



Balestra, Harr & Scherer, CPAs, Inc.

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

www.bhscpas.com

TERRA COMMUNITY COLLEGE
SANDUSKY COUNTY

SINGLE AUDIT

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



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Terra Community College, Sandusky County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 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 Terra Community 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 10, 2012

This page intentionally left blank.

TERRA COMMUNITY COLLEGE
YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Financial Statements:	
Statements of Net Assets - Terra Community College.....	10
Statements of Financial Position - Foundation.....	11
Statements of Revenues, Expenses, and Changes in Net Assets - Terra Community College	12
Statements of Activities - Foundation	13-14
Statements of Cash Flows - Terra Community College.....	15
Statements of Cash Flows - Foundation.....	16
Notes to the Financial Statements.....	17-33
Schedule of Federal Awards Revenues and Expenses.....	35
Notes to the Schedule of Federal Awards Revenues and Expenses	36
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	37-38
Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133.....	39-40
Schedule of Findings.....	41-42

This page intentionally left blank.



Balestra, Harr & Scherer, CPAs, Inc.

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

www.bhscpas.com

Independent Auditor's Report

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

We have audited the accompanying basic financial statements of the business-type activities and the discretely presented component unit of Terra Community College, Sandusky County, Ohio (the College), which is a component unit of the state of Ohio as of and for the years ended June 30, 2012 and 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of Terra Community College, Sandusky County Ohio, as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 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 Revenues and Expenses 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 Revenues and Expenses is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
October 2, 2012

TERRA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012 and 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Terra Community College's financial statements provides an overview of the College's financial activities for the year ended 2012 with selected comparative information for the years ended June 30, 2011 and 2010. Responsibility for the completeness and fairness of this information rests with the College and should be read in conjunction with the accompanying financial statements and notes.

Using the Annual Report

The following activities are included in the financial statements:

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

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

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

Financial Highlights

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

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

TERRA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012 and 2011

Condensed Financial Information

Statement of Net Assets
(in thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets			
Current assets	\$ 7,599	\$ 8,014	\$ 11,288
Capital assets, net	24,988	23,818	19,507
Other noncurrent assets	<u>2,339</u>	<u>3,951</u>	<u>1,374</u>
Total assets	<u>34,926</u>	<u>35,783</u>	<u>32,169</u>
Liabilities			
Current liabilities	1,775	2,681	3,083
Noncurrent liabilities	<u>179</u>	<u>220</u>	<u>316</u>
Total liabilities	<u>1,954</u>	<u>2,901</u>	<u>3,399</u>
Net assets			
Invested in capital assets, net of related debt	24,988	23,818	19,507
Restricted			
Expendable	300	952	1,279
Unrestricted	<u>7,684</u>	<u>8,112</u>	<u>7,984</u>
Total net assets	<u>\$ 32,972</u>	<u>\$ 32,882</u>	<u>\$ 28,770</u>

Assets: As of June 30, 2012 the College's total assets amount to approximately \$34.9 million. Investment in capital assets, net of depreciation, represented the College's largest asset, totaling \$25 million or 72 percent of total assets. Cash and cash equivalents and investments, totaling \$6.3 million or 18 percent of total assets, were the College's next largest asset. Cash and investments decreased by approximately \$1.6 million in 2012.

As of June 30, 2011 the College's total assets amounted to approximately \$35.8 million. Investment in capital assets, net of depreciation, represented the College's largest asset, totaling \$23.8 million or 67 percent of total assets. Cash and cash equivalents and investments, totaling \$7.8 million or 22 percent of total assets, were the College's next largest asset. Cash and investments decreased by approximately \$948 thousand in 2011, as compared to a \$2.0 million increase in 2010.

Liabilities: At June 30, 2012 the College's liabilities totaled approximately \$1.9 million. Accounts payable and accrued liabilities represented \$1 million or 52 percent, of total liabilities. Total liabilities decreased \$947 thousand during the year ended June 30, 2012. Deceased accounts payables were due to no on-going construction or renovation projects.

As of June 30, 2011 the College's liabilities totaled approximately \$2.9 million. Accounts payable and accrued liabilities represented \$1.8 million or 62 percent of total liabilities. Total liabilities decreased \$498 thousand during the year ended June 30, 2011.

TERRA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012 and 2011

This was primarily due to decreased deferred income as a result of an earlier start date for summer term.

Net Assets: Net assets at June 30, 2012 totaled approximately \$33 million or 94 percent of total assets. Net assets invested in capital assets totaled \$25.0 million or 76 percent, of total net assets. Restricted and unrestricted net assets represented 1 percent and 23 percent of total net assets, respectively. Total net assets increased by \$90 thousand during the year ended June 30, 2012.

