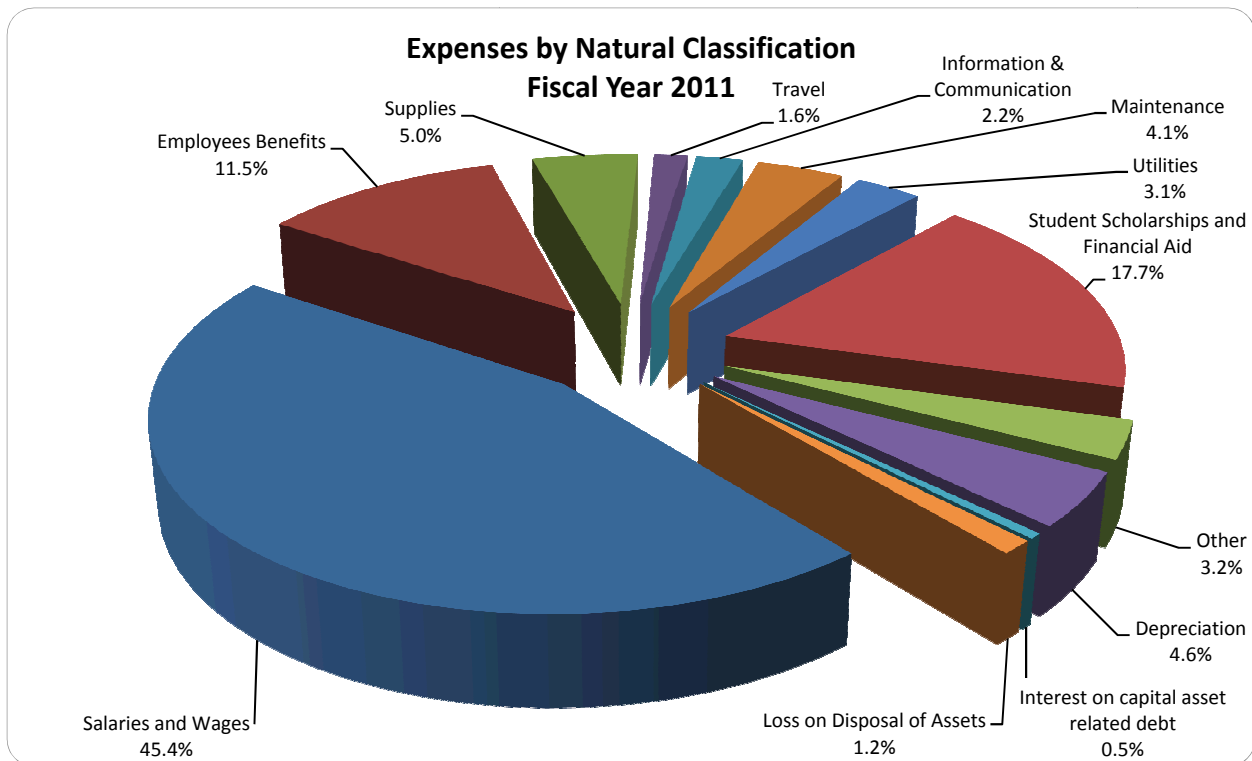
The following is a graphic illustration of expenses by function for the years ended June 30, 2011 and 2010:



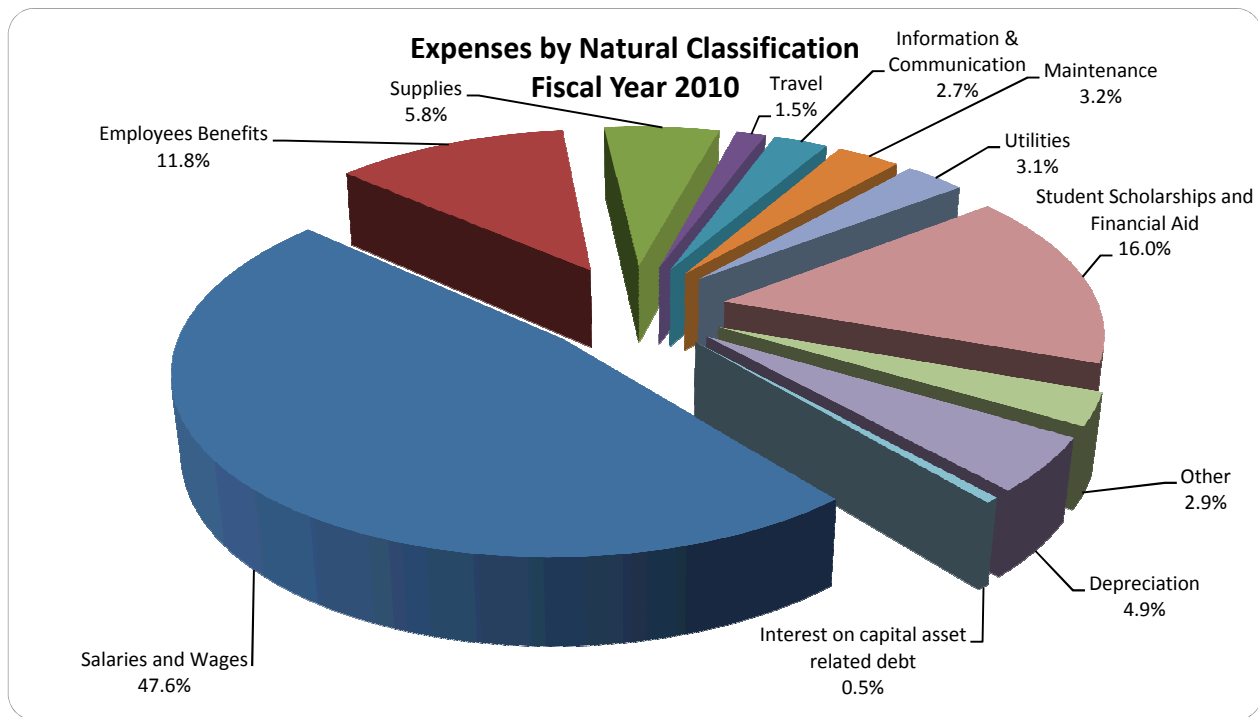
James A. Rhodes State College
 Management's Discussion and Analysis
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 (Unaudited)

Instructional expenditures are the largest expense for the College. Instructional expenses were \$12.5 million and \$11.4 million for fiscal years 2011 and 2010, respectively. Public service expenses were \$1.5 million and \$1.8 million for fiscal years 2011 and 2010, respectively. Academic support expenses were \$1.5 million and \$1.7 million for fiscal years 2011 and 2010, respectively. Student services expenses were \$2.7 million and \$2.6 million for fiscal years 2011 and 2010, respectively. Institutional support expenses were \$4.7 million and \$5.0 million for fiscal years 2011 and 2010, respectively. Operation and maintenance of plant expenses was approximately \$2.1 million and \$2.0 million for fiscal years 2011 and 2010, respectively. Student aid expenses were \$6.3 million and \$5.0 million for fiscal years 2011 and 2010, respectively. Total operating and non-operating expenses were \$32.9 million and \$31.1 million for fiscal years 2011 and 2010, respectively.

The following is a graphic illustration of expenses by natural classification for the years ended June 30, 2011 and 2010:



James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2011 and 2010
(Unaudited)



Salaries and wages were the largest expense for the College at 45.4% and 47.6% of the College's total expenses for fiscal years 2011 and 2010, respectively. Wages and benefits accounted for 56.9% and 59.4% of the College's total expenses, respectively. The next largest expense was student scholarships and financial aid, which accounted for 17.7% and 16.0% of total College expenses for fiscal years 2011 and 2010, respectively. Salaries and wages were \$15.1 million and \$14.8 million for fiscal years 2011 and 2010, respectively. Employee benefits were \$3.8 million and \$3.7 million for fiscal years 2011 and 2010, respectively. Student scholarships were \$5.9 million and \$5.0 million for fiscal years 2011 and 2010, respectively. Total operating and non-operating expenses were \$33.3 million and \$31.1 million for fiscal years 2011 and 2010, respectively.

