

James A. Rhodes State College
Allen County, Ohio

Single Audit

July 1, 2007, through June 30, 2008
Fiscal Years Audited Under GAGAS: 2008 and 2007



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the James A. Rhodes State College, Allen County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 14, 2009

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JAMES A. RHODES STATE COLLEGE
Allen County

ANNUAL REPORT
June 30, 2008 and 2007

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of James A. Rhodes State College (the College), as of and for the year ended June 30, 2008, 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 basic financial statements based on our audit. The Statement of Net Assets of the business-type activities and the discretely presented component unit of the College as of June 30, 2007 and the related Statement of Activities and Cash Flows for the year then ended were audited by other auditors whose report dated November 2, 2007 expressed an unqualified opinion.

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, 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 12, 2008, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

As described in Note 16, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures – An Amendment of GASB Statements number 25 and 27".

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

Balestra, Harr & Scherer, CPAs, Inc.
December 12, 2008

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2008 and 2007

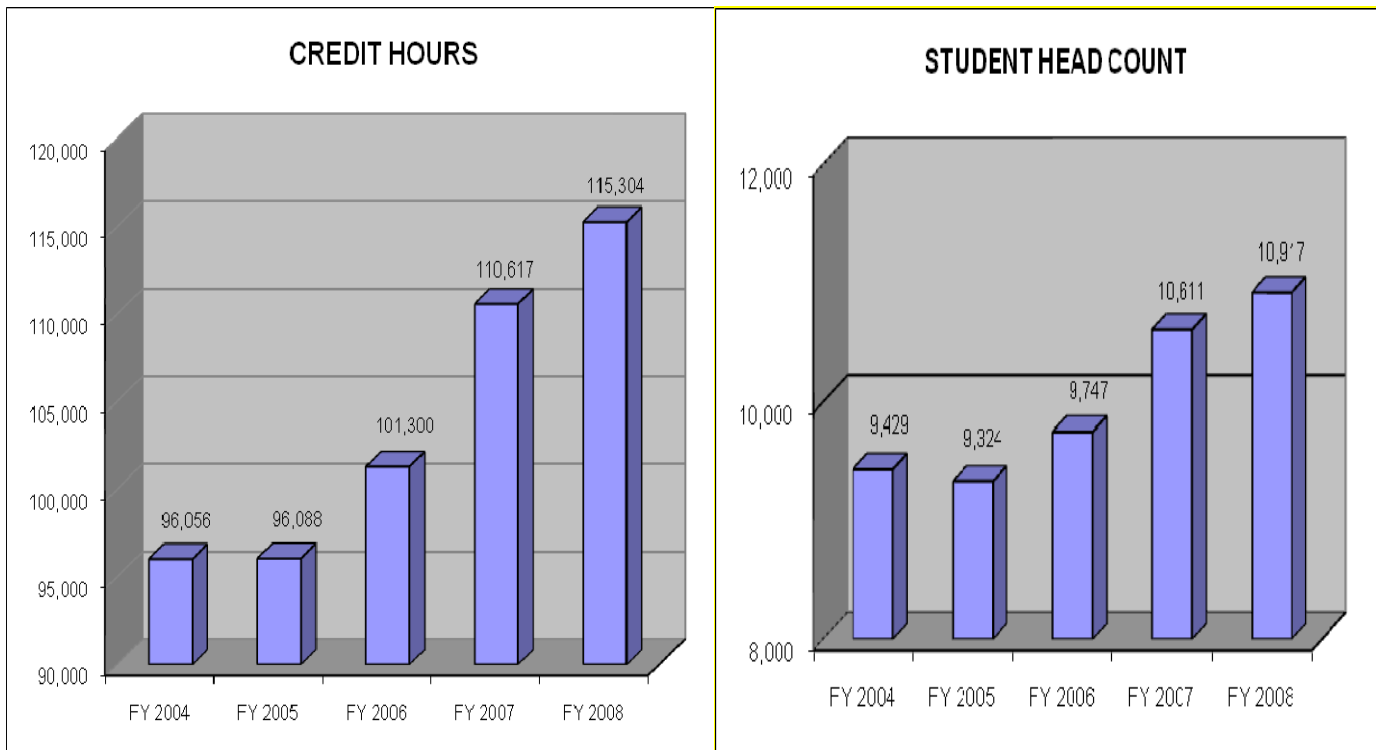
This section of James A. Rhodes State College annual financial report presents management's discussion and analysis of the College's financial performance during the fiscal years that ended June 30, 2008 and 2007. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes.

THE COLLEGE

James A. Rhodes State College is a public, state assisted, two-year institution of higher learning. The College offers over 100 Associate degrees, majors and certificate programs. In addition to degrees and certificates, the College provides educational opportunities through workshops, seminars and on-site training for area businesses. The College serves a ten-county region in Northwest Ohio. James A. Rhodes State College is accredited by The Higher Learning Commission, a commission of the North Central Association of Colleges and Schools. The College is one of seven (7) co-located campuses in Ohio, and maintains a cost-shared agreement with The Ohio State University at Lima, regional campus.

The College has focused on continuous improvements and institutional effectiveness. The strategic and institutional effectiveness planning system has developed six (6) priorities. The strategic priorities include: 1) create dynamic learning environments, 2) maximize collaborations, 3) maximize access, 4) increase resources, 5) increase a qualified and diverse workforce, and 6) create a "Portal to the Future" image.

Listed below are the credit hours and student head count over the last five years.



James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2008 and 2007

FINANCIAL HIGHLIGHTS

In FY2008, the College provided over 115,000 credit hours and this was a 4.2% increase over FY2007. The College has five consecutive years of increased credit hours. Since FY2004, the College has taught 19,248 additional credit hours, a 20.0% increase.

Net assets increased by \$1,788,323 in FY2008 and \$ 850,223 in FY2007. This is the result of the College's ability to effectively monitor and manage its financial resources.

In FY2008, operating revenues increased by \$236,035 or 1.46%; net non-operating revenues increased \$765,157 or 9.1%; while operating expenses increased by \$1,450,566 or 6.1%. In FY2007, operating revenues increased by \$1,963,704 or 13.8%; net non-operating revenues increased \$140,472 or 1.7%; while operating expenses increased by \$680,838 or 2.9%.

USING THE ANNUAL REPORT

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

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

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

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

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

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2008 and 2007
CONDENSED FINANCIAL INFORMATION
STATEMENTS OF NET ASSETS
(in thousands)

ASSETS	<u>2008</u>	<u>2007</u>	<u>Difference</u>	<u>2006</u>	<u>Difference</u>
Current Assets	\$10,278	\$10,435	\$(157)	\$9,671	\$764
Noncurrent, Capital Assets	<u>30,660</u>	<u>28,587</u>	<u>2,073</u>	<u>27,947</u>	<u>640</u>
Total Assets	<u>40,938</u>	<u>39,022</u>	<u>1,916</u>	<u>37,618</u>	<u>1,404</u>
LIABILITIES					
Current Liabilities	3,174	3,030	144	2,470	560
Noncurrent Liabilities	<u>3,706</u>	<u>3,722</u>	<u>(16)</u>	<u>3,728</u>	<u>(6)</u>
Total Liabilities	<u>6,880</u>	<u>6,752</u>	<u>128</u>	<u>6,198</u>	<u>554</u>
NET ASSETS					
Invested in Capital Assets	27,746	25,618	2,128	24,929	689
Restricted, Expendable	9	9	0	9	0
Unrestricted	<u>6,303</u>	<u>6,643</u>	<u>(340)</u>	<u>6,482</u>	<u>161</u>
Total Net Assets	<u>34,058</u>	<u>32,270</u>	<u>1,788</u>	<u>31,420</u>	<u>850</u>
			0		
Total Liabilities and Net Assets	<u>\$40,938</u>	<u>\$39,022</u>	<u>\$1,916</u>	<u>\$37,618</u>	<u>\$1,404</u>

Assets As of June 30, 2008, the College's total assets were \$40.9 million compared to \$39.0 million in fiscal year 2007 and \$37.6 million in fiscal year 2006. Capital assets, net of accumulated depreciation are the college's largest asset. This represents 74.9%, 73.3%, and 74.3% of total assets for fiscal years 2008, 2007 and 2006 respectively. Cash and cash equivalents are the second largest asset category at \$5.2 million, \$6.7 million, and \$6.7 million for fiscal years 2008, 2007, and 2006 respectively. This represents 12.6%, 17.0% and 17.8% of the total assets for fiscal years 2008, 2007 and 2006 respectively.

Liabilities As of June 30, 2008, the College's liabilities were \$6.9 million compared to \$6.8 million in fiscal year 2007 and \$6.2 million in fiscal year 2006. Bonds Payable, net represented the largest portion of liabilities with \$2.8 million, \$2.9 million and \$3.0 million for fiscal years 2008, 2007 and 2006 respectively. Bonds payable, net represents approximately 41.5%, 43.2% and 47.9% of total liabilities for fiscal years 2008, 2007 and 2006 respectively. The general receipts bonds are payable over thirty years with final payment due in 2033.

Net Assets Net Assets as of June 30, 2008 were \$34.1 million compared to \$32.3 million in fiscal year 2007 and \$31.4 million in fiscal year 2006. Invested in capital assets, net of related debt represents the largest portion of net assets at 81.5%, 79.4% and 79.3% of total net assets for fiscal years 2008, 2007 and 2006 respectively.