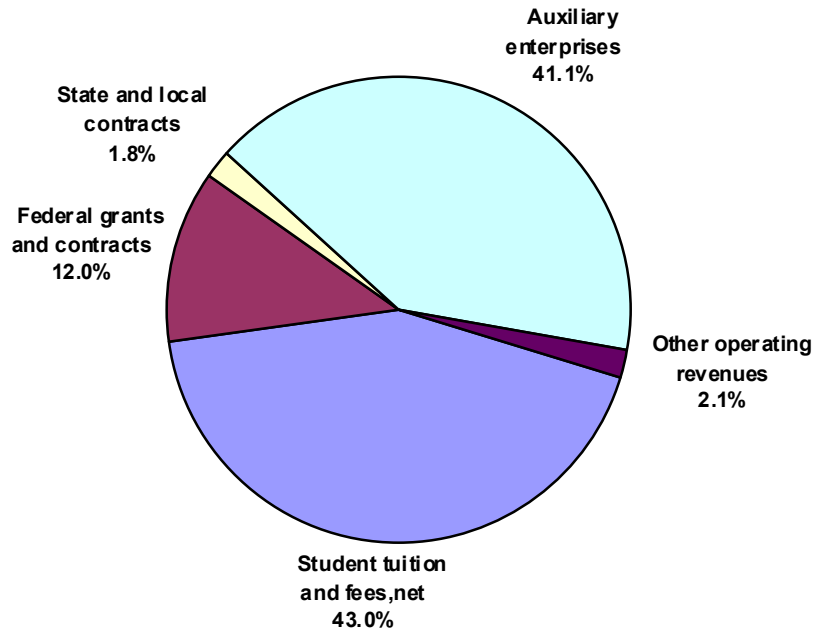
Net assets at June 30, 2011 totaled approximately \$33 million or 92 percent of total assets. Net assets invested in capital totaled \$23.8 million or 72 percent, of total net assets. Restricted and unrestricted net assets represented 3 percent and 25 percent of total net assets, respectively. Total net assets increased by \$4.1 million during the year ended June 30, 2011 and increased by \$4.8 million during the year ended June 30, 2010.

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenue			
Tuition and fees	\$ 2,941	\$ 2,847	\$ 3,590
Government grants	937	1,428	1,595
Auxiliary services	2,799	2,747	2,260
Other operating revenue	<u>142</u>	<u>398</u>	<u>350</u>
Total operating revenue	<u>6,819</u>	<u>7,420</u>	<u>7,795</u>
Operating expenses			
Educational and general	17,918	18,235	16,288
Auxiliary expenses	2,390	2,252	1,835
Depreciation	<u>1,022</u>	<u>827</u>	<u>731</u>
Total operating expenses	<u>21,330</u>	<u>21,314</u>	<u>18,854</u>
Operating loss	(14,511)	(13,894)	(11,059)
Nonoperating revenue (expenses)			
State appropriations	6,274	6,526	6,184
Federal grants	7,650	8,045	6,584
Gifts and grants	193	41	69
Investment income	36	68	67
Other nonoperating	<u>37</u>	<u>40</u>	<u>(149)</u>
Total nonoperating revenue	<u>14,190</u>	<u>14,720</u>	<u>12,755</u>
Capital appropriations	<u>410</u>	<u>3,286</u>	<u>3,129</u>
Change in net assets during year	<u>\$ 90</u>	<u>\$ 4,112</u>	<u>\$ 4,825</u>

TERRA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012 and 2011

2012 CHART OF OPERATING REVENUES



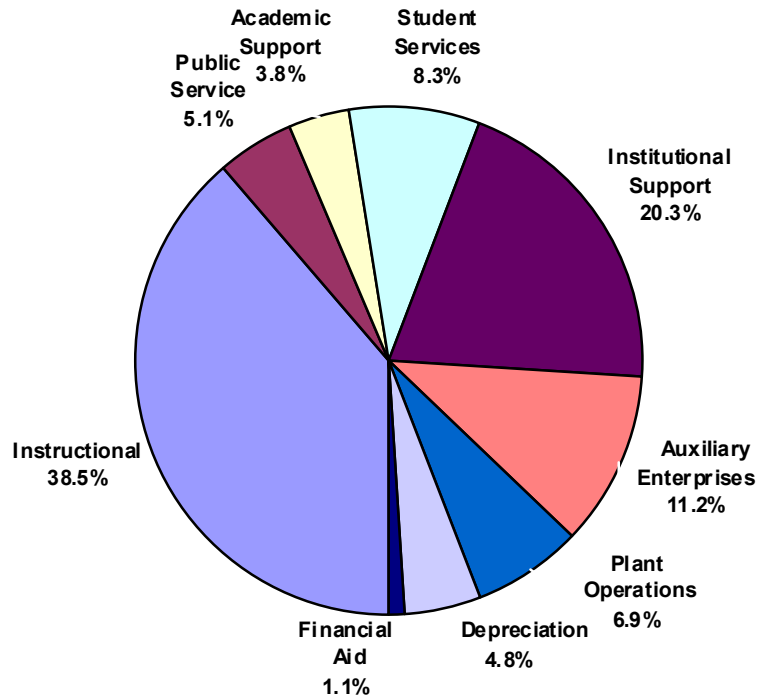
Total operating revenues were approximately \$6.8 and \$7.4 million, respectively for the years ended June 30, 2012 and 2011. The most significant sources of operating revenue for the College are net student tuition and fees (43.0 percent for 2012 and 38.4 percent for 2011), auxiliary enterprise revenue (41.1 percent for 2012 and 37.0 percent for 2011), and federal grants and contracts (12.0 percent for 2012 and 14.4 percent for 2011).