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

	<u>2011</u>	<u>2010</u>	<u>Difference</u>	<u>2009</u>	<u>Difference</u>
Net Cash Provided (Used) By:					
Operating Activities	\$ (19,886)	\$ (17,136)	\$ (2,750)	\$ (13,339)	\$ (3,797)
Non-Capital Financing Activities	21,621	20,422	1,199	15,527	4,895
Capital Financing Activities	(701)	(355)	(346)	(730)	375
Investing Activities	4	5	(1)	50	(45)
Net Increase (Decrease) in Cash	<u>1,038</u>	<u>2,936</u>	<u>(1,898)</u>	<u>1,508</u>	<u>1,428</u>
Cash, Beginning of Year	<u>9,615</u>	<u>6,679</u>	<u>2,936</u>	<u>5,171</u>	<u>1,508</u>
Cash, End of Year	<u>\$ 10,653</u>	<u>\$ 9,615</u>	<u>\$ 1,038</u>	<u>\$ 6,679</u>	<u>\$ 2,936</u>

James A. Rhodes State College
Management's Discussion and Analysis
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Another way to assess the financial health of the College is to look at the statement of cash flows. The primary purpose of the statement of cash flows is to provide information about the cash receipts and cash payments of the College during the period. The statement of cash flows also helps financial statement readers assess:

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

Major sources of cash included in the operating activities were tuition and fees, and grants and contracts. Tuition and fees generated cash of \$8.9 million, \$9.5 million, and \$10.2 million in fiscal years 2011, 2010, and 2009, respectively. Grants and contracts generated cash of \$1.1 million in fiscal year 2011 and \$1.7 million and \$2.4 million in fiscal years 2010 and 2009, respectively. Major uses of cash included in the operating activities were payments to employees for wages, payments to suppliers for goods and services, and payments for student aid. Payments to employees amounted to \$15.1 million, \$14.8 million, and \$14.2 million in fiscal years 2011, 2010, and 2009, respectively. Payments to suppliers for goods and services amounted to \$4.6 million, \$4.9 million, and \$5.3 million in fiscal years 2011, 2010, and 2009, respectively. Payments for student aid amounted to \$5.9 million, \$5.0 million, and \$3.0 million in fiscal years 2011, 2010, and 2009, respectively.

Federal student grants are the primary source of cash for non-capital financing activities. The College received \$10.8 million, \$9.4 million, and \$5.3 million in federal student grants in fiscal years 2011, 2010, and 2009, respectively. The accounting standards require the College to reflect this source of revenue as non-operating even though the College's budget depends on this to continue operations.

Capital grants are the primary source of cash for capital financing activities. The College received \$1.8 million in fiscal year 2011 and no capital grants in 2010 and 2009. Major uses of cash included in the capital financing activities were payments for purchases of capital assets. The College paid \$2.3 million, \$1.3 million, and \$0.9 million for purchases of capital assets in fiscal years 2011, 2010, and 2009, respectively.

COMPONENT UNIT

Component Unit

The College adopted Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The James A. Rhodes State College Foundation is a legally separate tax exempt entity governed by its own Board of Directors. The Foundation was created to support the College and its students. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources that the Foundation holds and invests are restricted to the activities of the College by the donors. Since these resources held by the Foundation can only be used for the benefit of the College and determined significant, the Foundation is considered a component unit of the College. The impact is that the financial information of the Foundation was included as a discretely presented component unit for the first time in fiscal year 2005.

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2011 and 2010
(Unaudited)

CAPITAL ASSETS AND DEBT

Capital Assets

The total cost of capital assets was \$44.8 million, \$43.0 million and \$41.8 million for fiscal years 2011, 2010, and 2009, respectively. The accumulated depreciation was \$14.3 million, \$13.2 million, and \$11.7 million for fiscal years 2011, 2010 and 2009, respectively. Depreciation expense was \$1.5 million for the years ended June 30, 2011 and 2010, respectively, and \$1.4 million for the year ended June 30, 2009. A summary of net capital assets for the years ended June 30 is as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Construction in Progress	\$ 193,090	\$ 0	\$ 0
Land Improvements	848,098	929,435	247,985
Infrastructure	52,849	58,719	64,589
Buildings and Improvements	24,096,477	25,042,465	25,995,152
Moveable Equipment	5,268,186	3,624,030	3,610,195
Library Books	220,185	227,430	223,617
Total Capital Assets, Net	<u>\$ 30,678,885</u>	<u>\$ 29,882,079</u>	<u>\$ 30,141,538</u>

During fiscal year 2011, the College purchased \$2,099,993 of moveable equipment, \$37,902 of library books, and additions to construction in progress of \$193,090. During fiscal year 2010, the College purchased \$746,666 of land improvements, \$461,073 of moveable equipment, and \$49,316 of library books. During fiscal year 2009, the College purchased \$83,144 of land improvements, \$244,184 of buildings and improvements, \$518,244 of moveable equipment, and \$42,581 of library books.

Debt

In October 2003, the College issued \$3.1 million in general receipts bonds for the construction of Keese Hall. The bonds mature over thirty (30) years with principal and interest due semi-annually. Debt service payments are approximately \$220,000 annually.

State Share of Instruction per Dollar of Gross Tuition

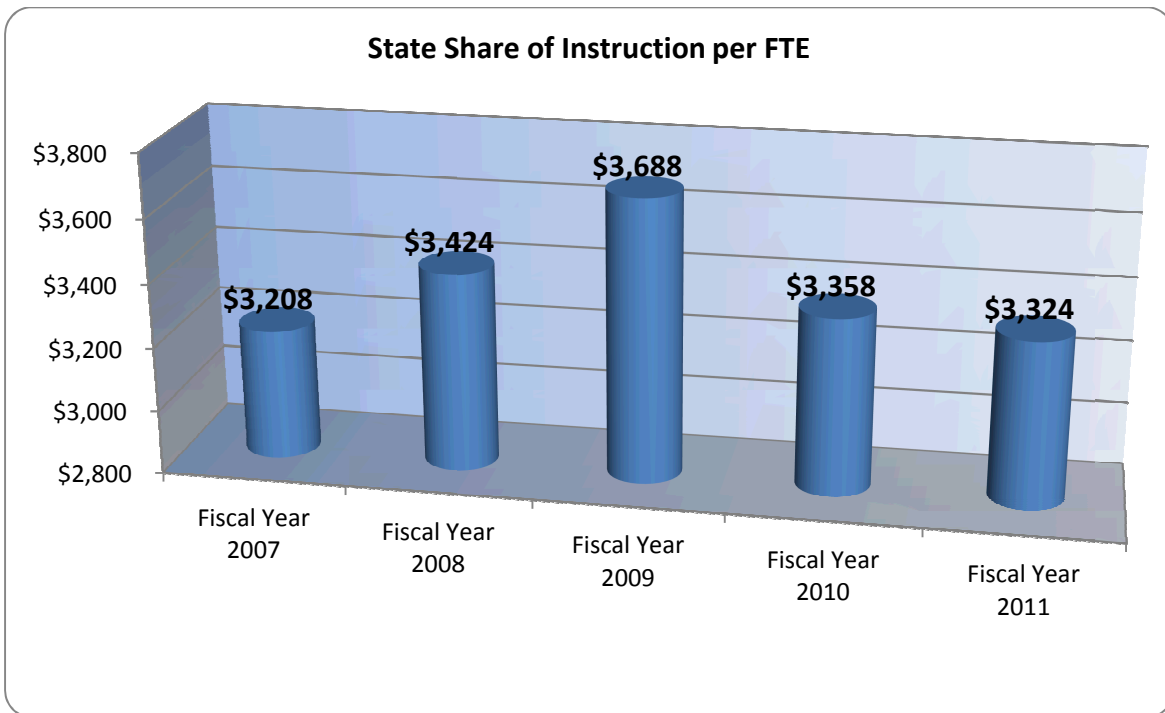
A summary of the state share of instruction per dollar of gross tuition for the years ended June 30 is as follows:

<u>Fiscal Year</u>	<u>Gross Tuition</u>	<u>State Share of Instruction</u>	<u>State Share of Instruction per Dollar of Gross Tuition</u>
2011	\$ 15,887,885	\$ 10,791,101	\$ 0.68
2010	14,992,727	10,687,392	\$ 0.71
2009	12,973,372	10,033,084	\$ 0.77
2008	11,999,821	8,772,455	\$ 0.73
2007	11,793,160	7,885,574	\$ 0.67

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2011 and 2010
(Unaudited)

In fiscal year 2002, the State of Ohio contributed \$0.93 to James A. Rhodes State College for every dollar of gross tuition. Since that time, the state share of instruction per dollar of gross tuition has decreased steadily. The College froze tuition rates in fiscal years 2007 through 2010 while the State of Ohio made an effort to increase appropriations for higher education. As a result, state share of instruction improved slightly until fiscal year 2010. In fiscal years 2011 and 2010, the College received a portion of its state share of instruction through Federal Stimulus funds appropriated under the American Recovery and Reinvestment Act of 2009, referred to as State Fiscal Stabilization Funds. For fiscal years 2011 and 2010, receipts from the State Fiscal Stabilization Funds represented 14.6% and 14.4% of total state share of instruction, respectively, or \$0.10 per dollar of gross tuition for each fiscal year. Without the State Fiscal Stabilization Funds, the state share of instruction per dollar of gross tuition would have been \$0.58 and \$0.61 for fiscal years 2011 and 2010, respectively.

