



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

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments  
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NORTH CENTRAL STATE COLLEGE

RICHLAND COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2012  
Fiscal Year Audited Under GAGAS: 2012





# Dave Yost • Auditor of State

Board of Trustees  
North Central State College  
PO Box 698  
Mansfield, Ohio 44901

We have reviewed the *Independent Accountants' Report* of the North Central State College, Richland County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

December 27, 2012

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**North Central State College**  
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For the Fiscal Year Ended June 30, 2012

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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 Accountants' Report

Members of the Board of Trustees  
North Central State College  
2441 Kenwood Circle  
Mansfield, Ohio 44901

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of North Central State College, Richland County, Ohio (the College), as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit, of North Central State College, Richland County, Ohio, as of June 30, 2012, 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 7, 2012, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
December 7, 2012



**North Central State College**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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The Management's Discussion and Analysis (MD&A) of the financial condition of North Central State College (hereafter referred to as the College) provides an overview of the financial performance for the year ended June 30, 2012. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes.

**Financial Highlights**

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 earned and expenses and liabilities are recognized when an obligation has been incurred, 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. State appropriations are classified as non-operating revenues. The College generated an operating loss. For fiscal year 2012, the College had a decrease in net assets of \$900,041 after including net non-operating revenue. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

An 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 related, non-capital and related, and investing financing activities.

The government-wide financial statements include not only the College itself (known as the primary institution), but also one organization for which the College is financially accountable, which is the North Central State College Foundation. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

**The Statement of Net Assets**

<u>Condensed Financial Information</u>		
<u>Statement of Net Assets</u>		
	<u>2012</u>	<u>2011</u>
Assets		
Current Assets	\$6,757,991	\$6,513,950
Non-current Assets	<u>19,988,657</u>	<u>20,025,886</u>
Total Assets	26,746,648	26,539,836
Liabilities		
Current Liabilities	5,502,912	4,321,055
Non-current Liabilities	<u>607,821</u>	<u>682,825</u>
Total Liabilities	6,110,733	5,003,880
Net Assets		
Invested in Capital Assets	19,199,114	19,233,979
Unrestricted	<u>1,436,801</u>	<u>2,301,977</u>
Total Net Assets	<u>\$20,635,915</u>	<u>\$21,535,956</u>

**North Central State College**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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**Assets**

As of June 30, 2012, the College's total assets amounted to \$26,746,648. Capital assets, net of related depreciation totaled \$19,199,114, represented the College's largest asset, totaling 72 percent of total assets. Student accounts receivable of \$4,459,336 or 17 percent, were the College's second largest asset. Unrestricted cash and cash equivalents totaling \$1,636,907 or 6 percent of total assets represented the next largest asset. Unrestricted cash and cash equivalents decreased \$886,408 from the prior year. This decrease resulted primarily from the reduction in enrollment.

**Liabilities**

At June 30, 2012, the College's liabilities totaled \$6,110,733, comprised of current liabilities of \$5,502,912 and non-current liabilities totaling \$607,821. Deferred revenue represented \$3,979,850 or 65 percent of total liabilities. Total liabilities increased during the year ended June 30, 2012 by \$1,106,853. This increase is mainly attributable to increased in deferred income due to semester enrollment versus quarter enrollment.

**Net Assets**

Unrestricted net assets at June 30, 2012 totaled \$1,436,801 or 7 percent of total net assets. Net assets invested in capital assets, net of related debt totaled \$19,199,114 or 93 percent of total net assets. Total net assets decreased by \$900,041 during the year ended June 30, 2012.

**Net Assets**



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

Condensed Financial Information  
Statement of Revenues, Expenses, and Changes in Net Assets

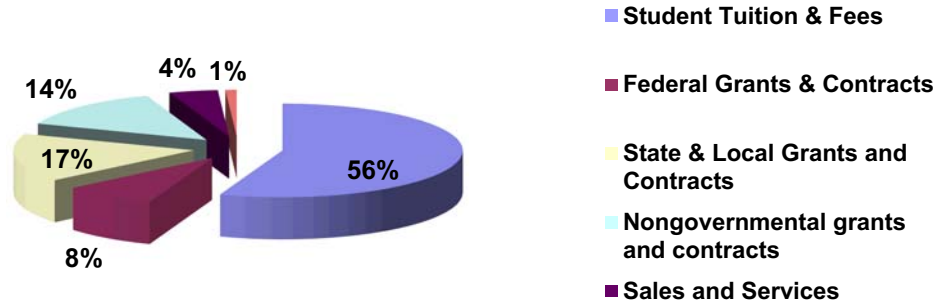
	2012	2011
Total Operating Revenues	\$12,029,179	\$13,593,968
Total Operating Expenses	26,056,937	27,845,663
Operating Loss	(14,027,758)	(14,251,695)
Non-Operating Revenues (Expenses)	13,127,717	15,083,877
Increase (Decrease) in Net Assets	(900,041)	832,182
Net Assets, Beginning of Year	21,535,956	20,703,774
Net Assets, End of Year	20,635,915	21,535,956

**North Central State College**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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**Operating Revenues**

Total operating revenues were \$12,029,179 for the year ended June 30, 2012. The most significant sources of operating revenue for the College are net student tuition and fees, 56 percent, federal grants and contracts, 8 percent, nongovernmental grants and contracts, 14 percent, and state and local grants and contracts, 17 percent. It is important to note that tuition and fees appear net of scholarship allowances of \$3,922,365. Total operating revenues decreased by \$1,564,783 due mainly to the decrease in state and local grants and contracts and non-governmental grants and contracts throughout the year.