Tuition and fees continued to be the largest source of operating revenues for the College. Gross tuition revenue decreased 2.5% for 2012 and increased 7% for 2011 primarily from fluctuation in enrollment. The College's full time equivalent (FTE) students for FY12 were 2,271 while in FY11 the total was 2,418 and for FY10 the total was 2,237. Over the past five years, the annual FTE average has been approximately 2,036. Auxiliary enterprises revenue from the College bookstore remained steady with an increase of 1.9% from 2011 and an increase of 22% from 2010. In 2012 state grant revenue decreased slightly at approximately 1.8% of operating revenues.

State appropriations, which is considered nonoperating revenue as defined by GASB 35, is a significant recurring source of revenue essential to the operation of the College. The College's state appropriation for the year ended June 30, 2012, amounted to \$6.3 million. This represents a decrease of \$251 thousand or 4% from the College's appropriation for the prior year. In 2011, the appropriation increased \$342 thousand or 5% in comparison to 2010.

TERRA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012 and 2011

2012 CHART OF OPERATING EXPENSES



Operating expenses, including \$1.02 million of depreciation, totaled approximately \$21.3 million as compared to \$21.3 million in 2011 and \$18.8 million in 2010. The majority of the College's operating funds are expended directly for the primary mission of the College - instruction (38.5 percent), institutional support (20.3 percent) and auxiliary enterprises (11.2 percent). This combined 70.0 percent compares with 67.4 percent in 2011 and 65.9 percent in 2010.

Total operating expenses increased less than 1.0% from 2011 with instruction expenses increasing \$460 thousand. The renovation of music and health classrooms and laboratories resulted in increased equipment costs for 2012. Total operating expenses had increased 13.0% from 2010 to 2011.

For the year ended June 30, 2012, student financial aid related to tuition and fees totaled \$8.0 million, including scholarship allowance of \$7.8 million and student aid expense of \$200 thousand. In 2012 student financial aid decreased by 5.2% in total from the prior year. For the year ended 2011 student financial aid was \$8.5 million as compared to \$6.8 million in 2010.

TERRA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012 and 2011

Statement of Cash Flows
(in thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net cash provided (used) by:			
Operating activities	\$ (13,959)	\$ (13,816)	\$ (10,212)
Noncapital financing activities	14,117	14,611	12,837
Capital financing activities	(1,746)	(1,811)	(706)
Investing activities	<u>995</u>	<u>(1,250)</u>	<u>1,755</u>
Net increase/(decrease) in cash	(593)	(2,266)	3,674
Cash-beginning of year	<u>3,058</u>	<u>5,324</u>	<u>1,650</u>
Cash-end of year	<u>\$ 2,465</u>	<u>\$ 3,058</u>	<u>\$ 5,324</u>

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

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

Major sources of funds included in operating activities are student tuition and fees (\$2.9 million) and auxiliary enterprises (\$2.8 million). The largest cash payments for operating activities were to employees, for wages and benefits, (\$13.7 million) and to suppliers (\$7.3 million).

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

Capital Assets

Capital assets, net of accumulated depreciation, totaled approximately \$25.0 million at June 30, 2012, a net increase of \$1.2 million over the prior year-end. This compares with an increase of \$4.3 million in 2011 from 2010. Additions to capital assets during the year totaled \$7.6 million primarily as a result of the renovation of the Marsha S. Bordner Arts and Health Technologies Center.

TERRA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012 and 2011

Factors impacting future periods

The economic position of Terra Community College is closely tied to that of the State. State Share of Instruction funding for FY13 is projected at \$6.2 million which is 1.2% above the funding received in FY12.

In March 2012, the Board of Trustees approved a tuition increase equaling up to \$200 for full time enrollment effective fall semester. Known expense increases for FY13 include a \$1,000 salary increase for full time faculty and a 2% increase for union staff. Employee health insurance plans increased an average of 6.7%.

The College experienced a 6.1% decrease in full-time equivalent students from 2,418 FTE in 2011 to 2,271 in 2012. Enrollment for both summer and fall terms continues to reflect lower numbers following the trend in Ohio colleges.

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

TERRA COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
June 30, 2012 and 2011

Assets	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 2,465,472	\$ 3,058,188
Short-term investments	1,513,609	881,761
Intergovernmental receivable	335,981	393,684
Due from State of Ohio	716,010	1,308,253
Loans receivable, net	70,740	69,743
Other receivables	1,789,687	1,736,426
Inventory	551,081	448,554
Other current assets	<u>156,744</u>	<u>117,346</u>
Total current assets	<u>7,599,324</u>	<u>8,013,955</u>
Noncurrent assets		
Investments	2,290,100	3,880,485
Other Assets	48,001	71,300
Capital assets, gross	46,243,720	44,185,234
Accumulated depreciation	<u>(21,255,234)</u>	<u>(20,367,539)</u>
Capital assets, net	<u>24,988,486</u>	<u>23,817,695</u>
Total noncurrent assets	<u>27,326,587</u>	<u>27,769,480</u>
Total assets	<u>34,925,911</u>	<u>35,783,435</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,011,757	1,794,968
Deferred revenue	450,156	531,085
Compensated absences, current	<u>313,173</u>	<u>355,502</u>
Total current liabilities	<u>1,775,086</u>	<u>2,681,555</u>
Noncurrent liabilities		
Compensated absences, noncurrent	<u>178,874</u>	<u>219,780</u>
Total noncurrent liabilities	<u>178,874</u>	<u>219,780</u>
Total liabilities	<u>1,953,960</u>	<u>2,901,335</u>
Net assets		
Invested in capital assets, net of related debt	24,988,486	23,817,695
Expendable		
Other	121,233	138,034
Capital projects	177,956	814,063
Unrestricted	<u>7,684,276</u>	<u>8,112,308</u>
Total net assets	<u>\$ 32,971,951</u>	<u>\$ 32,882,100</u>