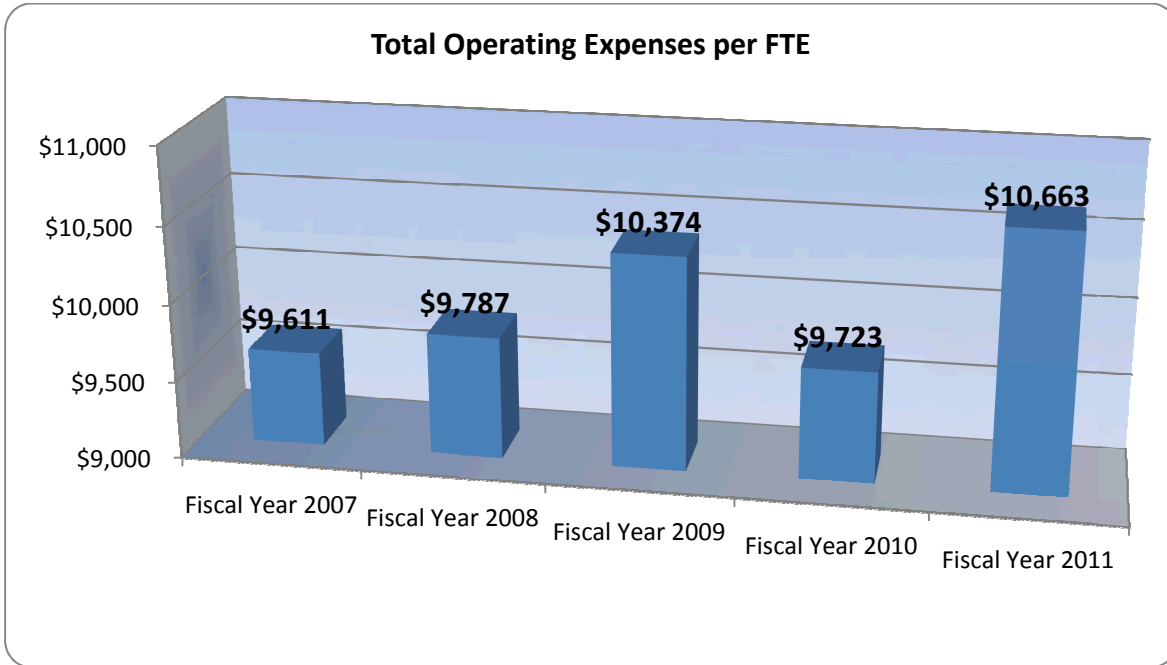
In an effort to understand the funding from state appropriations, the table below shows the five-year trend in state share of instruction by annual full time equivalent (FTE). Annual FTE is calculated as total student credit hours divided by forty-five (45).



James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2011 and 2010
(Unaudited)

Operating Expenses per Annual Student FTE

The following is a graphical illustration of total operating expense per FTE for the years ended June 30:

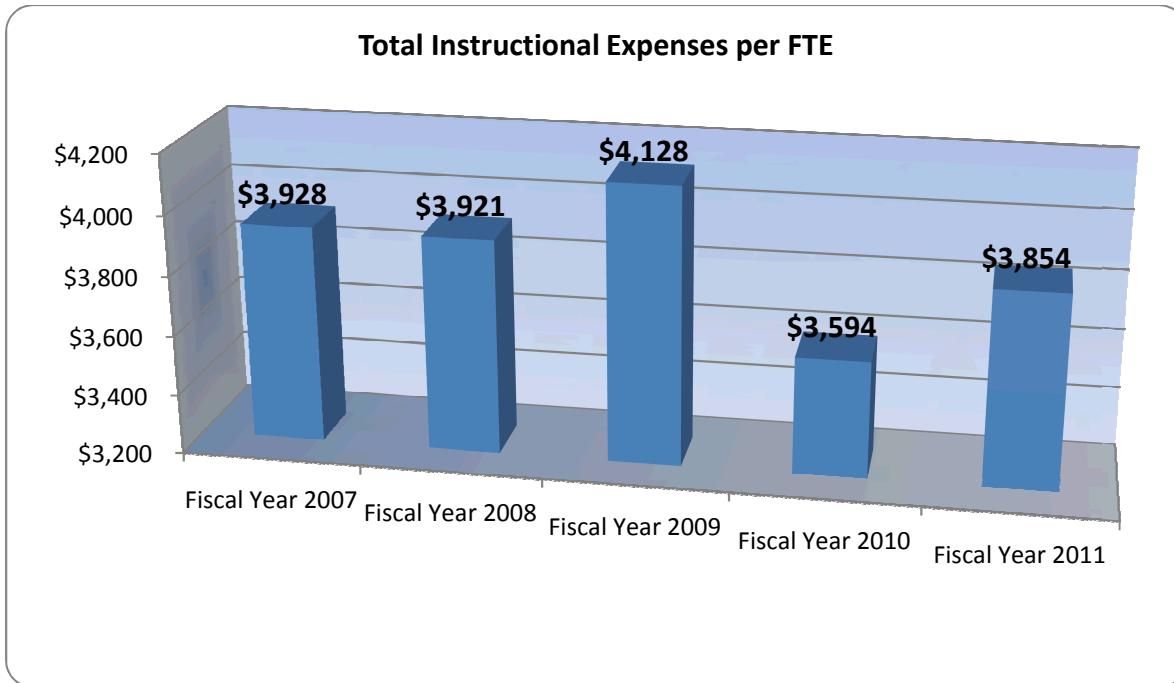


Total operating expenses per annual student FTE increased \$940 or 9.7% for fiscal year 2011, decreased \$651 or 6.3% for fiscal year 2010, increased \$587 or 6.0% for fiscal year 2009.

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2011 and 2010
(Unaudited)

Instructional Expenses per Annual Student FTE

The following is a graphical illustration of total instructional expense per FTE for the years ended June 30:



Total instructional expenses per annual student FTE increased \$260 or 7.2% for fiscal year 2011, decreased \$534 or 12.9% for fiscal year 2010, and increased \$207 or 5.3% for fiscal year 2009.

FACTORS IMPACTING FUTURE PERIODS

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

The economic position of the College is closely tied to that of the State of Ohio. There has been, and will be, a direct relationship between the level of state support and the College's ability to control tuition growth, as declines in state appropriations often result in increased tuition rates. The College joined the Higher Education Compact by promising to not raise tuition rates for fiscal year 2008 and fiscal year 2009 while the State had made an effort to increase subsidy funding. Even though the State of Ohio lifted the tuition freeze in fiscal year 2010, the College decided to freeze tuition for a third year in an effort to assist economically challenged students. The statewide tuition cap was set at 3.5% for fiscal years 2010 and 2011. In fiscal year 2011, the College raised tuition 2.0% effective the summer quarter. For fiscal year 2012, the College raised tuition \$100 per academic year, an approximate 2.3% increase, effective the summer quarter. During fiscal years 2011 and 2010, the College received a portion of its state share of instruction through Federal Stimulus funds appropriated under the American Recovery and Reinvestment Act of 2009, referred to as State Fiscal Stabilization Funds. The State Fiscal Stabilization Funds received by the College for fiscal years 2011 and 2010 represented 14% of total state appropriations received by the College. State Fiscal Stabilization Funds are no longer available beginning with fiscal year 2012. Economic uncertainty continues to challenge the local, state, and national economies. This economic uncertainty makes the future of funding for higher education uncertain. While it is difficult to project when the economy will improve, the College is prepared to manage its financial resources in an effective and efficient manner.

