



Balestra, Harr & Scherer, CPAs, Inc.

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

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JAMES A. RHODES STATE COLLEGE
ALLEN COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2015
Fiscal Year Audited Under GAGAS: 2015



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the James A. Rhodes State College, Allen County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 28, 2016

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James A. Rhodes State College
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For the Fiscal Year Ended June 30, 2015

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Independent Auditor's Report

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of James A. Rhodes State College, Allen County, Ohio (the College), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the College's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of James A. Rhodes State College, Allen County, Ohio, as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015, the College adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and per guidance by the Governmental Accounting Standards Board the College presented single year statements for fiscal year 2015, due to the lack of comparative information available with the implementation of GASB Statement No. 68. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the College's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures (the schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 18, 2015

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2015
(Unaudited)

James A. Rhodes State College (the "College") Management's Discussion and Analysis (MD&A) presents an overview of its financial condition and assists the reader in focusing on significant financial issues for the year ended June 30, 2015. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

The College is a public, state assisted, two-year institution of higher learning. The College offers over 100 Associate degrees, majors, and certificate programs. In addition to degrees and certificates, the College provides educational opportunities through workshops, seminars, and on-site training for area businesses. The College serves a ten-county region in Northwest Ohio. James A. Rhodes State College is accredited by The Higher Learning Commission (HLC) of the North Central Association of Colleges and Schools. The latest site visit was highly successful with the next HLC accreditation visit scheduled for fiscal year 2019.

FINANCIAL AND OTHER COLLEGE HIGHLIGHTS

The tuition rate for 2015 for a full-time student was \$4,806 for two semesters of 15 credit hours each, or \$160.19 per semester credit hour. This is compared to the tuition rate in 2014 of \$4,705 for two semesters of 15 credit hours each. The College still remains the most affordable option for higher education in our region.

Our budget plan called for us to realize a gain of \$520K as we anticipated flat enrollment during our continued conversion to the semester system, after 40 years under a quarter system. The college ended the year with an increase in net position, due to a concerted effort to control operating expenses.

Total state appropriations increased to \$10.3 million in fiscal year 2015 compared to \$9.7 million in fiscal year 2014. This almost stable funding situation was the result of the State of Ohio's funding model change which awarded additional funding to institutions with higher course completion rates. Without this move to a more performance based funding system, the College would have faced a significant decline in state funding.

The College completed its three year (2012 – 2015) Strategic Plan, "Rediscover Rhodes" in 2013. The College is currently operating in the final year of the Plan. This plan will continue the College's long legacy of disciplined strategic achievement.

The College submitted its Campus Completion Plan to the Ohio Board of Regents on June 30, 2014. The purpose of the Completion Plan was to develop systemic improvement strategies for institution-wide policy and practice change that reach the departmental and classroom levels. Our plan strategies demonstrate a measurable impact on student persistence, retention and completion, including five progressive student success tenets (Connection, First-Year Entry, Progress, Completion and Workforce). In 2015, Team 6 was added to the Campus Completion Plan. College administration and staff were charged to begin to work collaboratively to identify and

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2015
(Unaudited)

recommend an effective, comprehensive and innovative College Credit Plus model to embrace a holistic student experience. The role and responsibility of Team 6 was and is to work to build a consensus model of appropriate stewardship safeguards that is mission centered and addresses the institutional capacity.

In 2014, the non-credit job training program was awarded for the purpose of funding the JJC Lab Renovation Project and equipment purchases. Project work began on June 30, 2014 and was completed October 31, 2014.

In 2010, the College was awarded \$919,365 for preliminary work on the Downtown Project for the site proposal, retainer agreement, and related expenses which total \$120,860 at the end of June 30, 2015.

On June 30, 2014, the college requested and was successful in being awarded \$5 million through the Small Campus Targeted Workforce Expansion proposal to build a state of the art facility in downtown Lima. This incremental \$5 million (in addition to \$5 million previously awarded) will help fund a total expenditure of \$20 million for the facility and allow for the construction of the Center for Health, Science Education and Innovation located in downtown Lima. Envisioned to be a 75,000 square foot facility, the Center will unite secondary, post-secondary, workforce and community partners throughout the region. As the region's medical hub, this compelling and highly collaborative effort will enhance the development of healthcare practitioners for greater Allen County and to its mostly rural neighboring communities extending across twenty-five (25) Ohio counties. This proposed state-of-the art facility represents a collaborative effort between the College, the City of Lima, and businesses and organizations, to increase workforce development and in-demand job growth; expand educational opportunities for our students; drive community revitalization; enhance business development and innovation; and to provide access to healthcare to the area's underserved residents.

In 2012, the College was awarded \$1.15 million for the Tech Lab Renovation Project as additional general renovation funds, part of the state capital bill for 2013-2014. These funds supplement the existing basic renewal renovation funds to complete the replacement of the roof and HVAC systems in our Tech Lab building, and was completed by June 30, 2015. This project will utilize high efficiency geothermal systems to lower operating costs for the next 30 years.