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

Assets	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 338,490	\$ 135,261
Contributions receivable	366,886	414,017
Other accounts receivable	82,172	192,787
Investments	<u>2,782,500</u>	<u>2,789,572</u>
Total assets	<u>3,570,048</u>	<u>3,531,637</u>
 Liabilities		
Accounts payable	<u>36,479</u>	<u>33,338</u>
Total liabilities	<u>36,479</u>	<u>33,338</u>
 Net assets		
Unrestricted	191,100	127,458
Temporarily restricted	1,269,495	1,229,124
Permanently restricted	<u>2,072,974</u>	<u>2,141,717</u>
Total net assets	<u>\$ 3,533,569</u>	<u>\$ 3,498,299</u>

See accompanying notes to financial statements

TERRA COMMUNITY COLLEGE
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues		
Student tuition and fees (net of scholarship allowances of \$7,788,049 in 2012 and \$8,164,987 in 2011)	\$ 2,940,541	\$ 2,846,875
Federal grants and contracts	816,172	1,067,521
State grants and contracts	121,086	360,928
Sales and services	339	202,710
Auxiliary enterprises	2,799,234	2,747,259
Other operating revenues	<u>141,497</u>	<u>194,758</u>
Total operating revenues	<u>6,818,869</u>	<u>7,420,051</u>
Operating Expenses		
Educational and general		
Instructional	8,216,790	7,756,346
Public service	1,087,132	1,587,169
Academic support	806,689	796,325
Student services	1,778,703	1,847,682
Institutional support	4,326,996	4,341,820
Operation and maintenance of plant	1,475,722	1,613,776
Student financial aid	225,534	292,096
Depreciation expense	1,021,995	827,325
Auxiliary enterprises	<u>2,390,075</u>	<u>2,251,977</u>
Total operating expenses	<u>21,329,636</u>	<u>21,314,516</u>
Operating loss	<u>(14,510,767)</u>	<u>(13,894,465)</u>
Nonoperating revenues (expenses)		
State appropriations	6,274,415	6,525,871
Federal grants	7,649,668	8,044,879
Gifts and grants	193,401	40,628
Investment income	36,330	68,734
Other nonoperating revenues	40,484	42,481
Other nonoperating expense	<u>(3,820)</u>	<u>(2,009)</u>
Net nonoperating revenues	<u>14,190,478</u>	<u>14,720,584</u>
Income (loss) before capital appropriations	(320,289)	826,119
Capital appropriations	<u>410,140</u>	<u>3,286,440</u>
Change in net assets	89,851	4,112,559
Net assets		
Net assets- beginning of year	<u>32,882,100</u>	<u>28,769,541</u>
Net assets- end of year	<u>\$ 32,971,951</u>	<u>\$ 32,882,100</u>

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2012

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Revenues, gains and other support				
Contributions	\$ 55,865	\$ 316,319	\$ (68,742)	\$ 303,442
Contributed services and supplies	128,511	--	--	128,511
Investment return	30,574	(21,817)	--	8,757
Net assets released from restrictions	<u>254,132</u>	<u>(254,132)</u>	<u>--</u>	<u>--</u>
Total revenues, gains and other support	469,082	40,370	(68,742)	440,710
 Expenses				
Program services				
Scholarships and loans	51,823	--	--	51,823
Instructional equipment	192,014	--	--	192,014
Other	3,283	--	--	3,283
Supporting services				
Management and general	56,205	--	--	56,205
Fund raising	<u>102,115</u>	<u>--</u>	<u>--</u>	<u>102,115</u>
Total expenses	<u>405,440</u>	<u>--</u>	<u>--</u>	<u>405,440</u>
 Change in net assets	63,642	40,370	(68,742)	35,270
 Net assets				
Net assets - beginning of year	<u>127,457</u>	<u>1,229,125</u>	<u>2,141,717</u>	<u>3,498,299</u>
Net assets - end of year	<u>\$ 191,099</u>	<u>\$ 1,269,495</u>	<u>\$ 2,072,975</u>	<u>\$ 3,533,569</u>

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2011

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Revenues, gains and other support				
Contributions	\$ 36,949	\$ 434,008	\$ 110,830	\$ 581,787
Contributed services and supplies	99,202	--	--	99,202
Investment return	25,998	400,024	--	426,022
Net assets released from restrictions	<u>206,003</u>	<u>(206,003)</u>	<u>--</u>	<u>--</u>
Total revenues, gains and other support	368,152	628,029	110,830	1,107,011
 Expenses				
Program services				
Scholarships and loans	90,181	--	--	90,181
Instructional Equipment	30,855			30,855
Other	108,924	--	--	108,924
Supporting services				
Management and general	49,305	--	--	49,305
Fund raising	<u>140,630</u>	<u>--</u>	<u>--</u>	<u>140,630</u>
Total expenses	<u>419,895</u>	<u>--</u>	<u>--</u>	<u>419,895</u>
 Change in net assets	(51,743)	628,029	110,830	687,116
 Net assets				
Net assets - beginning of year	<u>179,200</u>	<u>601,096</u>	<u>2,030,887</u>	<u>2,811,183</u>
Net assets - end of year	<u>\$ 127,457</u>	<u>\$ 1,229,125</u>	<u>\$ 2,141,717</u>	<u>\$ 3,498,299</u>