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2011 and 2010
(Unaudited)

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

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

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

<u>Title</u>	<u>Name</u>	<u>Address</u>	<u>Phone</u>
Vice President of Business	Christopher R. Schmidt	4240 Campus Drive, Lima, OH 45804	419-995-8342
Controller	Mark A. Russell	4240 Campus Drive, Lima, OH 45804	419-995-8411

James A. Rhodes State College
Statements of Net Assets
June 30, 2011 and 2010

	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 10,653,211	\$ 9,615,393
Accounts receivable (net of allowance of \$1,601,658 and \$1,243,619 respectively)	6,968,574	4,302,203
Appropriations receivable	66,332	66,332
Prepaid expenses and other current assets	7,502	7,702
 TOTAL CURRENT ASSETS	 17,695,619	 13,991,630
NONCURRENT ASSETS:		
Capital assets, net	30,678,885	29,882,079
 TOTAL NONCURRENT ASSETS	 30,678,885	 29,882,079
 TOTAL ASSETS	 \$ 48,374,504	 \$ 43,873,709
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable, net	\$ 1,761,439	\$ 1,002,278
Current portion of bonds payable	65,000	60,000
Accrued liabilities	1,214,012	1,271,778
Deferred revenue	1,765,010	1,890,187
Compensated absences	41,211	72,814
 TOTAL CURRENT LIABILITIES	 4,846,672	 4,297,057
NONCURRENT LIABILITIES:		
Bonds payable, net of current portion	2,675,385	2,739,956
Compensated absences, net of current portion	850,932	850,716
 TOTAL NONCURRENT LIABILITIES	 3,526,317	 3,590,672
 TOTAL LIABILITIES	 8,372,989	 7,887,729
NET ASSETS:		
Invested in capital assets, net of related debt	27,943,002	27,086,825
Restricted, Expendable	9,051	9,051
Unrestricted	12,049,462	8,890,104
 TOTAL NET ASSETS	 40,001,515	 35,985,980
 TOTAL LIABILITIES AND NET ASSETS	 \$ 48,374,504	 \$ 43,873,709

See accompanying notes to the financial statements.

James A. Rhodes State College Foundation
 Statements of Financial Position
 June 30, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 434,323	\$ 300,156
Investments	1,594,701	1,288,598
Pledges receivable	22,854	57,236
Accounts receivable	308	82,809
Accrued interest receivable	0	9
Loans receivable	19,838	74,025
TOTAL ASSETS	\$ 2,072,024	\$ 1,802,833
LIABILITIES		
Accounts payable	\$ 49,913	\$ 66,485
TOTAL LIABILITIES	49,913	66,485
NET ASSETS		
Unrestricted	366,966	348,156
Temporarily restricted	506,964	276,924
Permanently restricted	1,148,181	1,111,268
TOTAL NET ASSETS	2,022,111	1,736,348
TOTAL LIABILITIES AND NET ASSETS	\$ 2,072,024	\$ 1,802,833

See accompanying notes to the basic financial statements.

James A. Rhodes State College
 Statements of Revenues, Expenses, and Changes in Net Assets
 For the Years Ended June 30, 2011 and 2010

	2011	2010
REVENUES		
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of \$5,561,816 and \$5,197,625 respectively)	\$ 10,326,069	\$ 9,795,099
Federal grants and contracts	1,811,440	1,727,568
State and local grants and contracts	641,443	550,414
Nongovernmental grants and contracts	0	16,324
Sales and services	415,683	384,031
Other operating revenues	294,769	350,750
Total operating revenues	13,489,404	12,824,186
 EXPENSES		
Operating Expenses:		
Educational and general:		
Instruction	12,509,465	11,439,346
Public Service	1,526,428	1,778,597
Academic Support	1,497,948	1,650,142
Student Services	2,711,853	2,603,263
Institutional Support	4,665,859	5,033,547
Operation and Maintenance of Plant	2,065,266	1,962,508
Student Aid	6,255,430	4,966,196
Depreciation	1,534,179	1,516,515
Total operating expenses	32,766,428	30,950,114
Operating loss	(19,277,024)	(18,125,928)
 NONOPERATING REVENUES (EXPENSES)		
State appropriations	9,214,913	9,153,595
Federal student grants	10,808,194	9,417,744
Federal stimulus SSI	1,576,188	1,533,797
Capital grants	1,847,570	0
Investment income (net of investment expense)	4,430	4,802
Interest on capital asset-related debt	(158,736)	(161,256)
Net Nonoperating Revenues	23,292,559	19,948,682
 Increase in net assets	4,015,535	1,822,754
 NET ASSETS		
Net Assets, July 1	35,985,980	34,163,226
Net Assets, June 30	\$ 40,001,515	\$ 35,985,980

See accompanying notes to the financial statements.

James A. Rhodes State College Foundation
 Statements of Activities
 For the Years Ended June 30, 2011 and 2010

	For the Year Ended June 30, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 746	\$ 24,200	\$ 36,913	\$ 61,859
Interest and dividends	3,962	28,770	0	32,732
Realized gain on investments	4,058	46,779	0	50,837
Unrealized gain on investments	20,410	237,098	0	257,508
Total Revenues	<u>29,176</u>	<u>336,847</u>	<u>36,913</u>	<u>402,936</u>
Loss on pledges and loans receivable	0	(46,290)	0	(46,290)
Assets released from restrictions and transfers	60,517	(60,517)	0	0
Total Revenues, Gains and Other Support	<u>89,693</u>	<u>230,040</u>	<u>36,913</u>	<u>356,646</u>
EXPENSES				
Management and general	8,365	0	0	8,365
Fundraising	5,305	0	0	5,305
Academic programs	7,960	0	0	7,960
Scholarships/Grants	49,253	0	0	49,253
Total Expenses	<u>70,883</u>	<u>0</u>	<u>0</u>	<u>70,883</u>
Increase in net assets	<u>18,810</u>	<u>230,040</u>	<u>36,913</u>	<u>285,763</u>
NET ASSETS				
Net Assets - July 1, 2010	<u>348,156</u>	<u>276,924</u>	<u>1,111,268</u>	<u>1,736,348</u>
Net Assets - June 30, 2011	<u>\$ 366,966</u>	<u>\$ 506,964</u>	<u>\$ 1,148,181</u>	<u>\$ 2,022,111</u>
For the Year Ended June 30, 2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 2,098	\$ 17,932	\$ 42,406	\$ 62,436
Interest and dividends	2,833	27,825	0	30,658
Realized gain on investments	738	11,508	0	12,246
Unrealized gain on investments	5,796	51,974	0	57,770
Total Revenues	<u>11,465</u>	<u>109,239</u>	<u>42,406</u>	<u>163,110</u>
Assets released from restrictions and transfers	925,617	(925,617)	0	0
Total Revenues, Gains and Other Support	<u>937,082</u>	<u>(816,378)</u>	<u>42,406</u>	<u>163,110</u>
EXPENSES				
Management and general	15,828	0	0	15,828
Fundraising	5,805	0	0	5,805
Academic programs	872,628	0	0	872,628
Scholarships/Grants	47,184	0	0	47,184
Total Expenses	<u>941,445</u>	<u>0</u>	<u>0</u>	<u>941,445</u>
Increase (decrease) in net assets	<u>(4,363)</u>	<u>(816,378)</u>	<u>42,406</u>	<u>(778,335)</u>
NET ASSETS				
Net Assets - July 1, 2009	<u>352,519</u>	<u>1,093,302</u>	<u>1,068,862</u>	<u>2,514,683</u>
Net Assets - June 30, 2010	<u>\$ 348,156</u>	<u>\$ 276,924</u>	<u>\$ 1,111,268</u>	<u>\$ 1,736,348</u>

See accompanying notes to the financial statements.