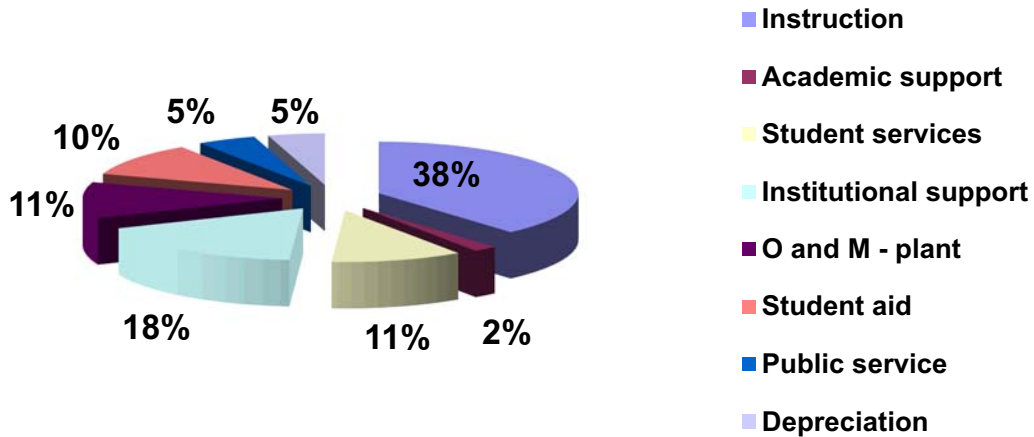


**Non-operating Revenues**

The other significant recurring sources of revenue essential to the operation of the College are state appropriations and some federal grants and contracts, which are considered non-operating revenue. The College's state appropriation for the fiscal year ended June 30, 2012, amounted to \$6,820,280. This represents a decrease of \$929,063 from the College's appropriation for the prior year.

**Operating Expenses**

Operating expenses totaled \$26,056,937. The majority of the College's operating funds are expended directly for the primary mission of the College instruction, 38 percent, academic support, 2 percent, and institutional support, 17 percent. For the year ended June 30, 2012, student aid totaled \$2,752,975 or 11 percent. Operating expenses decreased \$1,788,726 over the prior year due to budget adjustments made midyear to better reflect enrollment.



**North Central State College**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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**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 made by the College during the period. The statement of cash flows also helps financial statement readers assess:

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

Major sources of cash inflows included in operating activities are grants and contracts \$4,662,675 and student tuition and fees \$6,711,240. The largest cash outflows for operating activities were to employees, for wages and benefits, \$16,332,538, for student aid, \$2,782,975, for utilities and maintenance, \$2,300,235 and to suppliers, \$2,160,869.

The largest cash receipts in the non-capital financing activities group are the non-operating appropriation from the State of Ohio, \$6,820,280 and the non operating federal grants and contracts.

**Capital Assets**

Capital assets, net of accumulated depreciation, totaled \$19,199,114 at June 30, 2012, a net decrease of \$34,865 from the prior year-end. Additions to capital assets during the year totaled \$1,163,838 and disposals totaled \$29,863. Depreciation expense for the year ended June 30, 2012 amounted to \$1,198,366. More detailed information about the College's capital assets is presented in note 5 to the financial statements.

**Debt**

As of June 30, 2012, the College had no debt outstanding.

**Factors Impacting Future Periods**

The College currently receives over \$6.8 million or approximately 36% of the total revenues from state appropriations. The State of Ohio's continued economic downturn, financial conditions and shortfall of tax revenues continue to be the most significant issues impacting the College and our ability to provide adequate services. North Central State College continues to support the state's commitment to higher education as a vehicle to address the eroding economic standards, increasing unemployment and the vision of increased access to higher education for every Ohio citizen who wishes to pursue it. This support is reflected in the initiatives set forth in the College's strategic plan and its annual budget development processes.

While the College has continued to experience decreases in enrollment over the past year, current projections indicate this trend is likely to come to an end. A commitment to maintain tuition rates at the lowest levels possible is founded on the idea that increased state subsidy will continue to offset the services needed to support new students. It is a primary goal of North Central State College to be innovative in ways to improve access to quality higher education and workforce and community training for the communities we serve. However, the possibility of reduced state subsidy support continues to be foremost in the minds of College leadership.

**North Central State College**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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**Final Analysis**

North Central State College remains committed to support and work on the 10 year strategic plan outlined for the University System of Ohio while maintaining its leadership in the community, remaining competitive in the market and focusing on providing a quality education for our students.

The College is focused on providing high quality and affordable education and to be the key provider and catalyst for a highly skilled workforce for regional employers. This focus includes providing access to higher education through early college programs, offering affordable transfer opportunities to four year institutions and taking advantage of innovative technology for the delivery of education.

The development of our regional workforce is also important to the strategy of the College. This strategy relies on a continued emphasis on regional partnerships and collaborations with other educational institutions and industries. As the College leads this initiative, it's imperative to work with these partners to leverage strengths to better meet the demands of the communities we serve. North Central State College is poised for success.

**Contacting the College's Financial Management**

This financial report is designed to provide the Ohio Board of Regents, our citizens, taxpayers, investors, and creditors with a general overview of the College's finances and show the College's accountability for the money it received. If you have questions about this report or need additional financial information, contact **Koffi C. Akakpo, Vice President for Business and Administrative Services at 419-755-4702.**

**North Central State College**  
Statement of Net Assets  
As of June 30, 2012

	Primary Institution	Component Unit
<b>ASSETS</b>		
Current Assets		
Cash & Cash Equivalents	\$ 1,636,907	\$ 173,992
Investments	-	3,246,824
Student Accounts Receivable, Net	4,459,336	-
Intergovernmental Receivables	656,686	-
Prepaid expenses & deferred charges	5,062	49,324
Contributions Receivable	-	821,992
Emergency Loan Receivable	-	500
Interest in Assets held by Richland Co Foundation	-	350,000
Total Current Assets	6,757,991	4,642,632
Noncurrent Assets		
Restricted Cash & Cash Equivalents	100	-
Other Receivables	789,443	-
Capital Assets, net	19,199,114	9,753
Total Noncurrent Assets	19,988,657	9,753
Total Assets	26,746,648	4,652,385
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable & Accrued Liabilities	461,856	43,556
Deferred Income	3,979,850	6,990
Accrued Wages	1,061,206	-
Line of Credit	-	384,081
Total Current Liabilities	5,502,912	434,627
Noncurrent Liabilities		
Long-Term Liabilities	607,821	-
Total Noncurrent Liabilities	607,821	-
Total Liabilities	6,110,733	434,627
<b>NET ASSETS</b>		
Investment in Capital Assets	19,199,114	-
Restricted for		
Nonexpendable		
Scholarships	-	2,769,057
Expendable		
Student Grants and Scholarships	-	1,633,812
Unrestricted	1,436,801	(185,111)
Total Net Assets	20,635,915	4,217,758
Total Liabilities & Net Assets	\$ 26,746,648	\$ 4,652,385

See accompanying notes to the basic financial statements.