See accompanying notes to financial statements

TERRA COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Tuition and fees	\$ 2,858,615	\$ 2,115,477
Grants and contracts	1,533,943	1,281,522
Other income	141,836	397,466
Auxiliary enterprise receipts	2,799,234	2,747,259
Payments to suppliers	(7,321,809)	(6,673,818)
Payroll and fringe benefits	(13,745,372)	(13,392,148)
Scholarships and fellowships	(225,534)	(292,096)
Net cash from operating activities	<u>(13,959,087)</u>	<u>(13,816,338)</u>
Cash flows from noncapital financing activities		
State appropriations	6,274,415	6,525,871
Grants and contracts other than capital	<u>7,843,069</u>	<u>8,085,506</u>
Net cash from noncapital financing activities	<u>14,117,484</u>	<u>14,611,377</u>
Cash flows from capital financing activities		
Purchases of capital assets	(2,196,605)	(5,140,372)
Proceeds from disposal of capital assets	40,484	42,481
State appropriations capital	<u>410,140</u>	<u>3,286,440</u>
Net cash from financing activities	<u>(1,745,981)</u>	<u>(1,811,451)</u>
Cash flows from investing activities		
Change in short-term investments	(631,848)	823,327
Purchase of investments	(1,625,963)	(3,640,672)
Proceeds from sale and maturities of investments	3,170,493	1,473,823
Interest on investments	<u>82,186</u>	<u>93,866</u>
Net cash from investing activities	<u>994,868</u>	<u>(1,249,656)</u>
Net change in cash	(592,716)	(2,266,068)
Cash and cash equivalents, beginning of year	<u>3,058,188</u>	<u>5,324,256</u>
Cash and cash equivalents, end of year	<u>\$ 2,465,472</u>	<u>\$ 3,058,188</u>
Reconciliation of net operating (loss) to net cash from operating activities		
Operating loss	\$ (14,510,767)	\$ (13,894,465)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation expense	1,021,995	827,325
Changes in assets and liabilities		
Receivables	595,688	(126,790)
Inventories	(102,528)	(126,044)
Other assets	(16,098)	1,463
Accounts payable	(783,212)	251,709
Accrued salaries and benefits	(83,236)	1,999
Deposits held	---	---
Deferred revenue	<u>(80,929)</u>	<u>(751,535)</u>
Net cash from operating activities	<u>\$ (13,959,087)</u>	<u>\$ (13,816,338)</u>

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Contributions	\$ 419,314	\$ 469,651
Investment return	256,217	30,302
Scholarship and loan expenditures	(51,823)	(90,181)
Purchase of equipment for Terra Community College	(192,014)	(30,855)
Payments to suppliers	<u>(29,951)</u>	<u>(86,512)</u>
Net cash from operating activities	<u>401,743</u>	<u>292,405</u>
 Cash flows from investing activities		
Proceeds from sale of long-term investments	--	---
Purchase of long-term investments	<u>(129,771)</u>	<u>(583,887)</u>
Net cash from investing activities	<u>(129,771)</u>	<u>(583,887)</u>
 Cash flows from financing activities		
Proceeds from contributions restricted for long-term purposes	<u>(68,743)</u>	<u>110,830</u>
Net cash from financing activities	<u>(68,743)</u>	<u>110,830</u>
 Net change in cash	 203,229	 (180,652)
 Cash and cash equivalents, beginning of period	 <u>135,261</u>	 <u>315,913</u>
 Cash and cash equivalents, end of period	 <u>\$ 338,490</u>	 <u>\$ 135,261</u>
 Reconciliation of net operating revenues (expenses) to net cash from operating activities		
Change in net assets	\$ 35,270	\$ 687,116
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized loss and realized gain on investments	136,843	(294,473)
Change in contributions receivable	47,131	93,692
Contributions restricted for long-term purposes	68,743	(110,830)
Change in assets and liabilities		
Accounts receivable	110,615	(101,244)
Accounts payable	<u>3,141</u>	<u>18,143</u>
Net cash from operating activities	<u>\$ 401,743</u>	<u>\$ 292,405</u>

See accompanying notes to financial statements

TERRA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Statement Presentation: The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Terra Community College also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. In accordance with GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* (GASB No. 35) and subsequent standards issued by GASB, the financial statement presentation is intended to provide a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows. The College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

The financial statements of the Terra College Foundation are included in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14*. This Statement amended Statement No. 14 to provide additional guidance to determine whether certain organizations, such as not-for-profit foundations, for which the primary institution is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the primary entity. Generally, this statement requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of an institution.

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

(Continued)

TERRA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Restricted net assets - nonexpendable. Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2012 and 2011, the College had no nonexpendable restricted assets.