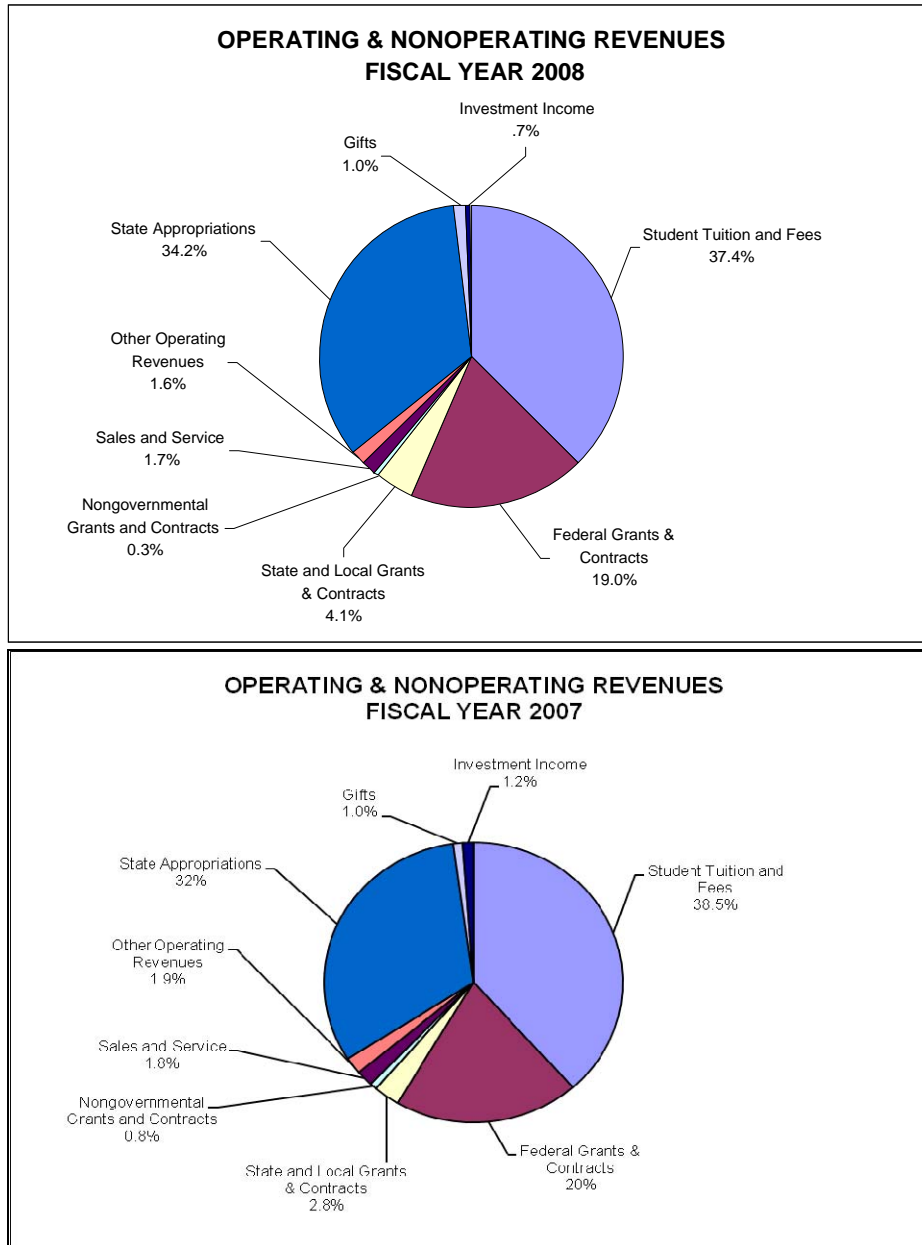
James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2008 and 2007

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

OPERATING REVENUES	<u>2008</u>	<u>2007</u>	<u>Difference</u>	<u>2006</u>	<u>Difference</u>
Student tuition and fees, net	\$9,596	\$9,483	\$113	\$8,566	\$917
Federal grants and contracts	4,864	4,928	(64)	4,186	742
State grants and contracts	1,050	696	354	753	(57)
Non-Governmental grants and contracts	86	184	(98)	77	107
Sales and services	450	449	1	393	56
Other operating revenues	<u>411</u>	<u>481</u>	<u>(70)</u>	<u>282</u>	<u>199</u>
Total Operating Revenues	<u>16,457</u>	<u>16,221</u>	<u>236</u>	<u>14,257</u>	<u>1,964</u>
 OPERATING EXPENSES					
Educational and General	23,901	22,605	1,296	21,917	688
Depreciation	<u>1,173</u>	<u>1,018</u>	<u>155</u>	<u>1,025</u>	(7)
Total Operating Expenses	<u>25,074</u>	<u>23,623</u>	<u>1,451</u>	<u>22,942</u>	<u>681</u>
Operating Income (Loss)	(8,617)	(7,402)	(1,215)	(8,685)	1,283
 NONOPERATING REVENUES (EXPENSES)					
State Appropriations	8,772	7,886	886	7,668	218
Gifts	244	248	(4)	376	(128)
Investment Income	169	286	(117)	238	48
Interest on capital asset-related debt	(166)	(168)	2	(170)	2
Other non-operating revenues (expenses)	<u>(9)</u>	<u>0</u>	<u>(9)</u>	<u>0</u>	<u>0</u>
Net Non-Operating Revenues (expenses)	<u>9,010</u>	<u>8,252</u>	<u>758</u>	<u>8,112</u>	<u>140</u>
Income (Loss) before other revenues	393	850	(457)	(573)	1,423
Capital Appropriations	<u>1,395</u>	<u>0</u>	<u>1,395</u>	<u>134</u>	<u>(134)</u>
Total other revenues	<u>1,395</u>	<u>0</u>	<u>1,395</u>	<u>134</u>	<u>(134)</u>
Increase (decrease) in Net Assets	1,788	850	938	(439)	1,289
Net Assets, Beginning of Year	<u>32,270</u>	<u>31,420</u>	<u>850</u>	<u>31,859</u>	<u>(439)</u>
Net Assets, End of Year	<u>\$34,058</u>	<u>\$32,270</u>	<u>\$1,788</u>	<u>\$31,420</u>	<u>\$850</u>

James A. Rhodes State College
 Management's Discussion and Analysis
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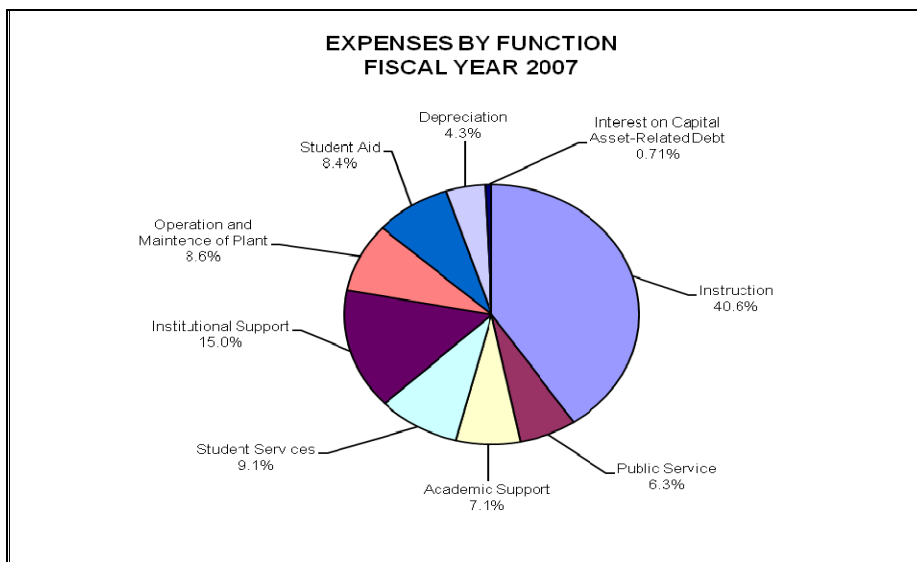
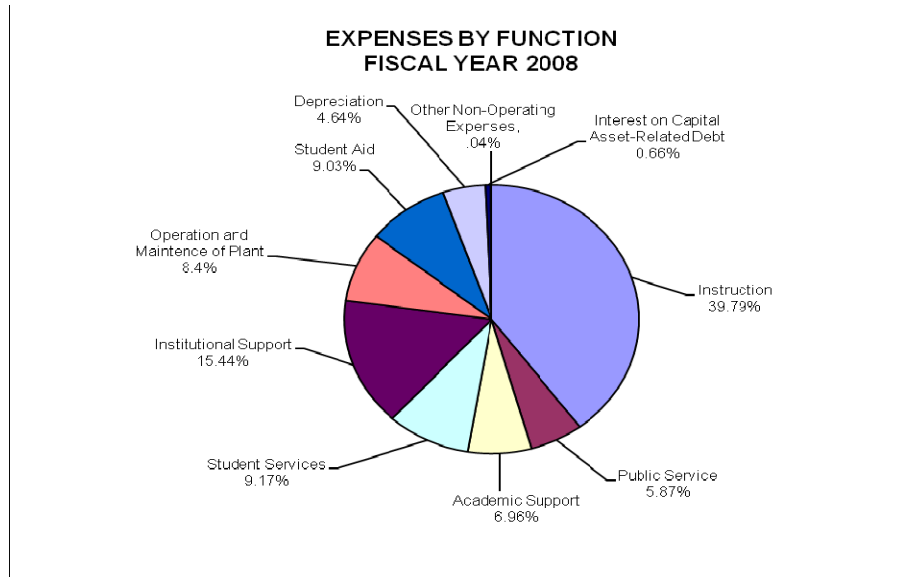
The following is a graphic illustration of revenues by source for the years ended June 30, 2008 and 2007:



The largest sources of the College's revenues (over 70%) come from Student Tuition & Fees (net of scholarship allowance) and State Appropriations. Student tuition and fees, net were \$9.6 million and \$9.5 million for fiscal years 2008 and 2007 respectively. State appropriations were \$8.8 million and \$7.9 million for fiscal years 2008 and 2007 respectively. Federal grants and contracts were \$4.9 million and \$4.9 million for fiscal years 2008 and 2007 respectively. Total operating and non-operating revenues were \$25.6 million and \$24.6 million for fiscal years 2008 and 2007 respectively.