**North Central State College**  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the Fiscal Year Ended June 30, 2012

	Primary Institution	Component Unit
<b>REVENUES</b>		
Operating Revenues:		
Tuition, Fees and Other Student Charges, Net	\$ 6,690,873	\$ -
Federal Grants and Contracts	1,005,384	-
State and Local Grants and Contracts	2,009,046	-
Nongovernmental Grants and Contracts	1,675,634	-
Sales and Services	526,797	-
Contributions	-	723,905
Fundraising	-	215,298
Other Operating Revenue	121,445	48,887
Total Operating Revenues	12,029,179	988,090
<b>EXPENSES</b>		
Operating Expenses		
Educational and General:		
Instruction	10,043,606	-
Academic Support	496,730	164,226
Student Services	2,772,321	-
Institutional Support	4,587,340	-
Operation and Maintenance of Plant	2,962,266	-
Student Aid and Scholarships	2,752,975	413,317
Public Service	1,243,333	-
Depreciation	1,198,366	-
Other Expenditures	-	1,041,389
Total Operating Expenses	26,056,937	1,618,932
Operating Income (Loss)	(14,027,758)	(630,842)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	6,820,280	-
Federal Grants & Contracts	6,306,591	-
Investment Income, Net	846	3,100
Net Nonoperating Revenues (Expenses)	13,127,717	3,100
Increase (Decrease) in net assets	(900,041)	(627,742)
<b>NET ASSETS</b>		
Net Assets, Beginning of Year (Restated for Component Unit)	21,535,956	4,845,500
Net Assets, End of Year	\$ 20,635,915	\$ 4,217,758

See accompany notes to the basic financial statements.

**North Central State College**  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2012

	Primary Instiution
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	
<i>Cash Flows from Operating Activities:</i>	
Tuition and Fees	\$ 6,711,240
Grants and contracts	4,662,675
Payments to suppliers	(2,160,869)
Payments to employees and for benefits	(16,332,538)
Payments for utilities and maintenance	(2,300,235)
Payments for Student Aid	(2,782,975)
Sales and service of educational activities	526,797
Other receipts (payments)	(1,175,838)
Net cash used by operating activities	(12,851,743)
 <i>Cash Flows from Non-Capital and Related Financing Activities:</i>	
FFEL Loans Received	5,775,365
FFEL Loans Disbursed	(5,775,365)
Federal Grants & Contracts	6,306,591
State appropriations	6,820,280
Net Cash provided by non-capital and related financing activities	13,126,871
 <i>Cash Flows from Capital and Related Financing Activities:</i>	
Purchase of capital assets	(1,163,838)
Net cash used by capital and related financing activities	(1,163,838)
 <i>Cash Flows from Investing Activities:</i>	
Interest on investments	846
Net cash provided by investing activities	846
Net decrease in cash and cash equivalents	(887,864)
Cash and Cash Equivalents, Beginning of Year	2,524,871
Cash and Cash Equivalents, End of Year	\$ 1,637,007
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating Loss	\$ (14,027,758)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation	1,198,366
Loss on Disposal of Assets	337
Change in Assets and Liabilities:	
Receivables, Net	(1,124,479)
Prepaid Expenses	(5,062)
Payables	105,451
Accrued Wages	(41,959)
Deferred Revenue	1,118,365
Compensated absences	(75,004)
Net cash used by operating activities	\$ (12,851,743)

See accompanying notes to the basic financial statements.



**NOTE 1 - DESCRIPTION OF THE ENTITY**

North Central Ohio Technical Institute (the “College”) was chartered in 1969 under provisions of Section 3357 of the Ohio Revised Code. This action of the Ohio Board of Regents and the Secretary of State created the Technical College District in the contiguous counties of Ashland, Crawford, and Richland. In August of 1999, the Board of Trustees changed the name of the College to North Central State College. The College is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The College offers associate degree programs and certificate programs that prepare individuals to be technicians and paraprofessionals in business technologies, engineering technologies, health technologies, and public service technologies. The College also offers noncredit continuing education classes and customized contract-training services to companies and employees in the service area. The College is directed by a Board of Trustees, the members of which are public representatives of Ashland, Crawford and Richland Counties.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14 which was implemented by the College, further clarifies that certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government. The College has determined that the North Central State College Foundation (the “Foundation”) meets this definition and is therefore included as a discretely presented component unit in the College’s financial statements. The Foundation’s financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the FASB. See Note 13 for additional disclosures regarding the Foundation.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the College have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

The more significant of the College’s accounting policies are described below:

- A. *Basis of Presentation* – The College applies GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statement presentation required by GASB Statements No. 34/35 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.
  
- B. *Basis of Accounting* - The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The College reports as a “business type activity” as defined by GASB Statement No. 34. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The full scope of the College’s activities is considered to be a single business type activity and accordingly, is reported within a single column in the basic financial statements.