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

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

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

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

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

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

(Continued)

TERRA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

(Continued)

TERRA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

(Continued)

TERRA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2012 and 2011

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Deposits: *Custodial Credit Risk:* At June 30, 2012 and 2011, the carrying amounts of the College's deposits in all funds were \$2,465,472 and \$3,058,188 (which consists of cash and cash equivalents, excluding cash on hand of \$4,360) and the bank balance was \$2,984,668 and \$3,526,516 respectively. The difference between carrying amount and bank balance was primarily due to outstanding checks at June 30, 2012 and 2011. Of the bank balances at June 30, 2012 and 2011, \$250,000 was covered by federal depository insurance.

Uninsured deposits are held in accounts collateralized by a collateral pool account of U.S. Treasuries held by the Federal Reserve Bank in "book entry" form in the name of the respective bank, but who also internally designate the securities as assigned to the College. There were no uninsured deposits as of June 30, 2012. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the College's deposits may not be returned to the College. The College follows the deposit policy for custodial risk in accordance with the Ohio Revised Code.

Investments: Investments are stated at their fair value at June 30, 2012 and 2011. The College's investments include the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)		
		<1	1-5	>5
June 30, 2012:				
Money Market	\$ 804,141	\$ 804,141	\$ -	\$ -
STAR Ohio Funds	10,019	10,019	-	-
U.S. Agency Obligations	2,541,808	251,708	1,504,913	785,187
Certificates of Deposits	447,741	447,741	-	-
	<u>\$ 3,803,709</u>	<u>\$ 1,513,609</u>	<u>\$ 1,504,913</u>	<u>\$ 785,187</u>
June 30, 2011:				
Money Market	\$ 557,186	\$ 557,186	\$ -	\$ -
STAR Ohio Funds	10,014	10,014	-	-
U.S. Agency Obligations	3,436,165	-	2,006,107	1,430,058
Certificates of Deposits	758,881	314,561	444,320	-
	<u>\$ 4,762,246</u>	<u>\$ 881,761</u>	<u>\$ 2,450,427</u>	<u>\$ 1,430,058</u>

(Continued)

TERRA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2012 and 2011

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

As of June 30, 2012 and 2011 the College has the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings	
		AAA	AA
June 30, 2012:			
Money Market	\$ 804,141	\$ 804,141	\$ -
STAR Ohio Funds	10,019	10,019	-
U.S. Agency Obligations	2,541,808	785,187	1,756,620
Certificates of Deposits	447,741	N/A	N/A
	<u>\$ 3,803,709</u>	<u>\$ 1,599,347</u>	<u>\$ 1,756,620</u>
June 30, 2011:			
Money Market	\$ 557,186	\$ 557,186	\$ -
STAR Ohio Funds	10,014	10,014	-
U.S. Agency Obligations	3,436,165	3,436,165	-
Certificates of Deposits	758,881	N/A	N/A
	<u>\$ 4,762,246</u>	<u>\$ 4,003,365</u>	<u>\$ -</u>

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's investment policy places no limit on the amount the College may invest in a single issuer. At June 30, 2012, more than 5 percent of the College's investments were in U.S. Agency Obligations (66.8%) investments.

(Continued)

TERRA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2012 and 2011

NOTE 3 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2012 and 2011 consisted of accounts (tuition and other fees), notes, interest and intergovernmental grants. All receivables, except for doubtful accounts receivables in collection with the Ohio Attorney General, are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

NOTE 4 - CAPITAL ASSETS

Capital assets at June 30, 2012 and 2011 are summarized as follows:

<u>Description</u>	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Capital assets not depreciated				
Land	\$ 534,747	\$ --	\$ --	\$ 534,747
Construction in progress	<u>3,905,965</u>	<u>1,427,835</u>	<u>(5,333,800)</u>	<u>--</u>
Total capital assets not depreciated	4,440,712	1,427,835	(5,333,800)	534,747
Capital assets being depreciated				
Buildings	28,981,404	5,333,800	--	34,315,204
Improvements	2,572,245	--	(23,430)	2,548,815
Equipment, furniture and books	<u>8,190,873</u>	<u>798,256</u>	<u>(144,175)</u>	<u>8,844,954</u>
Total capital assets depreciated	39,744,522	6,132,056	(167,605)	45,708,973
Total capital assets	44,185,234	7,559,891	(5,501,405)	46,243,720
Accumulated depreciation				
Buildings	(11,268,075)	(686,304)	--	(11,954,379)
Improvements	(2,423,954)	(13,712)	19,525	(2,418,141)
Equipment, furniture and books	<u>(6,675,510)</u>	<u>(321,979)</u>	<u>114,775</u>	<u>(6,882,714)</u>
Total accumulated depreciation	(20,367,539)	(1,021,995)	134,300	(21,255,234)
Capital assets, net	<u>\$ 23,817,695</u>	<u>\$6,537,896</u>	<u>(\$5,367,105)</u>	<u>\$ 24,988,486</u>

(Continued)

TERRA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2012 and 2011

NOTE 4 - CAPITAL ASSETS (Continued)