James A. Rhodes State College
 Management's Discussion and Analysis
 June 30, 2008 and 2007

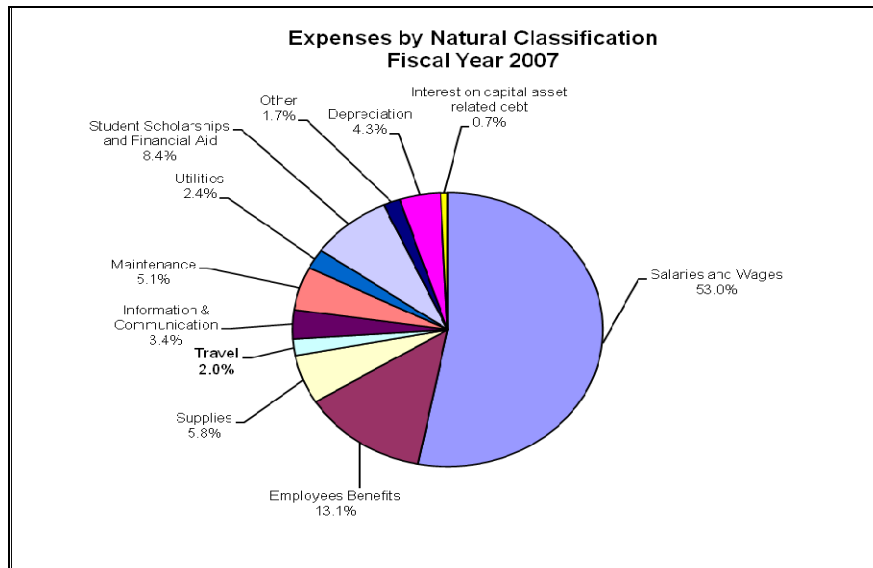
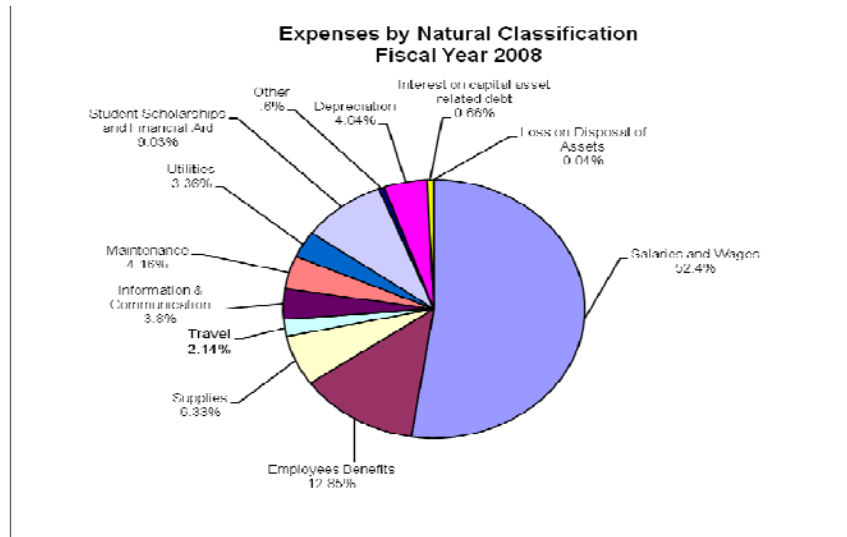
The following is a graphic illustration of expenses by function for the years ended June 30, 2008 and 2007:



Instructional expenditures are the largest expense for the College. Instructional expenses were \$10.0 million and \$9.7 million for fiscal years 2008 and 2007 respectively. Public service expenses were \$1.5 million for both fiscal years. Academic support expenses were \$1.8 million and \$1.7 million for fiscal years 2008 and 2007 respectively. Student services expenses were \$2.3 million and \$2.2 million respectively. Institutional support expenses were \$3.9 million and \$3.6 million respectively. Operation and maintenance of plant expenses were approximately \$2.1 million for each year. Student aid expenses were \$2.3 million and \$2.0 million respectively. Total operating and non-operating expenses were \$25.2 million and \$23.8 million respectively.

James A. Rhodes State College
 Management's Discussion and Analysis
 June 30, 2008 and 2007

The following is a graphic illustration of expenses by natural classification for the years ended June 30, 2008 and 2007:



Salaries and wages were the largest expense for the College at 52.4% and 53.0% for fiscal years 2008 and 2007 respectively. Wages and benefits accounted for 65.2% and 66.1% of the College's total expenses respectively. The next largest expense was student scholarships.

Salaries and wages were \$13.2 million and \$12.6 million respectively. Employee benefits were \$3.2 million and \$3.1 million respectively. Student scholarships were \$2.3 million and \$2.0 million respectively. Supplies were \$1.6 million and \$1.4 million respectively. Maintenance was \$1.0 million for both years. Total operating and non-operating expenses were \$25.2 million and \$23.8 million for fiscal years 2008 and 2007 respectively.

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2008 and 2007

CONDENSED FINANCIAL INFORMATION
STATEMENTS OF CASH FLOWS
(in thousands)

Net cash provided (used by):	<u>2008</u>	<u>2007</u>	<u>Difference</u>	<u>2006</u>	<u>Difference</u>
Operating Activities	\$(7,259)	\$(6,674)	\$(585)	\$(7,676)	\$1,002
Non-capital Financing Activities	8,942	8,186	755	7,915	272
Capital Financing Activities	(3,333)	(1,845)	(1,488)	(946)	(899)
Investing Activities	<u>169</u>	<u>286</u>	<u>(117)</u>	<u>238</u>	<u>48</u>
Net increase (decrease) in cash	(1,481)	(47)	(1,435)	(469)	423
Cash, Beginning of Year	<u>6,652</u>	<u>6,699</u>	<u>(46)</u>	<u>7,168</u>	<u>(469)</u>
Cash, End of Year	<u>\$5,171</u>	<u>\$6,652</u>	<u>\$(1,481)</u>	<u>\$6,699</u>	<u>\$(46)</u>

Another way to assess the financial health of the College is to look at the statement of cash flows. The primary purpose of the statement of cash flows is to provide information about the cash receipts and cash payments of the College during the period. The statement of cash flows also helps financial statement readers assess:

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

Major sources of cash included in the operating activities were tuition and fees, and grants and contracts. Tuition and fees generated cash of \$9.1, \$9.2 and \$9.0 million in fiscal years 2008, 2007, and 2006 respectively. Grants and contracts generated cash of \$ 6.3, \$5.3 and \$4.6 million in fiscal years 2008, 2007 and 2006 respectively. Major uses of cash included in the operating activities were payments for wages, supplies and services, and employee benefits. Payments to employees amounted to \$13.2, \$12.5 and \$11.8 million in fiscal years 2008, 2007, and 2006 respectively. Payments for supplies and services amounted to \$3.9, \$4.2 and \$4.6 million in fiscal years 2008, 2007, and 2006 respectively. Payments for benefits amounted to \$3.4, \$2.9 and \$3.0 million in fiscal years 2008, 2007, and 2006 respectively. State appropriations are the primary source of cash for non-capital financing activities. The College received \$8.8, \$7.9 and \$7.7 million in state appropriations in fiscal years 2008, 2007, and 2006 respectively. The accounting standards require the College to reflect this source of revenue as non-operating even though the College's budget depends on this to continue operations. Major uses of cash included in the capital financing activities were payments for capital assets. The College paid \$3.2, \$1.6 and \$0.7 million for capital assets in fiscal years 2008, 2007, and 2006 respectively.

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2008 and 2007

COMPONENT UNIT

Component Unit

The College adopted Governmental Accounting Standards Board (GASB) Statement No. 39, Determining Whether Certain Organizations are Component Units. The James A Rhodes State College Foundation is a legally separate tax exempt entity governed by its own Board of Directors. The Foundation was created to support the College and its students. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources that the Foundation holds and invests are restricted to the activities of the College by the donors. Since these resources held by the Foundation can only be used for the benefit of the College and determined significant, the Foundation is considered a component unit of the College. The impact is that the financial information of the Foundation was included as a discretely presented component unit for the first time in FY2005.