James A. Rhodes State College
Statements of Cash Flows
For the Years Ended June 30, 2011 and 2010

CASH FLOWS FROM OPERATING ACTIVITIES	2011	2010
Tuition and fees	\$ 8,853,178	\$ 9,508,947
Grants and contracts	1,144,390	1,728,548
Payments to suppliers	(4,606,623)	(4,926,750)
Payments for utilities	(1,035,643)	(956,547)
Payments to employees	(15,067,357)	(14,752,428)
Payments for benefits	(3,961,206)	(3,490,986)
Payments for student aid	(5,891,413)	(4,966,196)
Sales and services	419,406	442,167
Other receipts	259,563	276,928
Net cash used for operating activities	<u>(19,885,705)</u>	<u>(17,136,317)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	9,214,913	9,153,595
Federal student grants	10,808,194	9,417,744
Federal Stimulus SSI	1,576,188	1,533,797
Gifts and grants for other than capital purposes	21,319	317,254
Student loan receipts	15,901,960	14,974,240
Student loan disbursements	(15,901,960)	(14,974,240)
Net cash provided by noncapital activities	<u>21,620,614</u>	<u>20,422,390</u>
 CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital appropriations	0	1,123,167
Capital grants	1,847,570	0
Principal paid on bonds payable	(60,000)	(60,000)
Interest paid on bonds payable	(158,106)	(160,626)
Purchases of capital assets	(2,330,985)	(1,257,056)
Net cash used for financing activities	<u>(701,521)</u>	<u>(354,515)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	4,430	4,802
Net cash provided by investing activities	<u>4,430</u>	<u>4,802</u>
 NET INCREASE IN CASH	<u>1,037,818</u>	<u>2,936,360</u>
 CASH AND CASH EQUIVALENTS, Beginning of Year	<u>9,615,393</u>	<u>6,679,033</u>
 CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 10,653,211</u>	<u>\$ 9,615,393</u>
 RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (19,277,024)	\$ (18,125,928)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense	1,534,179	1,516,515
Changes in assets and liabilities:		
Increase in accounts receivable, net	(2,687,691)	(1,238,489)
Decrease in accounts payable, net	759,161	83,868
(Increase)/Decrease in accrued liabilities	(57,766)	208,967
(Increase)/Decrease in deferred revenue	(125,177)	370,893
(Increase)/Decrease in compensated absences	(31,387)	47,857
Net cash used for operating activities	<u>\$ (19,885,705)</u>	<u>\$ (17,136,317)</u>

See accompanying notes to the financial statements.

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 1 – Summary of Significant Accounting Policies

A. Reporting Entity

James A. Rhodes State College (the “College”) is a public, state-assisted institution of higher education. The College was chartered by the Ohio Board of Regents in 1971 as a political subdivision in accordance with the provisions of Chapter 3357 of the Ohio Revised Code. The College was originally called Allen County Technical Institute. In June 2002, the College officially changed its name to James A. Rhodes State College. The College is not a component unit of the State of Ohio, and therefore, is not included in its Comprehensive Annual Financial Report (CAFR).

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

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

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

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

The component unit financial statements identify the financial data of the College’s component unit, James A. Rhodes State College Foundation (the “Foundation”). The Foundation is a legally separate, not-for-profit organization incorporated and operated exclusively for the benefit of the College. It is presented as a discrete component unit in the accompanying financial statements in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an Amendment of GASB Statement No. 14*. During the fiscal year ended June 30, 2011 the Foundation distributed \$49,253 for scholarships and \$7,960 for College instructional programs. During the fiscal year ended June 30, 2010, the Foundation distributed \$47,184 for scholarships and \$172,236 for College instructional programs. Complete financial statements for the Foundation may be obtained from the Office of Institutional Advancement at 4240 Campus Drive, Lima, OH 45804.

B. Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) as prescribed by the Governmental Accounting Standards Board (GASB). The College follows the “business-type activities” reporting requirements of GASB Statement No. 35. The financial statement presentation required by GASB Statement No. 35 is intended to provide a comprehensive, entity-wide perspective of the College’s assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 1 – Summary of Significant Accounting Policies - continued

The College follows all GASB pronouncements as well as Financial Accounting Standards Board (“FASB”) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, and has elected not to apply the FASB Statements and Interpretations issued after November 30, 1989, to its combined financial statements in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

C. Basis of Accounting

The accompanying financial statements have been prepared by the College as a special-purpose government entity engaged in business type activities. For purposes of financial reporting, GASB Statement No. 35 defines business type activities as those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, these financial statements have been presented using the economic resources measurement focus and on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange transactions are recognized when the exchange takes place. Interfund receivables and payables have been eliminated in the Statement of Net Assets.

D. Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents represent undeposited cash, cash on deposit in banks, and cash invested in STAR Ohio. STAR Ohio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. The investment objectives of STAR Ohio are the preservation of capital, the maintenance of liquidity, and providing current income. STAR Ohio is similar in concept to a registered investment company investing in redeemable securities, commonly called a “money market mutual fund.” STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. As of June 30, 2011, STAR Ohio held federal agency debentures and discount notes, commercial paper, bank deposits, and money market funds. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on the balance sheet date.

E. Investments

The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets. The College had no assets characterized as investments as of June 30, 2011 and 2010.

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 1 – Summary of Significant Accounting Policies - continued

F. Accounts Receivable

Accounts receivable consists of tuition and fee charges to students. 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. Accounts receivable are recorded net of estimated uncollectible amounts.

G. Appropriations Receivable

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

H. Capital Assets

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

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

I. Deferred Revenue

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

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 1 – Summary of Significant Accounting Policies - continued

J. Compensated Absences

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

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

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

Regular full-time College employees are entitled to accrue vacation leave at varying rates depending on level of responsibility in the position and years of service, prorated accordingly in the case of part-time employees. Employees may accumulate vacation leave up to a maximum of 240 hours (30 days). Any vacation leave in excess of 240 hours (30 days) as of July 1 of each year is eliminated from the vacation leave balance. In the case of termination from the College, unused vacation leave up to 240 hours (30 days) will be paid to the employee, or to the next of kin or estate in the case of death. The College calculates the compensated absences liability based on the unused vacation balances up to a maximum accrual of 240 hours (30 days).

K. Net Asset Classification

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

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

Restricted, Expendable – Net assets whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

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

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 1 – Summary of Significant Accounting Policies - continued

L. Operating Revenues and Expenses

The College presents its revenues and expenses as operating or non-operating based on recognition definitions per GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trusts Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include all charges to customers, grants received for student financial assistance, and interest earned on loans. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the college. Revenues from non-exchange transactions and state appropriations that represent subsidies or gifts to the College, as well as investment income, are considered non-operating since these are investing, capital, or noncapital financial activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor non-operating activities and are presented after non-operating activities on the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The College had no revenues for capital financing activities for the fiscal year ended June 30, 2011.

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

M. Scholarship Allowances

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

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

N. Budgetary Process

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

O. Use of Estimates

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

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 1 – Summary of Significant Accounting Policies - continued

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

Cash and Cash Equivalents

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

The Foundation maintains cash balances at one institution. Cash maintained in non-interest bearing accounts at a bank are fully insured by the Federal Deposit Insurance Corporation (FDIC). Cash maintained in interest-bearing accounts at a bank are insured up to \$250,000. At June 30, 2011 and 2010, all cash balances maintained by the Foundation were fully insured by the FDIC.

Use of Estimates

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

Subsequent Events

The Foundation has evaluated subsequent events through December 15, 2011, the date of this report, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued and noted no subsequent events which required disclosure.

NOTE 2 – Deposits and Investments

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

The College’s investment policy is governed by State statutes and authorizes the College to invest in securities of the U.S. government or one of its agencies or instrumentalities; the Treasurer of State’s pooled investment program (STAR Ohio); obligations of this State or any of its political subdivisions; certificates of deposit of any national bank located in Ohio; written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system or federal home loan bank; money market funds; bankers acceptances which are eligible for repurchase by the federal reserve system; other equity mutual fund investments; and various fixed income investments.

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

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 2 – Deposits and Investments - continued

Cash on Hand

At June 30, 2011 and 2010, the College had \$6,132 and \$4,336, respectively, in undeposited cash on hand which is reported as part of cash and cash equivalents on the Statement of Net Assets.