<u>Description</u>	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
Capital assets not depreciated				
Land	\$ 302,404	\$ 232,343	\$ --	\$ 534,747
Construction in progress	<u>3,283,827</u>	<u>3,827,350</u>	<u>(3,205,212)</u>	<u>3,905,965</u>
Total capital assets not depreciated	3,586,231	4,059,693	(3,205,212)	4,440,712
Capital assets being depreciated				
Buildings	25,304,245	3,677,159	--	28,981,404
Improvements	2,572,245	--		2,572,245
Equipment, furniture and books	<u>7,762,750</u>	<u>606,723</u>	<u>(178,600)</u>	<u>8,190,873</u>
Total capital assets depreciated	35,639,240	4,283,882	(178,600)	39,744,522
Total capital assets	39,225,471	8,343,575	(3,383,812)	44,185,234
Accumulated depreciation				
Buildings	(10,717,051)	(551,024)	--	(11,268,075)
Improvements	(2,408,680)	(15,274)	--	(2,423,954)
Equipment, furniture and books	<u>(6,593,083)</u>	<u>(261,027)</u>	<u>178,600</u>	<u>(6,675,510)</u>
Total accumulated depreciation	(19,718,814)	(827,325)	178,600	(20,367,539)
Capital assets, net	<u>\$ 19,506,657</u>	<u>\$7,516,250</u>	<u>\$(3,205,212)</u>	<u>\$ 23,817,695</u>

In fiscal year 2012 renovation was completed on the Marsha S. Bordner Arts and Health Technologies Center. In fiscal year 2011 renovation began on the former Industrial Technologies Building.

NOTE 5 - STATE SUPPORT

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

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

(Continued)

TERRA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2012 and 2011

NOTE 5 - STATE SUPPORT (Continued)

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

In 2012 and 2011 the College received capital project appropriations of \$410,140 and \$3,286,440 for building construction, renovations, and equipment.

NOTE 6 - ACCRUED LIABILITIES

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

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

NOTE 7 - DEFINED BENEFIT PENSION PLANS

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

Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board.

(Continued)

TERRA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2012 and 2011

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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 ending June 30, 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B funds. The College's contributions to SERS for the years ended June 30, 2012, 2011, and 2010 were \$656,174, \$688,191, and \$675,255 respectively; 100 percent has been contributed for the fiscal years 2012, 2011, and 2010.

The College contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system.

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

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

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 the 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 the years of credited service and final average salary, which 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%.

(Continued)

TERRA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2012 and 2011

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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 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 3307.8 and 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

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

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, physician's fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

(Continued)

TERRA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2012 and 2011

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, BC or Combined Plans. Various other benefits are available to members' beneficiaries.

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

For the fiscal years ended June 30, 2012, 2011, and 2010, plan members were required to contribute 10 percent of the 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 \$737,167, \$698,339 and \$587,253 respectively. 100 percent has been contributed for the fiscal years 2012, 2011, and 2010.

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.

NOTE 8 - POSTEMPLOYMENT BENEFITS

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

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

(Continued)

TERRA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2012 and 2011

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2012, 2011 and 2010. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the College, these amounts equaled \$52,424, \$49,896 and \$41,965 for the fiscal years 2012, 2011, and 2010, respectively.

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

Medicare Part B Plan

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in the Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90; 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 Part B Fund. For fiscal years 2012, 2011, and 2010, the actuarially required allocation was 0.75 percent, 0.76 percent, and 0.76 percent. For the College, contributions for the years ended June 30, 2012, 2011, and 2010, were \$2,578, \$2,295 and \$3,189 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.

(Continued)

TERRA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2012 and 2011

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

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 allocations were .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. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The College contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010 were \$77,893, \$79,715, and \$22,211 respectively.

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

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

NOTE 9 - OPERATING EXPENSES BY NATURAL CLASSIFICATION

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

	<u>2012</u>	<u>2011</u>
Salaries and wages	\$ 10,234,899	\$ 10,034,364
Employee benefits	3,427,237	3,359,783
Utilities	391,169	393,303
Supplies and other services	6,028,802	6,407,645
Depreciation	1,021,995	827,325
Student scholarships and financial aid	<u>225,534</u>	<u>292,096</u>
	<u>\$ 21,329,636</u>	<u>\$ 21,314,516</u>

(Continued)

TERRA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2012 and 2011

NOTE 10 - RISK MANAGEMENT

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

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

The College contracts with Medical Mutual of Ohio for hospitalization and dental insurance. The College pays 88% of the monthly premiums for health insurance coverage for full-time faculty as well as 100% of the single dental premium. The college pays 88% of health premiums and 88% of single dental premiums for full-time staff. The college pays 80% of health premiums and 88% of single dental premiums for union staff employees hired on or after January 1, 2008 and non-union staff hired on or after July 1, 2010.