CAPITAL ASSETS AND DEBT

Capital Assets

The total cost of capital assets were \$41.0, \$38.1 and \$36.5 million for fiscal years 2008, 2007 and 2006 respectively. The accumulated depreciation was \$10.3, \$9.5 and \$8.5 million for fiscal years 2008, 2007 and 2006 respectively. Depreciation expense for the years ended June 30, 2008, 2007 and 2006 were \$1,172,656, \$1,017,932 and \$1,025,036 respectively. A summary of net capital assets for the years ended June 30 is as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Land Improvements	\$ 189,711	\$ 214,581	\$ 239,451
Buildings and Improvements	26,636,667	25,165,517	25,169,578
Infrastructure	70,459	76,327	82,418
Moveable Equipment	3,536,993	2,902,510	2,226,620
Library Books	<u>226,401</u>	<u>228,274</u>	<u>229,053</u>
 Total Capital Assets, net	 <u>\$ 30,660,231</u>	 <u>\$ 28,587,209</u>	 <u>\$ 27,947,120</u>

During fiscal year 2008, the College purchased \$1,056,368 of moveable equipment, \$2,155,883 in building improvements, and \$43,008 of library books. During fiscal year 2007, the College purchased \$970,345 of moveable equipment, \$643,964 in building improvements, and \$43,713 of library books.

Debt

In October 2003, the College issued \$3.1 million in general receipts bonds for the construction of Keese Hall. The bonds mature over thirty (30) years with principal and interest due semi-annually. This will impact cash flows by approximately \$220,000 each year.

James A. Rhodes State College
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 June 30, 2008 and 2007

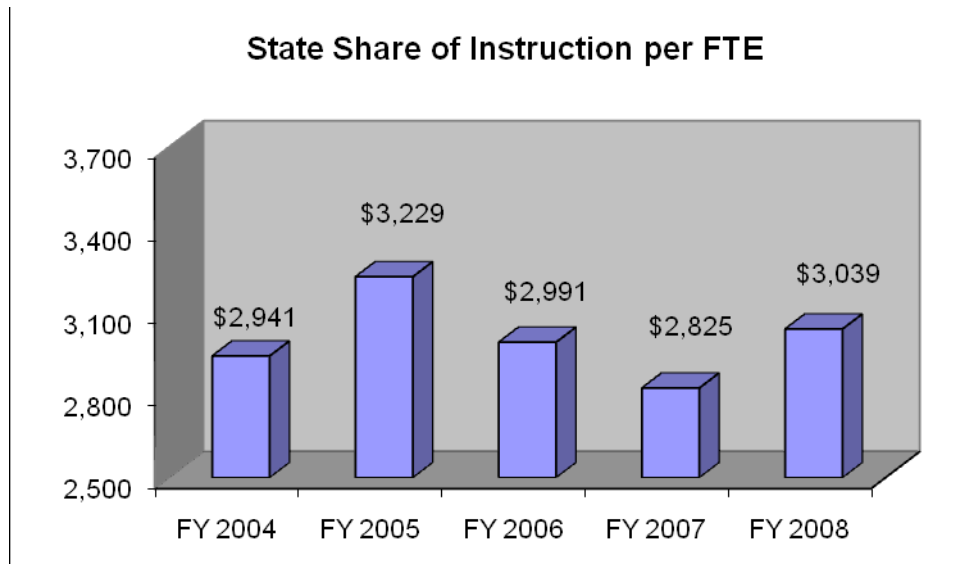
State Appropriations per Dollar of Gross Tuition

Fiscal Year	Gross Tuition	State Appropriations	Net State Appropriations per Dollar of Gross Tuition
2008	\$11,999,822	\$ 8,772,455	0.73
2007	\$11,793,160	\$ 7,885,574	0.67
2006	\$10,505,975	\$ 7,668,903	0.73
2005	\$ 9,329,826	\$ 7,957,978	0.85
2004	\$ 9,152,973	\$ 7,329,027	0.80

In 2002, the State contributed \$0.93 to James A. Rhodes State College for every dollar of gross tuition. In 2008, the College froze tuition rates while the State has agreed to increase appropriations. The appropriations have improved, but this is still \$.07 below the 2004 rate.

State Share of Instruction (SSI)

In an effort to understand the funding (or lack of) from state appropriations, the table below shows the five-year trend in funding by annual full time equivalent (FTE). Annual FTE is calculated as total credit hours divided by forty-five (45). While SSI has increased for the first time in many years, it is still below the funding level of FY 2005. This does not take into consideration inflation.

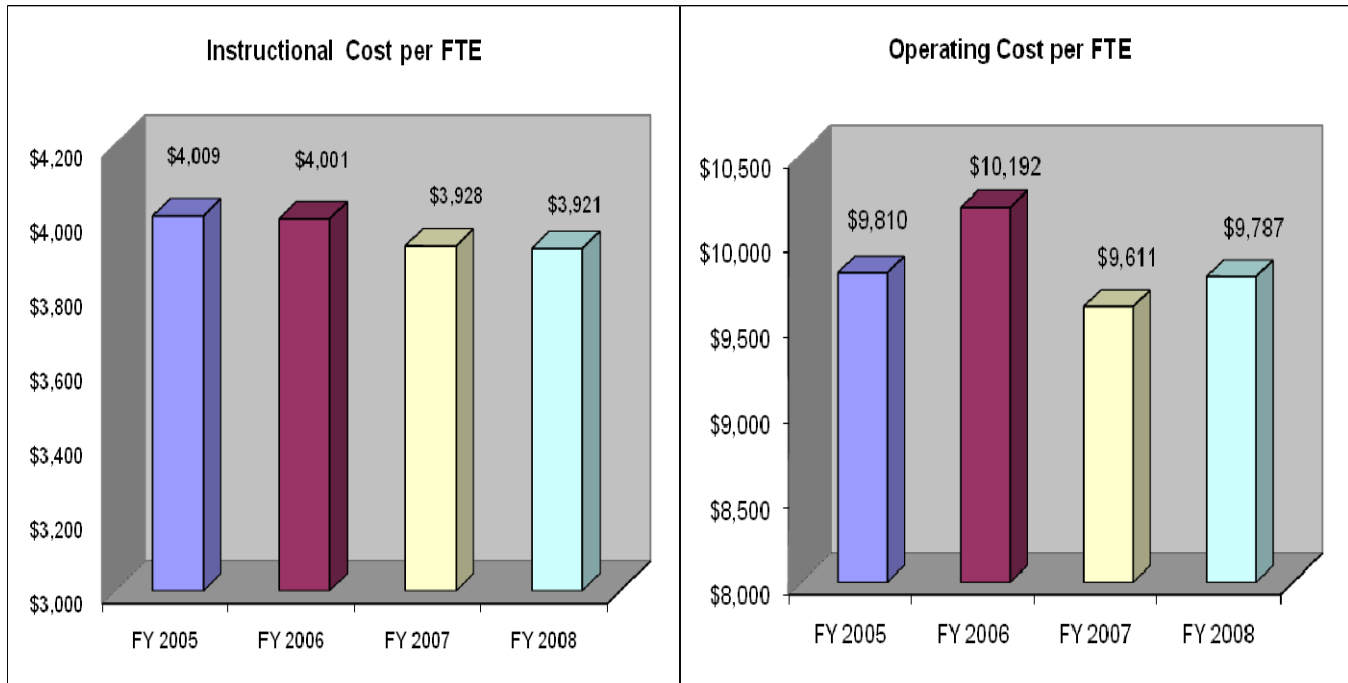


James A. Rhodes State College
 Management's Discussion and Analysis
 June 30, 2008 and 2007

Operating and Instructional Expenses per Annual Student FTE

	2008	2007	2006	2005
Total Operating Expenses	\$ 25,073,893	\$ 23,623,328	\$ 22,942,490	\$ 20,943,892
Instructional Expenses	\$ 10,045,720	\$ 9,655,653	\$ 9,005,725	\$ 8,559,215
Annual Student FTE Enrollment	2,562	2,458	2,251	2,135

Annual full time equivalent (FTE) is calculated by taking the total number of student credit hours and dividing by forty-five (45). A review of the total instructional expenses shows that instructional expenses per FTE decreased by 0.2% in FY2008, decreased by 1.8% in FY2007, and decreased by 0.2% in FY2006. Operating expenses per FTE increased by 1.8% in FY2008, decreased by 5.7% in FY2007 and increased by 3.9% in FY2006.



James A. Rhodes State College
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FACTORS IMPACTING FUTURE PERIODS

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

The economic position of the College is closely tied to that of the State of Ohio. There has been and will be a direct relationship between the level of state support and the College's ability to control tuition growth, as declines in state appropriations often result in increased tuition rates. The College expects its state share of instruction (SSI) to remain flat. The College joined the Higher Education Compact by promising to not raise tuition rates for two years (FY2008 and FY2009) while the State has made an effort to increase subsidy funding.