Deposits

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

As of June 30, 2011 and 2010 College’s bank balance of \$8,027,778 and \$5,767,904, respectively, were either covered by FDIC or collateralized by the financial institution’s public entity deposit pool in the manner described above.

The following summarizes the value of investments at June 30:

	2011	2010
STAR Ohio	\$ 4,113,336	\$ 4,108,907
Total Investments	\$ 4,113,336	\$ 4,108,907

Credit Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. For fiscal years 2011 and 2010, the College had 100% of its investments in STAR Ohio.

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 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. Of the bank balances, \$500,000 was insured by the FDIC for fiscal year 2011 and 2010, respectively. For both years, the remaining amounts were not exposed to custodial credit risk because it was secured by pledges of pooled collateral held by the banks trust department.

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 2 – Deposits and Investments – continued

James A. Rhodes State College Foundation

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

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

Investments at June 30, 2010, by major security type, were as follows:

<u>Description</u>	<u>Cost</u>	<u>Market Value</u>
Corporate Bonds	\$ 76,513	\$ 76,308
Bond Funds	268,092	305,496
Common Stock	550,036	550,272
Equity Funds	259,245	356,522
Total Investments	<u>\$ 1,153,886</u>	<u>\$ 1,288,598</u>

Risk and Uncertainties

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

NOTE 3 – Accounts Receivable

The following is a summary of the accounts receivable as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Tuition and fees	\$ 5,828,150	\$ 4,112,495
Less allowance for uncollectible accounts	(1,601,658)	(1,243,619)
Net tuition and fees	4,226,492	2,868,876
Governmental	2,501,983	1,206,062
Other	240,099	227,265
Accounts Receivable, net	<u>\$ 6,968,574</u>	<u>\$ 4,302,203</u>

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 3 – Accounts Receivable – continued

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

NOTE 4 – Capital Assets

Capital asset activity for the years ended June 30, 2011 and 2010 was as follows:

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

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 4 – Capital Assets - continued

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Sales and Other Dispositions</u>	<u>June 30, 2010</u>
Depreciable capital assets:				
Land Improvements	\$ 429,579	\$ 746,667	\$ 0	\$ 1,176,246
Infrastructure	141,383	0	0	141,383
Buildings & Improvements	33,598,770	0	0	33,598,770
Moveable Equipment	6,616,998	461,073	18,365	7,059,706
Library Books	1,044,705	49,316	0	1,094,021
Total depreciable assets	<u>41,831,435</u>	<u>1,257,056</u>	<u>18,365</u>	<u>43,070,126</u>
Less Accumulated Depreciation:				
Land Improvements	181,594	65,216	0	246,810
Infrastructure	76,794	5,870	0	82,664
Buildings & Improvements	7,603,618	952,687	0	8,556,305
Moveable Equipment	3,006,803	447,239	18,365	3,435,677
Library Books	821,088	45,503	0	866,591
Total accumulated depreciation	<u>11,689,897</u>	<u>1,516,515</u>	<u>18,365</u>	<u>13,188,047</u>
Total capital assets, net	<u>\$ 30,141,538</u>	<u>\$ (259,459)</u>	<u>\$ 0</u>	<u>\$ 29,882,079</u>

During fiscal year 2011, the College incurred \$193,090 in construction in progress expenditures related to the construction of an addition on the JJC Engineering Technology Building and a potential future expansion of the College to downtown Lima, Ohio.

NOTE 5 – Accrued Liabilities

Accrued liabilities consist of the following at of June 30:

	<u>2011</u>	<u>2010</u>
Accrued wages	\$ 856,628	\$ 780,252
Accrued benefits payable	357,384	491,526
Total	<u>\$ 1,214,012</u>	<u>\$ 1,271,778</u>

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 6 – Long-Term Obligations

Changes in long-term obligations of the College during fiscal years 2011 and 2010 were as follows:

	<u>Principal Outstanding June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2011</u>	<u>Amount Due Within 1 Year</u>
Special Obligation Bonds:					
Series 2003 Variable Rate Bonds 4.200% to 5.875%	\$ 2,810,000	\$ 0	\$ (60,000)	\$ 2,750,000	\$ 65,000
Discount on Bonds	(10,044)	0	429	(9,615)	0
Total Special Obligation Bonds	<u>2,799,956</u>	<u>0</u>	<u>(59,571)</u>	<u>2,740,385</u>	<u>65,000</u>
Other Long-Term Obligations:					
Compensated Absences	<u>923,530</u>	<u>41,427</u>	<u>(72,814)</u>	<u>892,143</u>	<u>41,211</u>
Total Other Long-Term Obligations	<u>923,530</u>	<u>41,427</u>	<u>(72,814)</u>	<u>892,143</u>	<u>41,211</u>
Total Long-Term Obligations	<u>\$ 3,723,486</u>	<u>\$ 41,427</u>	<u>\$ (132,385)</u>	<u>\$ 3,632,528</u>	<u>\$106,211</u>
	<u>Principal Outstanding June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2010</u>	<u>Amount Due Within 1 Year</u>
Special Obligation Bonds:					
Series 2003 Variable Rate Bonds 4.200% to 5.875%	\$ 2,870,000	\$ 0	\$ (60,000)	\$ 2,810,000	\$ 60,000
Discount on Bonds	(10,473)	0	429	(10,044)	0
Total Special Obligation Bonds	<u>2,859,527</u>	<u>0</u>	<u>(59,571)</u>	<u>2,799,956</u>	<u>60,000</u>
Other Long-Term Obligations:					
Compensated Absences	<u>875,673</u>	<u>123,232</u>	<u>(75,375)</u>	<u>923,530</u>	<u>72,814</u>
Total Other Long-Term Obligations	<u>875,673</u>	<u>123,232</u>	<u>(75,375)</u>	<u>923,530</u>	<u>72,814</u>
Total Long-Term Obligations	<u>\$ 3,735,200</u>	<u>\$ 123,232</u>	<u>\$ (134,946)</u>	<u>\$ 3,723,486</u>	<u>\$132,814</u>

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

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 6 – Long-Term Obligations – continued

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 65,000	\$ 155,691	\$ 220,691
2013	65,000	152,961	217,961
2014	70,000	150,126	220,126
2015	70,000	146,644	216,644
2016	75,000	142,475	217,475
2017-2021	450,000	639,781	1,089,781
2022-2026	585,000	491,547	1,076,547
2027-2031	780,000	293,163	1,073,163
2032-2034	590,000	53,463	643,463
Total	<u>\$ 2,750,000</u>	<u>\$ 2,225,851</u>	<u>\$ 4,975,851</u>

In connection with the bonds described above, the College has pledged general receipts, net of State Foundation receipts, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The bonds are payable, through their final maturities as listed above, solely from these revenues pledged. Total principal and interest remaining to be paid on these bonds is \$4,975,851 at June 30, 2011 and \$5,194,167 at June 30, 2010.

Annual principal and interest payments on the revenue bonds are expected to be approximately 2% of the annual general revenues of the College. Principal and interest paid in 2011 totaled \$218,316 and \$221,256 paid in 2010. Total general revenues for 2011 were \$11,036,521 and \$10,529,883 for 2010.

NOTE 7 – Lease Commitments

The College has entered into leases for duplicating equipment on a monthly basis. Future minimum rental payments under these operating leases with remaining terms in excess of one year as of June 30, 2011 are as follows:

	<u>2011</u>
2012	\$ 89,660
2013	89,660
2014	84,055
Total	<u>\$ 263,375</u>

Operating lease expenditures for the years ended June 30, 2011 and 2010 were \$89,660 and \$93,340, respectively.

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 8 - State Support

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

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

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

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

NOTE 9 – Defined Benefit Pension Plans

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

A. State Teachers Retirement System

The College participates in the State Teachers Retirement System of Ohio, a cost-sharing, multiple employer public employee retirement plan. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 9 – Defined Benefit Pension Plans - continued

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Ohio Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years, and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

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

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 9 – Defined Benefit Pension Plans – continued

Combined Plan Benefits

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

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

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

Benefits are increased annually by 3 percent of the original base amount for DB Plan participants. The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, were 10 percent of covered payroll for members and 14 percent for employers. The College's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,201,511, \$1,181,213, and \$1,073,508, respectively; 90.7 percent has been contributed for fiscal years 2011 and 100 percent has been contributed for fiscal years 2010 and 2009. Contributions to the DC and Combined plans for fiscal year 2011 were \$72,641 made by the College and \$51,887 made by plan members. Contributions to the DC and Combined plans for fiscal year 2010 were \$71,212 made by the College and \$50,866 made by the plan members.