(Continued)

TERRA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2012 and 2011

NOTE 11 - NONCURRENT LIABILITIES

Noncurrent liabilities at June 30, 2012 and 2011 are summarized as follows:

	<u>July 1, 2011</u>	<u>Current Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Non Current Portion</u>	<u>Current Portion</u>
Other liabilities						
Compensated absences	<u>575,282</u>	<u>185,242</u>	<u>(268,477)</u>	<u>492,047</u>	<u>178,874</u>	<u>313,173</u>
Total other liabilities	<u>575,282</u>	<u>185,242</u>	<u>(268,477)</u>	<u>492,047</u>	<u>178,874</u>	<u>313,173</u>
Total noncurrent obligations	<u>\$ 575,282</u>	<u>\$ 185,242</u>	<u>\$(268,477)</u>	<u>\$ 492,047</u>	<u>\$ 178,874</u>	<u>\$313,173</u>

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2011</u>	<u>Non Current Portion</u>	<u>Current Portion</u>
Other liabilities						
Compensated absences	<u>573,283</u>	<u>208,823</u>	<u>(206,824)</u>	<u>575,282</u>	<u>219,780</u>	<u>355,502</u>
Total other liabilities	<u>573,283</u>	<u>208,823</u>	<u>(206,824)</u>	<u>575,282</u>	<u>219,780</u>	<u>355,502</u>
Total noncurrent obligations	<u>\$ 573,283</u>	<u>\$ 208,823</u>	<u>\$(206,824)</u>	<u>\$ 575,282</u>	<u>\$ 219,780</u>	<u>\$355,502</u>

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

The cost of equipment under capital leases was \$1,009,207 with the final purchases made in 2006. Accumulated depreciation on equipment under capital leases for 2012 and 2011 was \$883,617 and \$694,433.

NOTE 12 - CONTINGENCIES

At June 30, 2012, there were lawsuits or claims pending against Terra Community College. In the opinion of management, the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the financial position of Terra Community College.

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

(Continued)

TERRA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2012 and 2011

NOTE 13 - COMPONENT UNIT DISCLOSURE

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

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

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

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

	<u>2012</u>	<u>2011</u>
Money market funds	\$ 266,775	\$ 383,717
Debt securities	409,171	218,145
Equity securities	<u>2,106,554</u>	<u>2,187,710</u>
	<u>\$ 2,782,500</u>	<u>\$ 2,789,572</u>

During the years ended June 30, 2012 and 2011, the Foundation made contributions of \$247,121 and \$229,961, respectively, to or on behalf of the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Terra College Foundation, 2830 Napoleon Road, Fremont, Ohio 43420.

(Continued)

SUPPLEMENTAL INFORMATION

TERRA COMMUNITY COLLEGE
SCHEDULE OF FEDERAL AWARDS REVENUES AND EXPENSES
Year ended June 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass through Entity Number	Federal CFDA Number	Revenues Recognized	Program Expenses
<u>U.S. Department of Education</u>				
Student Financial Aid Cluster				
Pell Grant Program	Direct	84.063	\$ 7,485,970	\$ 7,485,970
Pell Grant - Adm. Allowance	Direct	84.063	<u>13,115</u>	<u>13,115</u>
Total Pell Grant			7,499,085	7,499,085
Federal Supplemental Educational				
Opportunity Grant	Direct	84.007	70,625	70,625
Federal Work Study	Direct	84.033	93,073	93,073
Federal Family Education Loans (Note 2)	Direct	84.032	<u>12,572,919</u>	<u>12,572,919</u>
Total Student Financial Aid Cluster			20,235,702	20,235,702
Office of Postsecondary Education				
Higher Education Institutional Aid	P031A080019	84.031	345,189	345,189
Pass-through Ohio Department of Education				
Career and Technical Education	VEC PII-P2012-509	84.048	60,364	60,364
Pass-through Ohio Board of Regents				
Career and Technical Education	SCTAI-2012	84.048	<u>4,000</u>	<u>4,000</u>
			64,364	64,364
Office of Special Education Programs				
Pass-through the University of Toledo				
The Partner Grant	H325N110014	84.325	<u>2,760</u>	<u>2,760</u>
Total U.S. Department of Education			20,648,015	20,648,015
<u>U.S. Department of Health & Human Services</u>				
Pass-through Ohio Board of Regents				
Telehealth Network Grant	G994235	93.211	12,000	12,000
<u>U.S. Department of Transportation</u>				
Pass-through Ohio Department of Public Safety				
National Highway Traffic Safety Administration				
Motorcyclist Safety Grant	MOPI-2012-72	20.612	1,698	1,698
<u>Small Business Administration</u>				
Pass-through Ohio Dept. of Development				
Small Business Development Center	56080	59.037	<u>92,528</u>	<u>92,528</u>
Total Federal Expenditures			<u>\$ 20,754,241</u>	<u>\$ 20,754,241</u>

The notes to the schedule of federal awards revenues and expenses are an integral part of this statement.

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - OUTSTANDING LOANS

The College participates in the Federal Family Education Loan Program. The dollar amounts listed in the schedule of federal awards revenues and expenses represents new loans awarded during the fiscal year ended June 30, 2012.



Balestra, Harr & Scherer, CPAs, Inc.

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

www.bhscpas.com

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

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

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Terra Community College, Sandusky County, OH (the College), which is a component unit of the state of Ohio, as of and for the years ended June 30, 2012 and 2011 which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the College's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the College's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the College's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
October 2, 2012



Balestra, Harr & Scherer, CPAs, Inc.

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

www.bhscpas.com

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

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

Compliance

We have audited the compliance of Terra Community College (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of Terra Community 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, Terra Community College complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

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

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
October 2, 2012

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

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

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

Finding Number	None
----------------	------

3. FINDINGS FOR FEDERAL AWARDS

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



Dave Yost • Auditor of State

TERRA COMMUNITY COLLEGE

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 20, 2012**