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

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

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

<u>Title</u>	<u>Name</u>	<u>Address</u>	<u>Phone</u>
Vice President of Business	Randall G. McCullough	4240 Campus Drive Lima, OH 45804	419-995-8342
Controller/Asst. Treasurer	Larry E. Hoffman, CPA	4240 Campus Drive Lima, OH 45804	419-995-8411

James A. Rhodes State College
Statements of Net Assets
June 30, 2008 and 2007

ASSETS	<u>2008</u>	<u>2007</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,171,364	\$ 6,652,485
Accounts receivable (net of allowance of \$522,380 and \$620,623 respectively)	3,509,249	3,417,330
Appropriations receivable	1,589,124	357,064
Prepaid Expenses and other current assets	8,104	8,305
TOTAL CURRENT ASSETS	10,277,841	10,435,184
NONCURRENT ASSETS:		
Capital assets, net	30,660,231	28,587,209
TOTAL NONCURRENT ASSETS	30,660,231	28,587,209
TOTAL ASSETS	\$ 40,938,072	\$ 39,022,393
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable, net	\$ 1,038,388	681,333
Current portion of bonds payable	55,000	55,000
Accrued liabilities	1,067,032	1,179,533
Deferred revenue	1,013,805	1,114,122
TOTAL CURRENT LIABILITIES	3,174,225	3,029,988
NONCURRENT LIABILITIES:		
Bonds payable, net of current portion	2,859,098	2,913,669
Compensated absences	846,376	808,686
TOTAL NONCURRENT LIABILITIES	3,705,474	3,722,355
TOTAL LIABILITIES	6,879,699	6,752,343
NET ASSETS:		
Invested in capital assets, net of related debt	27,746,133	25,618,540
Restricted, Expendable	8,467	8,467
Unrestricted	6,303,773	6,643,043
TOTAL NET ASSETS	34,058,373	32,270,050
TOTAL LIABILITIES AND NET ASSETS	\$ 40,938,072	\$ 39,022,393

The notes to the financial statements are an integral part of this statement.

James A. Rhodes State College
Component Unit - Foundation
Statements of Financial Position
June 30, 2008 and 2007

ASSETS	<u>2008</u>	<u>2007</u>
Cash and Cash Equivalents	\$ 561,601	\$ 700,454
Investments	1,345,261	1,250,901
Pledges Receivable	1,978,109	2,365,256
Accounts Receivable	2,368	2,842
Accrued Interest Receivable	388	372
Schell Foundation Loans Receivable	68,606	73,892
	<hr/>	<hr/>
TOTAL ASSETS	\$ 3,956,333	\$ 4,393,717
	<hr/> <hr/>	<hr/> <hr/>
 LIABILITIES AND NET ASSETS		
Accounts Payable	\$ 214,791	\$ 169,497
	<hr/>	<hr/>
TOTAL LIABILITIES	214,791	169,497
	<hr/>	<hr/>
NET ASSETS		
Unrestricted	625,354	643,496
Temporarily Restricted	2,351,118	2,919,658
Permanently Restricted	765,070	661,066
	<hr/>	<hr/>
TOTAL NET ASSETS	3,741,542	4,224,220
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 3,956,333	\$ 4,393,717
	<hr/> <hr/>	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

James A. Rhodes State College
 Statements of Revenues, Expenses, and Changes in Net Assets
 For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
REVENUES		
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of \$2,403,746 and \$2,310,486 respectively)	\$ 9,596,076	\$ 9,482,674
Federal grants and contracts	4,864,183	4,927,640
State and local grants and contracts	1,049,669	695,924
Nongovernmental grants and contracts	85,940	184,589
Sales and services	449,677	449,095
Other operating revenues	411,213	480,801
Total operating revenues	16,456,758	16,220,723
EXPENSES		
Operating Expenses:		
Educational and general:		
Instruction	10,045,720	9,655,653
Public Service	1,481,640	1,485,464
Academic Support	1,758,999	1,678,793
Student Services	2,315,706	2,153,516
Institutional Support	3,897,614	3,578,010
Operation and Maintenance of Plant	2,121,488	2,053,685
Student Aid	2,280,070	2,000,275
Depreciation	1,172,656	1,017,932
Total operating expenses	25,073,893	23,623,328
Operating income (loss)	(8,617,135)	(7,402,605)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	8,772,455	7,885,574
Gifts	244,372	248,935
Investment income (net of investment expense)	169,379	286,540
Interest on capital asset-related debt	(165,997)	(168,221)
Other nonoperating revenues (expenses)	(9,581)	-
Net Nonoperating Revenues (Expenses)	9,010,628	8,252,828
Income (Loss) Before Other Revenues	393,493	850,223
Capital appropriations	1,394,830	-
Total other revenues	1,394,830	-
Increase (decrease) in net assets	1,788,323	850,223
NET ASSETS		
Net Assets, July 1	32,270,050	31,419,827
Net Assets, June 30	\$ 34,058,373	\$ 32,270,050

The notes to the financial statements are an integral part of this statement.

James A. Rhodes State College Foundation
Statement of Activities
For the Year Ended June 30, 2008 and 2007

2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 6,282	\$ 10,250	\$ 79,004	\$ 95,536
Interest and Dividends	6,245	36,449	-	42,694
Realized Gain (Loss) on Investments	1,363	10,191	-	11,554
Unrealized Gain (Loss) on Investments	(10,506)	(49,058)	-	(59,564)
	<u>3,384</u>	<u>7,832</u>	<u>79,004</u>	<u>90,220</u>
Assets Released from Restrictions	551,372	(576,372)	25,000	-
Total Revenues, Gains and Other Support	<u>554,756</u>	<u>(568,540)</u>	<u>104,004</u>	<u>90,220</u>
EXPENSES				
Academic Programs	479,956	-	-	479,956
Fundraising	11,713	-	-	11,713
Management and General	25,379	-	-	25,379
Scholarships	55,850	-	-	55,850
	<u>572,898</u>	<u>-</u>	<u>-</u>	<u>572,898</u>
Total Expenses	<u>572,898</u>	<u>-</u>	<u>-</u>	<u>572,898</u>
Increase (decrease) in net assets	(18,142)	(568,540)	104,004	(482,678)
NET ASSETS				
Net Assets, July 1, 2007	<u>643,496</u>	<u>2,919,658</u>	<u>661,066</u>	<u>4,224,220</u>
Net Assets, June 30, 2008	<u>\$ 625,354</u>	<u>\$ 2,351,118</u>	<u>\$ 765,070</u>	<u>\$ 3,741,542</u>

2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 17,291	\$ 73,907	\$ 74,903	\$ 166,101
Interest and Unrealized/Realized Gain (Loss)	42,440	171,174	-	213,614
	<u>59,731</u>	<u>245,081</u>	<u>74,903</u>	<u>379,715</u>
Assets Released from Restrictions and Transfers	686,819	(686,819)	-	-
Total Revenues, Gains and Other Support	<u>746,550</u>	<u>(441,738)</u>	<u>74,903</u>	<u>379,715</u>
EXPENSES				
Academic Programs	483,926	-	-	483,926
Fundraising	11,373	-	-	11,373
Management and General	22,908	-	-	22,908
Scholarships	198,191	-	-	198,191
	<u>716,398</u>	<u>-</u>	<u>-</u>	<u>716,398</u>
Total Expenses	<u>716,398</u>	<u>-</u>	<u>-</u>	<u>716,398</u>
Increase (decrease) in net assets	30,152	(441,738)	74,903	(336,683)
NET ASSETS				
Net Assets, July 1, 2006	<u>613,344</u>	<u>3,361,396</u>	<u>586,163</u>	<u>4,560,903</u>
Net Assets, June 30, 2007	<u>\$ 643,496</u>	<u>\$ 2,919,658</u>	<u>\$ 661,066</u>	<u>\$ 4,224,220</u>

The accompanying notes are an integral part of these financial statements.

James A. Rhodes State College
 Statements of Cash Flows
 For the Years Ended June 30, 2008 and 2007

CASH FLOWS FROM OPERATING ACTIVITIES	2008	2007
Tuition and fees	\$ 9,140,997	\$ 9,188,609
Grants and contracts	6,282,674	5,349,085
Payments to suppliers	(3,935,270)	(4,228,840)
Payments for utilities	(848,852)	(566,765)
Payments to employees	(13,157,373)	(12,502,123)
Payments for benefits	(3,376,956)	(2,863,403)
Payments for student aid	(2,280,070)	(2,000,274)
Sales and services	457,700	494,379
Other receipts	457,757	455,076
Net cash used by operating activities	<u>(7,259,393)</u>	<u>(6,674,256)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	8,772,455	7,885,574
Gifts and grants for other than capital purposes	169,767	301,211
Student loan receipts	9,320,447	7,845,608
Student loan disbursements	(9,320,447)	(7,845,608)
Net cash provided by noncapital activities	<u>8,942,222</u>	<u>8,186,785</u>
 CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital appropriations	162,770	-
Principal paid on bonds payable	(55,000)	(50,000)
Interest paid on bonds payable	(165,369)	(167,591)
Purchases of capital assets	(3,275,730)	(1,627,790)
Net cash used by financing activities	<u>(3,333,329)</u>	<u>(1,845,381)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	169,379	286,539
Net cash provided by investing activities	<u>169,379</u>	<u>286,539</u>
 NET INCREASE (DECREASE) IN CASH		
	(1,481,121)	(46,313)
 CASH AND CASH EQUIVALENTS, Beginning of Year		
	6,652,485	6,698,798
CASH AND CASH EQUIVALENTS, End of Year		
	<u>\$ 5,171,364</u>	<u>\$ 6,652,485</u>
 RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (8,617,135)	\$ (7,402,605)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	1,172,656	1,017,932
Changes in assets and liabilities:		
Increase in accounts receivable	(17,313)	(863,443)
Increase in accounts payable	377,529	70,022
Increase(Decrease) in accrued liabilities	(112,502)	325,297
Increase(Decrease) in deferred revenue	(100,317)	129,870
Increase in compensated absences	37,689	48,671
Net cash used by operating activities	<u>\$ (7,259,393)</u>	<u>\$ (6,674,256)</u>

The notes to the financial statements are an integral part of this statement.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2008 and 2007

NOTE 1 - Summary of Significant Accounting Policies

Description of Entity

James A. Rhodes State College (the College) is a public, state assisted, two-year institution of higher learning. The College provides instructional programs in various fields and workforce development training. The College was chartered by the Ohio Board of Regents in 1971 as a political subdivision in accordance with the provisions of Chapter 3357 of the Ohio Revised Code. The College was originally called Allen County Technical Institute. In June 2002 the College officially changed its name to James A. Rhodes State College.