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 9 – Defined Benefit Pension Plans – continued

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2010 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

B. Ohio Public Employees Retirement System

Plan Description – The College participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the state and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the fiscal years ended June 30, 2011 and 2010, the contribution rate for members in the state and local classification remained 10 percent.

The College's contribution rate for members in state and local classifications for the fiscal years ended June 30, 2011 and 2010 was 14.0 percent. State statute sets a maximum contribution rate for the College of 14 percent. The College's required contributions for pension obligations for the fiscal years ended June 30, 2011, 2010, and 2009 were \$629,892, \$623,284, and \$577,279 respectively; 92.0 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for fiscal years 2010 and 2009. Contributions to the Member-Directed and Combined plans for fiscal year 2011 were \$50,381 made by the College and \$35,986 made by the plan members. Contributions to the Member-Directed and Combined plans for fiscal year 2010 were \$47,992 made by the College and \$34,280 made by the plan members.

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 9 – Defined Benefit Pension Plans – continued

C. Alternative Retirement Plan

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the fiscal years ended June 30, 2011 and 2010, contributions equal to those required by STRS Ohio and OPERS are required to be made to the ARP; however, a portion (which may be revised pursuant to periodic actuarial studies) of the employer contribution must be contributed to STRS Ohio or OPERS to enhance the stability of those plans. The College’s required contributions for pension obligations to the plan for the fiscal years ended June 30, 2011 and 2010 were \$88,060 and \$66,363, respectively; 92.5 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for fiscal year 2010.

NOTE 10 – Postemployment Benefits

A. State Teachers Retirement System

Plan Description

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

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the DB or Combined Plans. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums.

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 10 – Postemployment Benefits – continued

Pursuant to Chapter 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

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

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009, and 2008. The 14 percent employer contribution rate is the maximum rate established under Ohio law. The College's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$85,823, \$84,372, and \$76,679 respectively; 90.7 percent has been contributed for fiscal years 2011 and 100 percent has been contributed for fiscal years 2010 and 2009.

B. Ohio Public Employees Retirement System

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

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 10 – Postemployment Benefits – continued

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. Effective January 1, 2007 and January 1, 2008, the College’s contribution rate for members in state and local classifications was 13.85 percent and 14.0 percent respectively. The College’s contribution rate for members in state and local classifications for the fiscal years ended June 30, 2011 and 2010 remained 14.0 percent. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 6.00 percent of covered payroll from July 1 through December 31, 2007 and 7.00 percent of covered payroll from January 1, 2008 until March 31, 2009. The rate changed to 5.5 percent of covered payroll beginning April 1, 2009.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The College’s contributions allocated to fund post-employment health care benefits for the fiscal years ended June 30, 2011, 2010, and 2009 were \$31,495, \$31,164, and \$28,864, respectively; 92.0 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for fiscal years 2010 and 2009.

NOTE 11 – Risk Management

Property and Liability

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of property; errors and omissions; injuries to third parties; automobile damage; and commercial crime. As a risk transfer technique, the College contracted with various insurance underwriters in fiscal years 2011 and 2010 for specific types of insurance. Insurance policies in place during fiscal year 2011 include the following:

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

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.

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 12 - Cost Share Agreement

According to the cost sharing agreement entered into as of July 1, 1971 between The Ohio State University-Lima Campus (the “University”) and the College, the College reimburses the University for costs incurred in the following areas: academic instruction, library, student services, student activities, institutional support, plant operation and community educational services. The College and the University incur ongoing expenses that approximate each institution’s share of the total expense. At the end of each fiscal year, both institutions complete summaries of their actual incurred expenses and a payment is then made to the University or College based on estimated costs using formulas as prescribed in the cost sharing agreement. The total cost of shared operations, net of shared income, was estimated at \$4,100,000 for the year ended June 30, 2011 and was \$3,787,992 for the year ended June 30, 2010. A majority of the expenses incurred were for plant operations. Based upon the various formulas, the College’s share was 65% of the total expenses, net of total shared income, for both fiscal years ending June 30, 2011 and 2010. At June 30, 2011, the College estimated that it owed the University \$211,800 and had issued a payment of \$103,109 for the year ended June 30, 2010. The estimated cost share liability for the College is included in accounts payable, net on the statement of net assets.

NOTE 13 – Operating Expenses by Natural Classification

The College’s operating expenses by natural classification were as follows for the years ended June 30, 2011 and 2010:

	2011	2010
Salaries and wages	\$ 15,111,413	\$ 14,809,226
Employee benefits	3,825,707	3,676,219
Supplies	1,664,162	1,808,098
Travel	517,692	458,705
Information and communication	734,971	845,972
Maintenance	1,373,746	1,001,205
Utilities	1,035,643	956,547
Student scholarships and financial aid	5,891,412	4,966,196
Other	1,077,503	911,431
Depreciation	1,534,179	1,516,515
Total operating expenses	<u>\$ 32,766,428</u>	<u>\$ 30,950,114</u>

NOTE 14 – Contingencies

The College received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the College. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 2011.

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 15 – Federal Stimulus State Share of Instruction

The College received a portion of its state share of instruction through the Ohio Board of Regents (OBR) by Federal Stimulus funds appropriated under the American Recovery and Reinvestment Act of 2009, titled State Fiscal Stabilization Funds. This amounted to \$1,576,188 or 14% of the total funding through OBR. These funds were used to support college program salaries.

NOTE 16 – James A. Rhodes State College Foundation - Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets are available for the following purposes:

	2011	2010
Gifts and other donations available for:		
Schell Foundation Loan Fund	\$ 41,711	\$ 88,002
Instructional programs	107,124	86,300
Scholarships	358,129	102,622
Total gifts and other donations	\$ 506,964	\$ 276,924

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

Instructional Programs	\$ 7,901
Scholarships	52,616
Total	\$ 60,517

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

Permanently restricted net assets are available for the following purposes:

	2011	2010
Scholarships	\$ 1,148,181	\$ 1,111,268
Total	\$ 1,148,181	\$ 1,111,268

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 17 – James A. Rhodes State College Foundation – Fair Value of Pledges Receivable

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

	2011	2010
Receivable in less than one year	\$ 22,854	\$ 57,236
Receivable in one to five years	0	0
Net Present Value of Pledges Receivable	\$ 22,854	\$ 57,236

NOTE 18 – James A. Rhodes State College Foundation - Fair Value Measurements

The following table presents information about the Foundation's assets which are measured at fair value on a recurring basis at June 30, 2011, and the valuation techniques used by the Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets.

Fair values categorized as Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Fair values categorized as Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

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

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 18 – James A. Rhodes State College Foundation - Fair Value Measurements - continued

Disclosures concerning assets measured at fair value are as follows:

Fair Value Measurements at June 30, 2011			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bond fund types:			
Corporate bonds	\$ 0	\$ 74,505	\$ 0
Other bond funds	0	328,386	0
Total – Bond fund types	<u>\$ 0</u>	<u>\$ 402,891</u>	<u>\$ 0</u>
Common stock types:			
Basic materials	\$ 74,825	\$ 0	\$ 0
Communications	43,059	0	0
Consumer	197,881	0	0
Energy	103,469	0	0
Financial	48,017	0	0
Industrial	133,154	0	0
Technology	142,898	0	0
Total – Common stock types	<u>\$ 743,303</u>	<u>\$ 0</u>	<u>\$ 0</u>
Equity fund types:			
Real estate investment trust	\$ 0	\$ 51,400	\$ 0
Commodity funds	0	28,338	0
Gold trust	0	36,500	0
Small cap funds	0	15,271	0
Index funds	0	316,998	0
Total – Equity fund types	<u>\$ 0</u>	<u>\$ 448,507</u>	<u>\$ 0</u>
Total – Investments	<u>\$ 743,303</u>	<u>\$ 851,398</u>	<u>\$ 0</u>

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 18 – James A. Rhodes State College Foundation - Fair Value Measurements - continued

Fair Value Measurements at June 30, 2010			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1) *	Significant Other Observable Inputs (Level 2) *	Significant Unobservable Inputs (Level 3)
Bond fund types:			
Corporate bonds	\$ 0	\$ 76,308	\$ 0
Other bond funds	0	305,496	0
Total – Bond fund types	\$ 0	\$ 381,804	\$ 0
Common stock types:			
Basic materials	\$ 43,381	\$ 0	\$ 0
Communications	15,573	0	0
Consumer	206,440	0	0
Energy	48,531	0	0
Financial	33,103	0	0
Industrial	79,355	0	0
Technology	123,889	0	0
Total – Common stock types	\$ 550,272	\$ 0	\$ 0
Equity fund types:			
Real estate investment trust	\$ 0	\$ 16,125	\$ 0
Commodity funds	0	0	0
Gold trust	0	60,840	0
Small cap funds	0	32,520	0
Index funds	0	247,037	0
Total – Equity fund types	\$ 0	\$ 356,522	\$ 0
Total – Investments	\$ 550,272	\$ 738,326	\$ 0

*Certain reclassifications were made to be consistent with current year reporting. There was no effect on net assets.