**North Central State College**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)**

- C. Budgetary Process - The budget is an annual plan for the financial operations of the College that establishes a basis of control and evaluation of activities financed through the current funds of the College. Formal adoption of the budget into the accounting records is not legally mandated and, thus, the College does not integrate the budget into its accounts.
- D. Cash and Investments - For purposes of presentation on the Statement of Net Assets and the Statement of Cash Flows, investments with maturities of three months or less at the time they are purchased are considered to be cash equivalents. During fiscal year 2012, investments were limited to STAR Ohio. These investments are reported as cash equivalents on the Statement of Net Assets. Investments are reported at fair value which is based on quoted market prices.
- E. Accounts Receivable - Receivables at June 30, 2012, consist primarily of student tuition and fees, and grants due from other agencies. Student tuition and fees are reported net using the direct write-off method.
- F. Capital Assets - Donated land, buildings, improvements, and equipment are capitalized at estimated fair market value on the date of the gift. The College capitalizes assets other than land and building improvements that have a value or cost in excess of \$2,500 and an expected useful life of one or more years. Land and building improvements that significantly increase the value or useful life of the asset of more than \$12,500 and \$25,000, respectively, are also capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost. Infrastructure assets, consisting of sidewalks, parking lots, lighting systems and signage, are capitalized and reported. Capital assets, with the exception of land, are depreciated using the straight-line method and full-month convention over the following useful lives:

Land Improvements	20-30 years
Buildings	40 years
Building Improvements	7-30 years
Equipment	5-20 years
Vehicles	5-10 years
Infrastructure	25 years
Leasehold Improvements	7-30 years

- G. Noncurrent Long-Term Liabilities - Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.
- H. Deferred Income - 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.
- I. 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.

Other compensated absences with characteristics similar to vacation leave are those which are not contingent on a specific event outside the control of the employer and employee. Further, sick leave and other similar compensated absences are those which are contingent on a specific event that is outside the control of the employer and employee. The College has accrued a liability for these compensated absences using the termination method when the following criteria are met:

**NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)**

*I. Compensated Absences (Continued)*

1. The benefits are earned by the employees and it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' retirement ("termination payments").
2. The sick leave liability has been based on the College's past experience of making termination payments for sick leave.

*J. Operating and Non-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, 2012.

*K. Scholarship Allowances*

Student tuition and fees revenue is reported net of scholarship allowances in the accompanying Statement 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.

*L. Net Assets*

The College's net assets are classified as follows:

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

*Unrestricted* – Net assets whose use by the College is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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

**North Central State College**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

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**NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)**

N. *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 footnotes. Actual results could differ from those estimates.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

A. *Policies and Practices* - It is the responsibility of the Business and Finance Department to deposit and invest the College's idle funds. The College's practice is to limit investments to United States Treasury notes and bills, collateralized certificates of deposit and repurchase agreements, insured and/or collateralized demand deposit accounts or obligations of other United States agencies for which the principal and interest is guaranteed by the United States Government. The College does not enter into reverse repurchase agreements. The investment and deposit of College monies is governed by the Ohio Revised Code. Investment of the College's monies is restricted to certificates of deposit, savings accounts, money market accounts and the State Treasurer's Investment Pool (STAR Ohio), obligations of the United States Government or certain agencies thereof and certain industrial revenue bonds issued by other governmental entities.

The College may also enter into repurchase agreements with any eligible depository for a period not exceeding thirty days. Public depositories must give security for all public funds on deposit. These institutions may specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. State law does not require security for the public deposits and investments to be maintained in the College's name.

B. *Cash on Hand* - At June 30, 2012, the College had \$1,800 in un-deposited cash on hand which is reported as part of cash and cash equivalents on the Statement of Net Assets.

C. *Deposits* - Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The College's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2012, the College's bank balance of \$591,799 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

D. *Investments* - The State Treasurer's Investment Pool (STAR Ohio) is authorized as an investment under both the College's policy and the Ohio Revised Code.

As of June 30, 2012, the primary government had the following investment (based on quoted market prices) and maturity (in years):

Investment Type	Fair Value	Less than 1	Percent of Portfolio
STAR Ohio	\$1,666,532	\$1,666,532	100%

*Interest rate risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's policy is to invest in allowable investments per the Ohio Revised Code. The Ohio Revised Code limits the purchase of securities to those with a maturity of no more than five years from the date of purchase unless matched to a specific obligation or debt of the College. The College's investment policy also allows the entering into a repurchase agreement with any eligible depository for a period not exceeding thirty days.

**North Central State College**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

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**NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)**

*Credit risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Ohio Revised Code limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations at the time of purchase. Standard & Poor's has assigned STAR Ohio a rating of AAAm.

*Concentration of credit risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College does not have an investment policy that provides for diversification to avoid concentration in securities of one type or securities of one financial institution. 100% has been invested 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 the possession of an outside party. The College is not exposed to custodial credit risk for its investments.

**NOTE 4 - RECEIVABLES**

Receivables as of June 30, 2012 are summarized as follows:

	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable	Deferred Income
Student Accounts	\$4,638,678	\$179,342	\$4,459,336	\$3,934,850
Intergovernmental	656,686	0	656,686	0
Grants	0	0	0	45,000
Other	789,443	0	789,443	0
Total Receivables	<u>6,084,807</u>	<u>\$179,342</u>	<u>\$5,905,465</u>	<u>\$3,979,850</u>

**North Central State College**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

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**NOTE 5 - CAPITAL ASSETS**

**Capital assets as of June 30, 2012 are summarized as follows:**

Cost	Balance 07/01/2011	Additions	Deletions	Balance 06/30/2012
<u>Non-Depreciable Assets</u>				
Land	\$225,629	\$0	\$0	\$225,629
Construction in Progress	1,208,212	922,057	(1,821,144)	309,125
<b>Total Non-Depreciable Assets</b>	<b>1,433,841</b>	<b>922,057</b>	<b>(1,821,144)</b>	<b>534,754</b>
<u>Depreciable Assets</u>				
Land Improvements	2,196,543	0	0	2,196,543
Buildings	14,809,029	0	0	14,809,029
Building Improvements	6,663,902	0	0	6,663,902
Infrastructure	208,655	0	(3,265)	205,390
Leasehold Improvements	2,606,218	1,821,144	0	4,427,362
Vehicles	115,580	24,950	0	140,530
Equipment	5,315,390	216,831	(26,598)	5,505,623
<b>Total Depreciable Capital Assets</b>	<b>31,915,317</b>	<b>2,062,925</b>	<b>(29,863)</b>	<b>33,948,379</b>
<u>Accumulated Depreciation</u>				
Land Improvements	(615,116)	(104,579)	0	(719,695)
Buildings	(6,192,626)	(361,377)	0	(6,554,003)
Building Improvements	(1,394,747)	(279,025)	0	(1,673,772)
Infrastructure	(104,335)	(8,216)	2,928	(109,623)
Leasehold Improvements	(1,441,594)	(155,681)	0	(1,597,275)
Vehicles	(88,082)	(13,073)	0	(101,155)
Equipment	(4,278,679)	(276,415)	26,598	(4,528,496)
<b>Total Accumulated Depreciation</b>	<b>(14,115,179)</b>	<b>(1,198,366)</b>	<b>29,526</b>	<b>(15,284,019)</b>
<b>Capital Assets, Net</b>	<b>\$19,233,979</b>	<b>\$1,786,616</b>	<b>(\$1,821,481)</b>	<b>\$19,199,114</b>