The College operates under the control of a board of trustees. The College is not a component unit of the State of Ohio, and therefore, is not included in its Comprehensive Annual Financial Report (CAFR).

Basis of 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).

Effective July 1, 2002, the College adopted GASB Statement No. 35, Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities, as amended by GASB Statements No. 37 and No. 38. GASB No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net assets categories:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted:**
 - Nonexpendable** – Net assets subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the College’s permanent endowment funds. (These assets are recorded in the James A. Rhodes State College Foundation financial statements).
 - Expendable** – Net assets whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.
- **Unrestricted:** Net assets 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.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2008 and 2007

NOTE 1 – Summary of Significant Accounting Policies (continued)

The financial statement presentation required by GASB Statement No. 35 is intended to provide a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows. It replaces the fund group perspective previously required.

Accrual Basis

The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The College reports as a Business Type Activity (BTA). BTAs are those activities that are financed in whole or in part by fees charged to external parties for goods and services. Restricted grant revenue is recognized only to the extent expended.

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.

Cash and Cash Equivalents

This includes all readily available sources of cash such as petty cash, demand deposits, money market funds, and temporary investments in marketable securities with original maturities of three months or less.

Investments

All investments are stated at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Investments in publicly traded securities are stated at their fair value as established by major securities markets. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenue, expenses, and changes in net assets.

Capital Assets

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

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2008 and 2007

NOTE 1 – Summary of Significant Accounting Policies (continued)

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

Deferred Revenue

Deferred revenue consists of the student tuition and fees for Summer Quarter.

Scholarship Allowances

Student tuition and fees revenue and certain other revenues from College charges are reported net of scholarship allowances in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship allowance is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on behalf of the students. Student financial assistance grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues in the accompanying 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.

Operating Activities

The College defines operating activities, as reported on the statement of revenues, expenses, and changes in net assets, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for services and goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenues relied upon for operations, such as state appropriations, grants, gifts, contracts and investment income, are recorded as non-operating revenues, in accordance with GASB Statement No. 35.

Restricted Asset Spending Policy

The College's policy is that restrictions on assets cannot be fulfilled by the expenditure of unrestricted funds for similar purposes. The determination on whether restricted or unrestricted funds are expended for a particular purpose is made on a case-by-case basis. Restricted funds remain restricted until spent for the intended purpose.

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.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2008 and 2007

NOTE 1 – Summary of Significant Accounting Policies (continued)

Accounting Pronouncements

GASB Statement No. 39, Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14, was issued in May 2002. This statement amends 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. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2003.

The State Auditor of Ohio issued bulletin 2004-001 defining “significant” for purposes of GASB 39 as the component unit’s revenues or net assets must exceed 5% of the primary government’s total revenues or net assets. Based upon this criterion, the College determined that the James A. Rhodes State College Foundation will be included as a discretely presented component unit of the College in its financial statements beginning fiscal year ending June 30, 2005. Separate financial statements of the Foundation may be obtained by contacting the Office of Institutional Advancement, 4240 Campus Drive, Lima, OH 45804.

Reclassifications

Certain amounts in 2007 were reclassified to conform with 2008 presentation for comparative purposes.

NOTE 2 – Deposit and Investment Risk Disclosures

The College adopted GASB 40, Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3). This statement amends statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principal areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that include investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; foreign exchange exposures that would indicate the foreign investment’s denomination. The provisions of this statement are effective for financial statements for the fiscal year ended June 30, 2005.

As of June 30, 2008, the College had the following deposits and investments:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Checking Accounts	\$ 779,698	\$ 642,465
Savings Accounts	284,941	284,941
STAR Ohio	4,155,702	4,155,702
Total Deposits and Investments	<u>\$ 5,220,341</u>	<u>\$ 5,083,108</u>

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2008 and 2007

NOTE 2 – Deposit and Investment Risk Disclosures (Continued)

As of June 30, 2007, the College had the following deposits and investments:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Checking Accounts	\$ 1,519,986	\$ 810,194
Savings Accounts	1,839,488	1,839,488
STAR Ohio	<u>3,999,776</u>	<u>3,999,776</u>
Total Deposits and Investments	<u>\$ 7,359,250</u>	<u>\$ 6,649,458</u>

The differences between the bank balances and the carrying amounts are primarily due to outstanding checks and deposits in transit. In addition to the above, there was cash on hand in the amount of \$88,256 and \$3,027 at June 30, 2008 and 2007, respectively.

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

Concentration of Credit Risk. For fiscal years 2008 and 2007 respectively, the College had approximately 94% and 68% of its investments in STAR Ohio and the remaining balance in high yield savings accounts.

Foreign Currency Risk. The College does not have exposure for foreign exchange risk.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the College’s deposits may not be returned to it. Of the bank balances, \$312,207 was insured by the Federal Depository Insurance Corporation (FDIC) for fiscal year 2008 and \$200,000 was insured for fiscal year 2007. For the fiscal years 2008 and 2007 respectively, the remaining \$752,432 and \$3,159,474 was not exposed to custodial credit risk because it was secured by pledges of pooled collateral held by the banks trust department covering more than 105% of the College’s remaining balances. The collateral is limited to obligations of the United States and its agencies, and the State of Ohio as permitted by Ohio law. The securities are held at the Bank of New York. The College also does not have exposure to custodial credit risk for the investment in STAR Ohio as defined by Statement No. 40.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2008 and 2007

NOTE 2 – Deposit and Investment Risk Disclosures (continued)

Component Unit – Foundation

As of June 30, 2008, the Foundation had the following investments and maturities:

Investment Type	FMV	Investment Maturities in Years		
		Less than 1 year	1 to 5 years	Greater than 5 years
Corporate Bonds	\$ 150,471	50,033	100,438	-
Bond Funds	98,010	-	-	-
Common Stock	723,838	-	-	-
Equity Funds	372,942	-	-	-
Total Investments	<u>\$ 1,345,261</u>			

Credit Risk. Of the bonds, \$26,121 were rated AAA, \$74,502 were rated AA, and \$49,848 were rated A by Standard and Poor's. The Bond Funds were not rated as of the date of the audit report.

Concentration of Credit Risk. The Foundation investment policy states the target normal asset allocation should be 70% equity and 30% fixed income. The allowable range for equities is 50-80%, for fixed income is 20-50% and cash is 0-5%. There are limits in the equity investments to no more than 20% of stock shall be invested outside the United States, that no more than 5% of the equity portion shall be invested in any one company, and that no more than 20% of the equity portion shall be invested in any one industry sector. As of June 30, 2008, the portfolio allocation had 11.94% in cash, 16.63% in fixed income and 71.43% in equities. A bond fund was sold in June and the proceeds have remained in cash. Of the equity portfolio, 19.7% were in international equities, the largest holding of a single company was 4.76%, and the technology sector was 16.0%.

Foreign Currency Risk. The Foundation does not have exposure for foreign exchange risk.

Custodial Credit Risk. The Foundation's investments are not exposed to custodial credit risk as defined by Statement No. 40. Securities are held by its agent in the name of Rhodes State College Foundation. Of the bank balances, \$211,418 was insured by the FDIC and \$201,707 was exposed to custodial credit risk because it was uninsured and uncollateralized.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2008 and 2007

NOTE 2 – Deposit and Investment Risk Disclosures (continued)

As of June 30, 2007, the Foundation had the following investments and maturities:

Investment Type	FMV	Investment Maturities in Years		
		Less than 1 year	1 to 5 years	Greater than 5 years
Corporate Bonds	\$ 197,799	25,071	172,728	-
Common Stock	689,248	-	-	-
Equity Funds	363,854	-	-	-
Total Investments	<u>\$ 1,250,901</u>			

Credit Risk. Of the bonds, \$25,482 were rated AAA, \$73,884 were rated AA, \$73,362 were rated A, and \$25,071 were rated BBB.

Concentration of Credit Risk. The Foundation investment policy states the target normal asset allocation should be 70% equity and 30% fixed income. The allowable range for equities is 50-80%, for fixed income is 20-50% and cash is 0-5%. There are limits in the equity investments to no more than 20% of stock shall be invested outside the United States, that no more than 5% of the equity portion shall be invested in any one company, and that no more than 20% of the equity portion shall be invested in any one industry sector. As of June 30, 2007, the portfolio allocation had 17.5% in cash, 13.2% in fixed income and 69.3% in equities. A bond fund was sold in June and another bond fund was purchased in July. Of the equity portfolio, 18.1% were in international equities, the largest holding of a single company was 3.6%, and the technology sector was 17.3%.

Foreign Currency Risk. The Foundation does not have exposure for foreign exchange risk.