NOTE 19 – James A. Rhodes State College Foundation - Endowments

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 19 – James A. Rhodes State College Foundation – Endowments - continued

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the Ohio Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

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

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

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

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

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

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 19 – James A. Rhodes State College Foundation – Endowments - continued

Endowment Net Asset Composition by Type of Fund as of June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ (85,255)	\$ 171,584	\$ 1,102,390	\$ 1,188,719
Total Funds	<u>\$ (85,255)</u>	<u>\$ 171,584</u>	<u>\$ 1,102,390</u>	<u>\$ 1,188,719</u>

Changes in Endowment Net Assets for the Fiscal Year End June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets, beginning of year	\$ (117,341)	\$ 156,737	\$ 1,066,460	\$ 1,105,856
Contributions	6,805	0	35,930	42,735
Investment income	12,580	13,719	0	26,299
Investment expenses	(3,743)	(4,082)	0	(7,825)
Net appreciation (realized and unrealized)	28,365	31,327	0	59,692
Appropriation of endowment assets for expenditures	(11,921)	(26,117)	0	(38,038)
Net Assets, end of year	<u>\$ (85,255)</u>	<u>\$ 171,584</u>	<u>\$ 1,102,390</u>	<u>\$ 1,188,719</u>

Endowment Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. Such amounts totaled \$521 and \$85,375 at June 30, 2011 and 2010 respectively. These deficiencies resulted from unfavorable market fluctuations.

NOTE 20 – James A. Rhodes State College Foundation - Charles E. Schell Foundation Grant Program

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

The minimum loan is \$500 and the maximum loan is \$2,500. Students are to repay these loans at no interest beginning six months after graduation. The Foundation collected \$11,271 and \$4,525 in student repayments in fiscal years 2011 and 2010, respectively.

James A. Rhodes State College
Notes to Financial Statements
June 30, 2011 and 2010

NOTE 21 – James A. Rhodes State College Foundation - Lima Community Foundation

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

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

	2011	2010
John J. and Martha M. Hudson Scholarship Fund	\$ 7,479	\$ 6,485
James J. Countryman Scholarship Fund	38,271	33,186
Thomas R. and Gloria P. Leech Scholarship Fund	14,686	10,510

Scholarship awards made from each of these funds for the fiscal years 2011 and 2010 were as follows:

	2011	2010
James J. Countryman Scholarship Fund	\$ 500	\$ 1,200
Thomas R. and Gloria P. Leech Scholarship Fund	350	400

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

NOTE 22 – James A. Rhodes State College Foundation – Related Party Transactions

During the fiscal year ended June 30, 2011, the Foundation distributed \$49,252 for scholarships and \$7,960 for instructional programs. During the fiscal year ended June 30, 2010 the Foundation distributed \$47,184 for scholarships and \$172,236 for instructional programs.

James A. Rhodes State College
Allen County, Ohio
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Agency or Pass Through Entity Number	Federal CFDA Number	Disbursements
United States Department of Education			
<i>Direct from the Federal Agency</i>			
<i>Student Financial Aid Cluster:</i>			
Federal Work Study Program	NA	84.033	\$143,470
Federal Family Education Loans	NA	84.032	15,901,960
Academic Competitiveness Grant	NA	84.375	201,763
Federal Supplemental Educational Opportunity Grants (FSEOG)	NA	84.007	139,709
Federal Pell Grant Program	NA	84.063	10,808,194
<i>Total Student Financial Aid Cluster</i>			<u>27,195,096</u>
<i>Passed through the Ohio Department of Education</i>			
Vocational Education: Basic Grants to States	CDP-P	84.048	174,256
Tech Prep Education	TP-FB	84.243	160,754
State Fiscal Stabilization Fund - ARRA	N	84.394	1,576,188
Subtotal			<u>1,911,198</u>
Total United States Department of Education			<u>29,106,294</u>
National Science Foundation			
<i>Passed through Moraine Valley Community College</i>			
American Mathematical Association Two Year Colleges	N	47.076	<u>76,873</u>
Total United States Department of Health and Human Services			<u>76,873</u>
United States Department of Labor			
<i>Direct from the Federal Government</i>			
Community Based Job Training Grants	NA	17.269	<u>631,771</u>
Total United States Department of Labor			<u>631,771</u>
United States Department of Health and Human Services			
<i>Passed through Ohio Department of Job and Family Services</i>			
Child Care Development Fund	N	93.575	<u>4,500</u>
Total United States Department of Agriculture			<u>4,500</u>
United States Department of Agriculture			
<i>Passed through Ohio Department of Education</i>			
Child and Adult Food Care Program	N	10.558	<u>26,779</u>
Total United States Department of Agriculture			<u>26,779</u>
United States Department of Commerce - Economic Development Administration			
<i>Passed through City of Lima</i>			
Workforce Development Response Plan and Training Program	N	11.303	<u>26,356</u>
Total United States Department of Commerce			<u>26,356</u>
Small Business Administration			
<i>Passed through Ohio Department of Development</i>			
Small Business Development Center	N	59.037	<u>124,829</u>
Total Small Business Administration			<u>124,829</u>
Total Federal Financial Assistance			<u><u>\$29,997,402</u></u>

NA - Direct from the federal government

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

See accompanying notes to the schedule of federal awards expenditures

James A. Rhodes State College
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2011

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – FAMILY EDUCATION LOANS

During the fiscal year ended June 30, 2011, the College processed new loans under the Guaranteed Student Loan Program. Several banks act as lenders for the College. The amount shown reflects the fiscal year amount that has been certified by the College.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

We have audited the financial statements of the business-type activities and the discretely presented component unit of the James A. Rhodes State College, Allen County, Ohio (the College), as of and for the years ended June 30, 2011 and 2010 which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 15, 2011. 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.

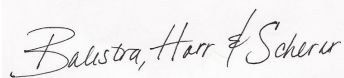
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies 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 the management, the audit committee, members of the Board, federal awarding agencies, others within the College, and pass-through entities. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
December 15, 2011



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Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Compliance

We have audited the compliance of James A. Rhodes State College (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of James A. Rhodes State College's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the College's major federal programs. The College's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, James A. Rhodes State College complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

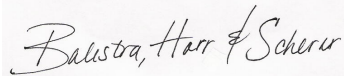
The College's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the College's internal control over compliance.

Board of Trustees
James A. Rhodes State College
Report on Compliance With Requirements Applicable to Each Major Federal Program and on
Internal Control Over Compliance Required by OMB Circular A-133
Page 2

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.
December 15, 2011

James A. Rhodes State College
Schedule of Findings
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2011

1. SUMMARY OF AUDITOR' S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Aid Cluster: Federal Family Education Loans, CFDA # 84.032; Federal Work-Study Program, CFDA# 84.033; Federal Pell Grant Program, CFDA# 84.063; Academic Competitiveness Grant, CFDA# 84.375; Federal Supplemental Education Opportunity Grants, CFDA# 84.007 State Fiscal Stabilization Fund – ARRA CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

James A. Rhodes State College
Schedule of Findings
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2011

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

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

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



Dave Yost • Auditor of State

JAMES A RHODES STATE COLLEGE

ALLEN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 19, 2012**