**NOTE 6 - STATE SUPPORT**

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

In addition to the student subsidies, the State of Ohio provides the funding for and constructs major plant facilities on the College's campus. The funding is obtained from the issuance of special obligation bonds by the Ohio Public Facilities Commission, which in turn causes the construction and subsequent lease of the facility by the Ohio Board of Regents. Upon completion of the facility, the Board of Regents turns over control to the College which capitalizes the cost thereof. Neither the obligation for the special obligation bonds issued by the Ohio Public Facilities Commission nor the annual debt service charges for principal and interest on the bonds are reflected in the financial statements of the College.

These are currently being funded through appropriations to the Ohio Board of Regents by the Ohio General Assembly. Construction in progress for any portion of the facilities being financed by the state agencies for use by the College is recorded on the College's books of account as costs are incurred.

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

Outstanding debt issued by 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 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 7 - 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 and nonacademic personnel participate in the School Employees Retirement System. As further discussed in this note, there is also an alternative retirement plan available.

*A. State Teachers Retirement System*

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

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

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

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

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

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 or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

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

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.



**NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. For the fiscal years ended June 30, 2012, 2011, and 2010, plan members were required to contribute 10 percent of their annual covered salaries. The College was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

The College's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$824,796, \$917,372, and \$862,670, respectively; equal to the required contributions for each fiscal year.

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

*B. School Employees Retirement System*

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

Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current College rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2012, the allocation to pension and death benefits is 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The College's required contributions for pension obligations to SERS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$466,847, \$472,040, and \$488,083, respectively; equal to the required contributions for each fiscal year.

*C. Alternative Retirement Plan*

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 1998, authorizing an alternative retirement system for academic and administrative college employees of public institutions of higher education, who are currently covered by the School Employees Retirement System or State Teachers Retirement System. The College Board of Trustees adopted such plan effective March 24, 1999. This plan is a defined contribution plan under IRS section 401(a).

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)**

Eligible employees (those who are full-time and salaried) have 120 days from their date of hire to make an irrevocable election to participate in the alternate retirement plan. Under this plan, employees who would have otherwise been required to be in SERS or STRS and who elect to participate in the alternate retirement program must contribute the employee's share of retirement contributions (10% SERS, 10% STRS) to one of eight private providers approved by the State Department of Insurance. The legislation mandates that the employer must contribute 3.5% to the Retirement System to which the employee would have otherwise belonged. The College also contributes what would be the employer's share of the appropriate retirement system, less the aforementioned 3.5%, to the private provider selected by the employee. The College plan provides these employees with immediate plan vesting. The total employer contributions to the alternative retirement plan for the years ended June 30, 2012, 2011, and 2010 were \$273,229, \$280,756, and \$238,143 respectively, which equaled the required contribution for each year.

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

The College provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

*A. State Teachers Retirement System*

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. The 14 percent employer contribution rate is the maximum rate established under Ohio law. 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, 2012, 2011, and 2010. For the College, these amounts were \$58,914, \$65,527, and \$61,619, for fiscal years 2012, 2011, and 2010 respectively, which equaled the required allocation for each year.

*B. School Employees Retirement System*

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

**Medicare Part B Plan**

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

**North Central State College**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

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**NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)**

2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2012, 2011, and 2010, the actuarially required allocations were 0.75 percent, 0.76 percent, and 0.76 percent, respectively. For the College, contributions for the years ended June 30, 2012, 2011, and 2010, were \$27,937, \$30,377, and \$29,025 respectively, which equaled the required contributions for those years.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2012, 2011, and 2010, the health care allocation was .55 percent, 1.43 percent, and .46 percent, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statute provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. For the College, the amounts assigned to fund health care benefits, including the surcharge, during the 2012, 2011, and 2010 fiscal years equaled \$79,782, \$114,514, and \$75,274, respectively, which equaled the required allocation for each year.

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

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

**NOTE 9 - LONG-TERM LIABILITIES**

Changes in long-term liabilities are as follows:

	Balance			Balance	Current
	<u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Portion</u>
Compensated Absences	\$682,825	\$607,821	(\$682,825)	\$607,821	\$0
Total Long-Term	<u>\$682,825</u>	<u>\$607,821</u>	<u>(\$682,825)</u>	<u>\$607,821</u>	<u>\$0</u>

**North Central State College**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

**NOTE 10 - OPERATING EXPENSES BY FUNCTION AND NATURAL CLASS**

	Payroll and Benefits	Supplies and Other Services	Utilities and Maintenance	Student Aid and Scholarship	Depreciation Expense	Other Expense	Totals
Instruction	\$9,027,239	\$806,285	\$4,226	\$0	\$0	\$205,856	\$10,043,606
Academic support	178,242	50,931	231,549	0	0	36,008	496,730
Student services	2,114,983	409,088	59,174	30,000	0	159,076	2,772,321
Institutional support	2,910,040	686,890	225,256	0	0	765,154	4,587,340
Operation & maintenance of plant	833,025	158,457	1,880,419	0	0	90,365	2,962,266
Student aid	0	0	0	2,752,975	0	0	2,752,975
Public service	1,152,045	19,693	0	0	0	71,595	1,243,333
Depreciation	0	0	0	0	1,198,366	0	1,198,366
Total operating expenses	<u>\$16,215,574</u>	<u>\$2,131,344</u>	<u>\$2,400,624</u>	<u>\$2,782,975</u>	<u>\$1,198,366</u>	<u>\$1,328,054</u>	<u>\$26,056,937</u>

**NOTE 11 - CONTINGENCIES**

A. Federal and State Grants

The College participates in certain state and federally-assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. In the opinion of the College, no material grant disbursements will be disallowed.