Custodial Credit Risk. The Foundation's investments are not exposed to custodial credit risk as defined by Statement No. 40. Securities are held by its agent in the name of Rhodes State College Foundation. Of the bank balances, \$204,050 was insured by the FDIC and \$498,038 was exposed to custodial credit risk because it was uninsured and uncollateralized.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2008 and 2007

NOTE 3 – Capital Assets

Capital Assets consisted of the following as of June 30, 2008 and 2007:

	Beginning Balance July 1, 2007	Additions	Reductions	Ending Balance June 30, 2008
Costs:				
Land Improvements	\$ 346,435	-	-	\$ 346,435
Infrastructure	141,383	-	-	141,383
Buildings & Improvements	31,198,703	2,155,883	-	33,354,586
Moveable Equipment	5,431,904	1,056,368	296,797	6,191,475
Library Books	959,116	43,008	-	1,002,124
Total Costs	38,077,541	3,255,259	296,797	41,036,003
Less Accumulated Depreciation:				
Land Improvements	131,854	24,870	-	156,724
Infrastructure	65,054	5,870	-	70,924
Buildings & Improvements	6,033,186	684,733	-	6,717,919
Moveable Equipment	2,529,395	412,303	287,216	2,654,482
Library Books	730,843	44,880	-	775,723
Total Accum. Depreciation	9,490,332	1,172,656	287,216	10,375,772
Capital Assets, Net	\$ 28,587,209	2,082,603	9,581	\$ 30,660,231

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007
Costs:				
Land Improvements	\$ 346,435	-	-	\$ 346,435
Infrastructure	141,383	-	-	141,383
Buildings & Improvements	30,554,739	643,964	-	31,198,703
Moveable Equipment	4,562,018	970,345	100,459	5,431,904
Library Books	915,403	43,713	-	959,116
Total Costs	36,519,978	1,658,022	100,459	38,077,541
Less Accumulated Depreciation:				
Land Improvements	106,984	24,870	-	131,854
Infrastructure	58,963	6,091	-	65,054
Buildings & Improvements	5,385,161	648,025	-	6,033,186
Moveable Equipment	2,335,399	294,455	100,459	2,529,395
Library Books	686,351	44,492	-	730,843
Total Accum. Depreciation	8,572,858	1,017,933	100,459	9,490,332
Capital Assets, Net	\$ 27,947,120	640,089	-	\$ 28,587,209

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2008 and 2007

NOTE 3 – Capital Assets (continued)

Buildings and improvement cost consisted of the following:

	Year	2008	2007
Technical Education Addition	1988	\$ 1,639,788	\$ 1,179,855
Modular Trailers	1991	143,962	143,962
Public Service Building	1993	3,905,096	3,745,593
JJC Engineering Technology Building	1996	2,857,580	2,857,580
YMCA Child Care Center	1998	1,000,000	1,000,000
Life & Physical Sciences Building	2000	14,150,729	14,150,728
Keese Hall	2005	6,016,813	6,016,813
Campus Renovations	various	-	2,104,172
Cook Hall Renovations	various	895,870	-
Galvin Hall Renovations	various	545,310	-
Renovation Technical Education	2006-8	2,199,437	-
Total Cost		\$ 33,354,585	\$ 31,198,703

The other buildings on campus are recorded as assets of the Ohio State University. These buildings include Galvin Hall in 1966, Reed Hall in 1968, Technical Education Laboratory in 1970, and Cook Hall in 1976. The College entered into a partnership with the Ohio Board of Regents, UAW, and the Ford Motor Company in 1993 to construct a training facility located at 1155 Bible Road, Lima, OH 45801. The \$4.3 million building becomes the property of Ford Motor Company in January 2010 and therefore is not reflected on the College's financial statements. In 2008, the College reclassified the campus renovations into the proper buildings.

NOTE 4 – Accounts Receivable

The following is a summary of the accounts receivable as of June 30, 2008 and 2007:

	2008	2007
Tuition and Fees	\$ 2,445,797	\$ 2,189,277
Governmental	1,272,873	1,555,755
Customized Training Services	112,929	120,952
Sponsored Billing Agencies	47,636	94,180
Foundation	152,394	77,789
Less allowance for uncollectible accounts	(522,380)	(620,623)
Accounts Receivable, Net	\$ 3,509,249	\$ 3,417,330

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2008 and 2007

NOTE 5 – Accounts Payable, Accrued Liabilities and Compensated Absences

The following is a summary of the accounts payable, accrued liabilities and compensated absences as of June 30, 2008 and 2007:

	2008	2007
Vendors and Suppliers	935,044	\$ 653,786
The Ohio State University (cost share)	75,781	13,928
Benefits Payable	338,420	471,965
Accrued Compensated Absences	846,376	808,686
Accrued Wages	756,175	721,187
Total	\$ 2,951,796	\$ 2,669,552
Current Portion	\$ 2,105,420	\$ 1,860,866
Long Term Portion	846,376	808,686
Total	\$ 2,951,796	\$ 2,669,552

NOTE 6 - State Support

James A. Rhodes State 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 student subsidies, the State of Ohio provides the funding for construction and renovation of major plant facilities on the College campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn causes the construction and renovation of the facility by the Ohio Board of Regents. Upon completion of a construction project, the Ohio Board of Regents turns over control to the College, which capitalizes the cost.

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

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

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2008 and 2007

NOTE 7 - Compensated Absences

Sick pay was accrued for all employees with ten or more years of service in accordance with GASB 16, Accounting for Compensated Absences. Vacation pay was accrued for all eligible employees. At June 30, 2008 and 2007, compensated absences consisted of the following:

	<u>2008</u>		<u>2007</u>	
	<u>Hours</u>	<u>Amount</u>	<u>Hours</u>	<u>Amount</u>
Sick Pay	15,316	\$ 442,602	14,822	\$ 419,756
Vacation Pay	15,436	403,774	15,634	388,930
Total Compensated Absences		<u>\$ 846,376</u>		<u>\$ 808,686</u>

NOTE 8 – Long Term Debt

The College's long term debt consisted of the following:

	<u>2008</u>	<u>2007</u>
General Receipt Bonds	2,925,000	2,980,000
Less: Unamortized Discount on Bonds Payable	10,902	11,331
Bonds Payable, Net	2,914,098	2,968,669
Less: Current Portion	55,000	55,000
Long Term Portion	<u>2,859,098</u>	<u>2,913,669</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 55,000	\$ 163,251	\$ 218,251
2010	60,000	160,836	220,836
2011	60,000	158,316	218,316
2012	65,000	155,391	220,391
2013	65,000	152,961	217,961
2014-2018	380,000	710,539	1,090,539
2019-2023	500,000	585,156	1,085,156
2024-2028	655,000	419,256	1,074,256
2029-2033	875,000	196,078	1,071,078
2034	210,000	6,471	216,471
Totals	<u>\$ 2,925,000</u>	<u>\$ 2,708,255</u>	<u>\$ 5,633,255</u>

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2008 and 2007

NOTE 8 – Long Term Debt (continued)

In connection with the bonds described above, the College has pledged general receipts, net of State Foundation receipts, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The bonds are payable, through their final maturities as listed above, solely from these revenues pledged. Total principal and interest remaining to be paid on these bonds is \$5,633,255.

Annual principal and interest payments on the revenue bonds are expected to be approximately 2% of the annual general revenues of the College. Principal and interest paid in 2008 totaled \$220,561. Total general revenues for the year were \$10,456,966.

NOTE 9 - Retirement Plans

Public Employees Retirement System (OPERS)

The College's faculty is covered by the State Teachers Retirement Systems of Ohio (STRS). Substantially all other employees are covered by the Ohio Public Employees Retirement System (OPERS). This retirement program is a statewide cost-sharing multiple employer defined benefit pension plan. OPERS provides retirement and disability 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. OPERS issues separate, publicly-available financial reports that include financial statements and required supplementary information. That report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or calling (614) 222-6705 or (800) 222-7377.

The Revised Code of Ohio (ORC) provides OPERS statutory authority for employee and employer contributions. The required contribution rates for plan members and employers at June 30, 2008 were 10% and 14% of covered payroll, respectively. Contributions made by the College, which represent 100% of the required contributions, for the years ended June 30, 2008, 2007, and 2006, were \$518,201, \$490,860, and \$453,489, respectively.

State Teachers Retirement System (STRS)

The College's faculty is covered under the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3371 or calling (614) 227-4090 or (888) 227-7877.

Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2008 and 2007

NOTE 9 - Retirement Plans (Continued)

decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. 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.

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. 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 beneficiary is entitled to receive the member's account balance.

Effective July 1, 2003, the member contribution rate was increased to the statutory maximum of 10%. The College was required to contribute 14%. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The College's required contributions for pension obligations for the fiscal years ended June 30, 2008, 2007, and 2006, were \$1,078,435, \$1,006,209, and \$946,272, respectively.

Alternative Retirement Plan (ARP)

The college offers a defined contribution plan as an alternative to participation with State mandated defined benefit plans in accordance with State law. Non-elective employee contributions and employer contributions are made to the plan in amounts equivalent to the participant's compensation which would have otherwise been contributed to the State/Public Retirement System that applies to the participants position. The College's contributions to the plan for the fiscal years ended June 30, 2008, 2007, and 2006, were \$104,785, \$102,032, and \$78,613, respectively. 100 percent has been contributed for fiscal years 2007, 2006 and 2005.

NOTE 10 - Other Postemployment Benefits

Public Employees Retirement System (OPERS)

OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2008 and 2007

NOTE 10 - Other Postemployment Benefits (Continued)

has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other postemployment benefit (OPEB) as described in GASB Statement No. 45.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7277.