B. Litigation

The College is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the College's counsel that resolutions of these matters will not have a material adverse effect on the financial condition of the College.

**NOTE 12 - RISK MANAGEMENT**

The College is exposed to various risks of loss related to torts; theft; damage to or destruction of assets; errors and omissions; employee injuries; and natural disasters. By maintaining comprehensive insurance coverage with private carriers, the College has addressed these various types of risk. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years. There has not been a significant reduction of coverage from the prior fiscal year.

**NOTE 13 - COMPONENT UNIT DISCLOSURES NORTH CENTRAL STATE COLLEGE FOUNDATION**

**DESCRIPTION OF THE FOUNDATION**

North Central State College Foundation, Inc. (the Foundation) financial statements have been prepared on an accrual basis of accounting. The Foundation is a not-for-profit organization established in accordance with Section 501(c)(3) of the Internal Revenue Code. The Foundation operates under a Board of Trustees who is appointed, not to be less than twelve, but not to exceed forty members. The Foundation is organized primarily to engage in activities and programs to provide support and services to the North Central State College (the College).

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Contributions*

The Foundation reports contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. SFAS No. 116 requires that unconditional promises to give, with payments due in future periods, be recorded as receivables and support in either unrestricted, temporarily restricted, or permanently restricted net assets as appropriate in the period received at their net present value. The accumulated discount of net present value of the pledge is accounted for as contribution income of the related class of net assets. Conditional promises to give are not recorded as support until the condition upon which they depend has been substantially met by the Foundation.

*Financial Statement Presentation*

SFAS No. 117, *Financial Statements of Not-For-Profit Organizations*, requires that the amounts for each of three classes of net assets: unrestricted, temporarily restricted and permanently restricted, be presented in an aggregated statement of financial position and that the amounts of changes in each of those classes of net assets be presented in a statement of activities. This statement requires that resources be classified into three net asset categories according to donor-imposed restrictions. A description of each of the categories is as follows:

**Unrestricted Net Assets**

Assets which are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in temporarily or permanently restricted net assets.

**Temporarily Restricted Net Assets**

Assets which include gifts and pledges receivable for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds are not permanently restricted.

**Permanently Restricted Net Assets**

Assets that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. The income from these assets is included in the investment income of unrestricted and restricted funds, as appropriate, in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets.

When a donor restriction expires, that is, when a stipulated time restriction expires or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Revenues, Expenses, and Changes in Net Assets as net assets released from restrictions.

With the exceptions of the necessary presentation adjustments to conform to the College's GASB reporting format, no modifications have been made to the Foundation's financial information in the College's financial report.

*Cash and Cash Equivalents*

The Foundation considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**North Central State College**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 13 - COMPONENT UNIT DISCLOSURES NORTH CENTRAL STATE COLLEGE FOUNDATION**  
(Continued)

*Investments*

The Foundation reports investments in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Investments in marketable securities with readily determined fair values and all investments in debt securities are reported at their fair values in the Statement of Net Assets. Unrealized gains and losses are included in the change in net assets. Investments of the unrestricted, temporarily restricted, and permanently restricted funds are pooled for making investment transactions and are carried at market value. Interest and dividend income, as well as realized and unrealized gains and losses, are allocated to unrestricted, temporarily restricted, and permanently restricted funds.

*Donated Service and Facilities*

The Foundation has no employees or property (other than cash and investments). Substantially all clerical and management duties are presently performed by business office personnel who are employees of North Central State College, utilizing equipment and facilities of North Central State College.

For accounting purposes, the value of facilities is considered immaterial and it has not been recognized in the financial statements. However, the value of the services provided by College personnel have been recognized in the Statement of Revenues, Expenses, and Changes in Net Assets as personnel reimbursement expenses as required by SFAS 116.

*Contributions Receivable*

Contributions received, including unconditional promises to give, are recognized as revenue by net asset class when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted. Conditional promises are recorded when donor stipulations are substantially met. The Foundation requires an initial minimum balance of \$10,000 to establish a scholarship fund.

*Prepaid Expenses*

Certain payments to vendors for fundraising activities reflect costs applicable to future accounting periods and are recorded as prepaid items.

*Capital Assets*

Capital assets acquired by the Foundation consist of office equipment. All expenditures for capital assets in excess of \$1,000 are capitalized. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets not to exceed ten years.

*Deferred Revenue*

Deferred revenue results from various fundraising activities. It represents amounts received from sponsors, vendors, and sales of admission tickets in advance. Deferred revenue is recognized as revenue in the period that the fundraising activity actually occurs.

*Estimates*

The preparation of the 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 related notes. Actual results may differ from those estimates.

**North Central State College**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

**NOTE 13 - COMPONENT UNIT DISCLOSURES NORTH CENTRAL STATE COLLEGE FOUNDATION**  
(Continued)

**INVESTMENTS**

The various investments in fixed income securities, mutual funds and other investment securities are exposed to various risks, such as interest rate, market fluctuations, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities could occur in the near term and those changes could materially affect the amounts reported in the financial statements.

At June 30, 2012, investments consisted of the following:

	Market / Carrying Value	Maturity			
		Less Than One Year	1-2 Years	3-5 Years	6-7 Years
Money Market Investments - US Government Obligations	90,981	90,981	-	-	-
Mutual Funds - Fixed Income Corporations	1,935,925	699,537	363,804	579,220	293,364
Mutual Funds - Equity Securities Alternative Investments - SPDR Gold Trust	1,201,451	1,201,451	-	-	-
	18,467	18,467	-	-	-
<b>Total</b>	<b>3,246,824</b>	<b>2,010,436</b>	<b>363,804</b>	<b>579,220</b>	<b>293,364</b>

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

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

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

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

**North Central State College**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

**NOTE 13 - COMPONENT UNIT DISCLOSURES NORTH CENTRAL STATE COLLEGE FOUNDATION**  
(Continued)

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

Investment Type	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observ- able Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Investments –			
U.S. Government Obligations	\$90,981	\$0	\$0
Mutual Funds - Fixed Income Corporations	1,935,925	0	0
Mutual Funds - Equity Securities	1,201,451	0	0
Alternative Investments – SPDR Gold Trust	18,467	0	0
Total	<u>\$3,246,824</u>	<u>\$0</u>	<u>\$0</u>

**CONTRIBUTIONS RECEIVABLE**

Unconditional promises to give are included in the financial statements as contributions receivable and contributions of the appropriate net asset category. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount rate on those amounts is computed using a risk free interest rate applicable to the years in which the promises are to be received. The discount rate used for the year ended June 30, 2012 was 3.25%. The amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until conditions of those promises have been met.

Contributions receivable consisted of the following at June 30, 2012:

Unconditional promises to give before unamortized discount and allowance for uncollectible contributions:

Unrestricted	\$368,210
Temporarily restricted	382,673
Permanently restricted	<u>209,357</u>
Gross unconditional promises to give	960,240
Less: Unamortized discount	(42,224)
Less: Allowance for uncollectible contributions	<u>(96,024)</u>
Amounts due:	
Less than one year	<u>\$821,992</u>

**TEMPORARILY RESTRICTED NET ASSETS**

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by donors.

Scholarships for Students	\$109,357
Grants	35,897
Other	<u>268,063</u>
Total Released Net Assets	<u>\$413,317</u>

Temporarily and permanently restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Temporarily restricted net assets are available for providing scholarships to the College's students, providing professional development funds to the College staff and purchasing equipment for the



**North Central State College**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 13 - COMPONENT UNIT DISCLOSURES NORTH CENTRAL STATE COLLEGE FOUNDATION**  
(Continued)

benefit of the College. Permanently restricted net assets are restricted to investment in perpetuity and the income from which is expendable for scholarships to the College's students.

The different types of temporarily restricted net assets are classified as follows:

**Scholarships for Students:**

ADA Ford Educational Aid	\$3,984
Ambassador Scholarship	4,000
Alumni Scholarship	5,865
Brown Scholarship	845
Cardwell/Near Scholarship	931
Cobey Scholarship	2,467
Carter Memorial	2,428
Coleman Scholarship	1,501
Cress	501
Emerson Scholarship	9,069
Equipment	31,436
Faculty Scholarship	1,004
G-R Civic Scholarship	1,640
Garber Scholarship	5,251
Galion FOP Scholarship	500
Gimbel-Health Chair	1,611
Gimbel Scholarships	28,546
Gorman Fund	29,436
Gorman-Rupp Scholarship	2,401
Gubkin Scholarship	500
CC-Entrepreneur	10,076
CC – Entrepreneur Scholarship	1,669
Kroger Scholarship	1,001
Haring Scholarship	1,098
Innovation Fund	31,517
Jenko	26,895
Kehoe Center	705,908
Mansfield University	3,001
Necessities Fund	24,671
Necessities – Crawford	8,490
Necessities – Shelby	5,679
Necessities – Wayne	3,083
Nursing Scholarship	5,001
Orange and Blue Scholarship	5,001
Phillips E Troop	3,653
Phillips Fund	4,803
Pres Emeritus Scholarship	1,954
Preston Scholarship	1,001
PTA Fund	1,713
Rable Machine Scholarship	2,576

**North Central State College**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

**NOTE 13 – COMPONENT UNIT DISCLOSURES NORTH CENTRAL STATE COLLEGE FOUNDATION**  
(Continued)

Radiology Merit Scholarship	4,091
RMC	1,000
Searle – PTA	1,476
Scholarships – General	4,574
Urban Center Scholarship Fund	1,267
Urban Center Project Fund	2,271
Vetter	507
Welsh Scholarship	2,401
Tech Prep	4,800
YES Entrepreneur	14,302
Other (Receivable Pledges)	264,417
Richland County Foundation	350,000
Total Temporarily Restricted	<u>\$1,633,812</u>

**PERMANENTLY RESTRICTED NET ASSETS**

**Endowment Scholarships for Students:**

ADA Ford Educational Aid Fund	\$20,000
Alumni	16,623
Brown/Respiratory	11,061
Cardwell/Neer	10,000
Carter Memorial Endowment	31,267
Cobey Scholarship	19,201
Coleman Scholarship	15,506
Cress	26,800
Emerson Scholarship	104,902
Faculty Scholarship	10,848
G-R Civic Scholarship	22,463
Galion FOP	12,138
Garber Scholarship	28,141
Gimbel Health Chair	450,000
Gorman-Rupp Scholarship	56,661
Gubkin Scholarship	10,043
Haring Scholarship	24,334
Jenko	699,933
Kroger Scholarship	36,129
Necessities	125,090
Necessities – Crawford	38,850
Necessities – Shelby	39,234
Necessities – Wayne	26,275
Nursing Scholarship	236,012

**North Central State College**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 13 – COMPONENT UNIT DISCLOSURES NORTH CENTRAL STATE COLLEGE FOUNDATION**

(Continued)

Orange and Blue Scholarship	129,275
Phillips	67,000
Phillips E Troop	26,673
Presidents Emeritus Endowment	20,320
Preston Endowment	35,385
PTA Fund	21,205
RMC	10,000
Searle – PTA	60,000
Searle – RN	60,000
Vetter	10,000
Welsh Scholarship	53,678
Entrepreneur Endowment (Y.E.S.)	38,651
Restricted Contributions	165,359
Total Permanently Restricted	<u>\$2,769,057</u>

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

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

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. The Foundation had no such amounts totaled as of June 30, 2012.