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

Employer contribution rates are expensed as a percentage of the covered payroll of active members. In 2007, state employers contributed at a rate of 13.77% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2007, the employer contribution allocated to the health care plan from January 1 through June 30, 2007 and July 1 through December 31, 2007 was 5.0% and 6.0% of covered payroll, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2008 and 2007

NOTE 10 - Other Postemployment Benefits (Continued)

surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The College's actual contributions for 2007 which were used to fund OPEB were \$31,092.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

State Teachers Retirement System (STRS)

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2007, 2006, and 2005. The 14% employer contribution rate is the maximum rate established under Ohio law. For the fiscal years ended June 30, 2008, 2007, and 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the College, these amounts equaled \$75,748, \$70,675, and \$66,465, respectively.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2008 and 2007

NOTE 11 - Cost Share Agreement

According to the cost sharing agreement entered into as of July 1, 1971 between The Ohio State University and the College, the College reimburses the University for costs incurred in the following areas: academic instruction, library, student services, student activities, institutional support, plant operation and community educational services. The College makes quarterly payments to the university based on estimated costs using formulas as prescribed in the cost sharing agreement. Adjustments are made at year-end for variances between estimated and actual costs. The total cost of shared operations was \$4,125,745 and \$4,002,717 for the years ending June 30, 2008 and 2007 respectively, with a majority of the expenses for plant operations. Based upon the enrollment formula, the College's share was 70.0% and 70.8% for the years ending June 30, 2008 and 2007 respectively. The College had an account payable to The Ohio State University for \$75,781 and \$13,928 at June 30, 2008 and 2007 respectively.

NOTE 12 - Leases

The College leases duplicating equipment on a monthly basis. Minimum operating lease payments for existing leases over the next five years are as follows:

6-30-09	\$ 92,796
6-30-10	60,165
6-30-11	35,096
Thereafter	<u>0</u>
TOTAL	<u>\$188,057</u>

Operating lease expenditures for the years ending June 30, 2008 and 2007 were \$95,226 and \$106,104 respectively.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2008 and 2007

NOTE 13 – Operating Expenses by Natural Classification

The College's operating expenses by natural classification were as follows for the years ended June 30, 2008 and 2007:

	2008	2007
Salaries and wages	\$ 13,230,049	\$ 12,618,936
Employee benefits	3,243,411	3,120,942
Supplies	1,598,235	1,381,051
Travel	539,173	465,325
Information and communication	960,068	815,614
Maintenance	1,049,838	1,222,368
Utilities	848,852	566,765
Student Scholarships and financial aid	2,280,070	2,000,275
Other	151,541	414,120
Depreciation	1,172,656	1,017,932
Total Operating Expenses	\$ 25,073,893	\$ 23,623,328

NOTE 14 – Risk Management

The College is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal years 2008 and 2007, the College contracted with a Commercial Insurer for property and fleet insurance, liability insurance, and various other coverages.

Major Coverages provided by this insurer is as follows at June 30, 2008:

Building and Contents - replacement cost (\$10,000 deductible)	\$55,943,000
Automobile -	
Liability	\$1,000,000
Uninsured/Underinsured Motorists	\$100,000
Crime –	
Employee Dishonesty	\$1,000,000
Forgery/Alteration	\$1,000,000
Funds Transfer Fraud	\$1,000,000
Computer Fraud	\$1,000,000
General Liability -	
Per occurrence	\$1,000,000
Aggregate	\$2,000,000

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2008 and 2007

NOTE 14 – Risk Management (Continued)

Excess Liability –

Per occurrence \$10,000,000

Aggregate \$10,000,000

Professional –

Educator’s Legal Liability - \$1,000,000 (per claim & aggregate)

Medical Professional Liability - \$1,000,000 (per claim & aggregate)

Excess Liability - \$5,000,000 (per claim & aggregate)

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year. In addition, the College offers medical, vision, and dental insurance to full-time employees through various commercial insurers.

NOTE 15 – Component Unit - James A. Rhodes State College Foundation

The James A. Rhodes State College Foundation was established for charitable and educational purposes for the benefit of the College and its students. The Foundation is a not for profit organization exempt from Federal Income Taxes under Section 501©(3) of the Internal Revenue Code. The Foundation provided \$55,850 in scholarships and \$479,956 for College initiatives for the year ending June 30, 2008. The Foundation provided \$198,191 in scholarships and \$483,926 for College initiatives for the year ending June 30, 2007.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2008 and 2007

NOTE 15 – Component Unit - James A. Rhodes State College Foundation (Continued)

Fair Value of Pledges Receivable

The fair value of unconditional promises to give (pledges receivable) after discounting for future cash flows and an uncollectible allowance of 3% is summarized as follows:

At June 30, 2008:

	Net Realizable Value	Discounted Value
2009	\$ 603,847	\$ 603,847
2010	562,202	543,873
2011	312,334	292,301
2012	312,334	282,772
2013	291,512	255,316
	\$ 2,082,229	\$ 1,978,109

At June 30, 2007:

	Net Realizable Value	Discounted Value
2008	\$ 738,554	\$ 738,554
2009	687,619	655,250
2010	382,011	346,891
2011	382,011	330,561
2012	356,543	294,000
	\$ 2,546,738	\$ 2,365,256

The discount rate used on long-term promises to give was 3.37% and 4.94% at June 30, 2008 and 2007 respectively.

NOTE 16 – CHANGES IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2008, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”. This principle establishes accounting and disclosure requirements for employers who provide employees post-employment benefits other than pensions. The implementation of this principle had no effect on previously reported net asset balances.

The College also implemented GASB Statement No. 50, “Pension Disclosures – An Amendment of GASB Statements No. 25 and 27.” This principle more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so,

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2008 and 2007

NOTE 16 – CHANGES IN ACCOUNTING PRINCIPLES (Continued)

enhances information disclosed in notes to the financial statements. The implementation of this principle had no effect on previously reported net asset balances.

The College also implemented GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”. This statement provides for additional disclosures when assets or revenues are pledged against debt issues. The implementation of this statement had no effect on previously reported net asset balances.

NOTE 17 – CONTINGENCIES

The College received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the College. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 2008.

James A. Rhodes State College
 Allen County, Ohio
 Schedule of Federal Awards Expenditures
 For the Year Ended June 30, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Agency or Pass Through Entity Number	Federal CFDA Number	Disbursements
United States Department of Education			
<i>Direct from the Federal Agency</i>			
<i>Student Financial Aid Cluster:</i>			
Federal Work Study Program	P033A	84.033	\$141,712
Federal Family Education Loans	N/A	84.032	8,232,379
Academic Competitiveness Grant	P375A	84.375	66,015
Federal Supplemental Educational Opportunity Grants (FSEOG)	P007A	84.007	118,283
Federal Pell Grant Program	P063P	84.063	4,136,783
<i>Total Student Financial Aid Cluster</i>			<u>12,695,172</u>
<i>Passed through the Ohio Department of Education</i>			
Vocational Education: Basic Grants to States	CDP-P	84.048	109,872
Tech Prep Education	TP-FB	84.243	170,033
Subtotal			<u>279,905</u>
Total United States Department of Education			<u>12,975,077</u>
United States Department of Health and Human Services			
<i>Passed through Ohio Board of Regents</i>			
Temporary Assistance for Needy Families (TANF)	G994235	93.558	109,395
Total United States Department of Health and Human Services			<u>109,395</u>
United States Department of Labor			
<i>Direct from the Federal Government</i>			
Community Based Job Training Grants	N/A	17.269	28,436
<i>Passed through the Ohio Department of Job and Family Services</i>			
Job Training Partnership Act	N	17.246	162,763
Total United States Department of Labor			<u>191,199</u>
United States Department of Agriculture			
<i>Passed through Ohio Department of Education</i>			
Child and Adult Food Care Program	N	10.558	30,062
Total United States Department of Agriculture			<u>30,062</u>
Small Business Administration			
<i>Passed through Ohio Department of Development</i>			
Small Business Development Center	N	59.037	93,050
Total Small Business Administration			<u>93,050</u>
Total Federal Financial Assistance			<u><u>\$13,398,783</u></u>

NA - Direct from the federal government

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

See accompanying notes to the schedule of federal awards expenditures

JAMES A. RHODES STATE COLLEGE

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES

June 30, 2008

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – FAMILY EDUCATION LOANS

During the fiscal year ended June 30, 2008, the College processed new loans under the Guaranteed Student Loan Program. Several banks act as lenders for the College. The amount shown reflects the fiscal year amount that has been certified by the College.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the business-type activities and the discretely presented component unit of the James A. Rhodes State College (the College), as of and for the year ended June 30, 2008, and have issued our report thereon dated December 12, 2008, wherein we noted the College implemented GASB Statements No. 45, 48 and 50. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

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

Board of Trustees

James A. Rhodes State College

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, the audit committee, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

December 12, 2008

BALESTRA, HARR & SCHERER, CPAs, INC.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of James A. Rhodes State College (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, James A. Rhodes State College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

Board of Trustees

James A. Rhodes State College

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Page 2


Internal Control Over Compliance (Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the college's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the College's internal control.

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 that might be 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.

This report is intended solely for the information and use of the management, the audit committee, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
December 12, 2008

JAMES A. RHODES STATE COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 Work- Study Program, CFDA# 84.033; Federal Pell Grant Program, CFDA# 84.063, Academic Competitiveness Grant, #84.375; 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

JAMES A. RHODES STATE COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (CONTINUED)

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

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

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



Mary Taylor, CPA
Auditor of State

JAMES A. RHODES STATE COLLEGE
ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 27, 2009