**North Central State College**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 13 – COMPONENT UNIT DISCLOSURES NORTH CENTRAL STATE COLLEGE FOUNDATION**  
(Continued)

**RICHLAND COUNTY FOUNDATION**

During 1991, the Foundation established a “Direct Fund” in which an irrevocable gift was made to the Richland County Foundation. This fund is identified by the Richland County Foundation as the North Central State College Foundation “Endowment Fund” and is subject to the provisions contained within the fund agreement dated

December 31, 1991. This fund is the property of the Richland County Foundation, whereby, those funds will be held in perpetuity, and the investment income will be distributed to the Foundation annually to benefit the North Central State College. One of the provisions in this fund agreement, the variance power, concerns the power to vary some of the terms of the agreement. As defined by United States Treasury Regulations, the Richland County Foundation has the right to modify the terms of the fund agreement if in the judgment of the Richland County Foundation’s Board of Trustees, the restrictions and conditions in the agreement become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

In accordance with SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Hold Contributions for Others*, the portion of this fund contributed by the Foundation is considered a reciprocal transfer because the Foundation is also the beneficiary of this fund. This balance is shown on the Richland County Foundation’s Statement of Financial Position as a liability called “Funds Held as Agency Endowments”. This amounted to \$350,000 at June 30, 2012.

Also, under SFAS No. 136, the portion of this fund contributed by unrelated third party donors is considered a contribution to the Richland County Foundation and is included in the net assets of Richland County Foundation. The amount recognized in the Statement of Financial Position of the Richland County Foundation at June 30, 2012 totaled \$273,627.

**INCOME TAXES**

The Foundation is a not-for-profit corporation as described in Section 501 (c) (3) of the Internal Revenue Code, and the organization is exempt from federal and state income taxes.

**RELATED PARTY**

As previously described in Note 13, the Foundation is affiliated with the College. During the year ended June 30, 2012, the College provided the Foundation with professional services valued at \$164,226. The value of those services is included as personnel reimbursement expenses in the financial statements.

During the year ended June 30, 2012, the Foundation provided scholarships and support to the College of \$413,317.

**LINE OF CREDIT**

In Fiscal Year 2011, the College Foundation obtained a line of credit for up to \$600,000, secured by future Capital Campaign pledges, to complete the funding of the construction project at North Central State College’s Fallerius Center. The construction project was completed during the fall of 2011 (Fiscal Year 2012). Payments from donors on Foundation-secured financial pledges for the construction project will be made over the next two years and used to pay off the Richland Bank Line of Credit. The outstanding balance on this line of credit as of June 30, 2012 was \$384,081.

**North Central State College**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

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**NOTE 13 – COMPONENT UNIT DISCLOSURES NORTH CENTRAL STATE COLLEGE FOUNDATION**  
(Continued)

**PRIOR YEAR RESTATEMENT**

During Fiscal Year 2012, North Central State College Foundation requested documentation from The Richland County Foundation in regards to the “Direct Fund” held by Richland County Foundation. It was determined that North Central State College had made seven deposits of \$50,000 to the Richland County Foundation, therefore, the balance held by the Richland County Foundation should reflect \$350,000 rather than the \$250,000 that had been reported previously.

	Temporarily Restricted	Total Net Assets
June 30, 2011	\$ 1,708,546	\$ 4,745,500
Adjustment	100,000	100,000
Restated July 1, 2011	<u>\$ 1,808,546</u>	<u>\$ 4,845,500</u>

**North Central State College**  
*Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2012*

Federal Grantor/ Pass Through Grantor Program Title	CFDA #	Pass Through Entity Number	Disbursements
<b>United States Department of Education</b>			
Student Financial Assistance Programs Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	Direct	\$ 96,969
Federal Family Education Loans	84.032	Direct	5,775,365
Federal Work-Study Program	84.033	Direct	58,721
Federal Pell Grant Program	84.063	Direct	6,269,542
<i>Total Student Financial Assistance Programs Cluster</i>			<u>12,200,597</u>
TRIO - Student Support Services	84.042	Direct	188,388
<i>Passed Through the Ohio Department of Education:</i>			
Career and Technical Education - Basic Grants to States	84.048	3L90	57,217
Tech-Prep Education	84.243	3ETC	164,709
<i>Total Passed Through the Ohio Department of Education</i>			<u>221,926</u>
Total United States Department of Education			<u>12,610,911</u>
<b>United States Department of Health and Human Services</b>			
Head Start	93.600	Direct	469,278
Total United States Department of Health and Human Services			<u>469,278</u>
<b>United States Department of Agriculture</b>			
<i>Passed Through the Ohio Department of Education</i>			
Child and Adult Care Food Program	10.558	3L80	52,829
Total United States Department of Agriculture			<u>52,829</u>
Total Federal Financial Assistance			<u>\$ 13,133,018</u>

See accompanying notes to the schedule of federal awards expenditures.

**North Central State College**  
*Notes to the Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) includes the federal grant transactions of North Central State College (the College) recorded on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NOTE 2 – FEDERAL FAMILY EDUCATION LOANS**

During the fiscal year ended June 30, 2012, the College processed new loans under the Guaranteed Student Loan Program. The dollar amounts listed in the Schedule of Federal Awards Expenditures represents new loans awarded during the fiscal year.

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# Balestra, Harr & Scherer, CPAs, Inc.

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

Members of the Board of Trustees  
North Central State College  
2441 Kenwood Circle  
Mansfield, Ohio 44901

We have audited the financial statements of the business-type activities and the discretely presented component unit of North Central State College, Richland County, Ohio (the College) as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion 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 we must report under Government Auditing Standards.

Members of the Board of Trustees  
North Central State College  
Independent Accountants' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required by *Government Auditing Standards*  
Page 2

We also noted certain matters not requiring inclusion in this report that we reported to the College's management in a separate letter dated December 7, 2012.

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

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
December 7, 2012



# Balestra, Harr & Scherer, CPAs, Inc.

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## **Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required By OMB Circular A-133**

Members of the Board of Trustees  
North Central State College  
2441 Kenwood Circle  
Mansfield, Ohio 44901

### **Compliance**

We have audited the compliance of North Central 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 North Central State College's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the College's major federal programs. The College's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included 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, North Central State College complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### **Internal Control Over Compliance**

The College's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs.

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

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 internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the College's internal control over compliance.

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

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the College's management in a separate letter dated December 7, 2012.

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

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
December 7, 2012

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

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

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

None noted.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None noted



# Dave Yost • Auditor of State

**NORTH CENTRAL STATE COLLEGE**

**RICHLAND 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 8, 2013**