The Workforce Development Center received Federal funding of \$117,950 in October, 2014, for Small Business Development Center grants, \$7,000 for Community Development Block Grant Agreements with the City of Lima, and \$1,000,000 from the Department of Labor for the 2014 Trade Adjustment Assistance Community College & Career Training Grant working with Lorain County Community College. The Center also received \$45,950 in October, 2014 from the State of Ohio as additional grant dollars toward the Small Business Development Centers.

The College's State Tested Nursing Assistant Program and the Paralegal Program both received renewed accreditations during fiscal year 2015.

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2015
(Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

The College's basic financial statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These financial statements are 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*, as amended. These statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole. All comments and discussions included in this MD&A relate to James A. Rhodes State College and do not relate to the James A. Rhodes State College Foundation unless specifically noted.

The three financial statements should help the reader of the annual report understand how the College's overall financial condition has changed as a result of the current year's financial activities. The College presents statements with two years of changes in operations and financial position. The financial statements will also assist the reader in evaluating the ability of the College to meet its financial obligations. The Statement of Cash Flows presents information related to both cash inflows and cash outflows and is further categorized by operating, noncapital financing and capital financing, and investing activities.

STATEMENTS OF NET POSITION

The Statement of Net Position presents financial information about the College's assets and deferred outflows of resources and liabilities and deferred inflows of resources. It is prepared under the accrual basis of accounting, whereby generally revenues and assets are recognized when the service is provided and expenses and liabilities are recognized that expenses and liabilities are recognized when incurred. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the College is improving or deteriorating.

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**James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2015
(Unaudited)**

**CONDENSED FINANCIAL INFORMATION
STATEMENTS OF NET POSITION
(thousands)**

	2015	2014*
ASSETS		
Current Assets	\$ 15,568	\$ 14,586
Noncurrent Assets	32,966	33,246
Total Assets	48,534	47,832
 DEFERRED OUTFLOWS		
	1,709	1,295
 LIABILITIES		
Current Liabilities	2,579	2,646
Noncurrent Liabilities	26,407	29,974
Total Liabilities	28,986	32,620
 DEFERRED INFLOWS		
	3,826	0
 NET POSITION		
Net Investment in Capital Assets	29,077	29,215
Restricted	400	379
Unrestricted (Deficit)	(12,046)	(13,087)
Total Net Position	\$ 17,431	\$ 16,507

*As restated, see Note 2

During fiscal year 2015, The College adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the College's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension and the net pension asset from the net position.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2015
(Unaudited)

Under the new standards required by GASB 68, the net pension liability equals The College's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits.

GASB 68 notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, The College is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability/asset is satisfied, this liability is separately identified within the long-term liability and noncurrent assets section of the Statement of Net Position.

In accordance with GASB 68, the College's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability/asset not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the College is reporting a net pension liability and a net pension asset and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014 from \$40,462,678 to \$16,507,205.

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2015
(Unaudited)

As of June 30, 2015, the College's total assets were \$48.5 million compared to \$47.8 million in fiscal year 2014. This difference in total assets is primarily the result of an increase in Capital Assets, net of accumulated depreciation, coupled with an increase in student related Accounts Receivable, net of allowance. Capital assets, net of accumulated depreciation, are the college's largest asset and represent 67.9% and 69.5% of total assets for fiscal years 2015 and 2014, respectively. Cash and cash equivalents are the second largest asset category at \$9.6 million and \$10.1 million for fiscal years 2015 and 2014, respectively. This represents 19.9% and 21.1% of the total assets for fiscal years 2015 and 2014, respectively.

Capital Assets

The total cost of capital assets was \$53.6 million and \$52.1 million for fiscal years 2015 and 2014, respectively. The accumulated depreciation was \$20.6 million and \$18.8 million for fiscal years 2015 and 2014, respectively. Depreciation expense for the fiscal years ended June 30, 2015 and 2014 were \$1.9 million and \$1.8 million, respectively.

Liabilities

As of June 30, 2015, the College's liabilities were \$29.0 million compared to \$32.6 million in fiscal year 2014. The decrease at June 30, 2015 is due to a decrease of the Net Pension Liability of \$3.4 million. Net Pension Liability represents the largest portion of the liabilities. Bonds payable, net, \$3.7 million, compared to \$3.9 million for fiscal years 2015 and 2014, respectively. Bonds payable, net represents approximately 13.3% and 12.3% of total liabilities for fiscal years 2015 and 2014, respectively.

Net Position

Net position as of June 30, 2015, was \$17.4 million compared to \$16.5 million as of June 30, 2014.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. The non-authoritative examples provided by the Governmental Accounting Standards Board Statement for GASB No. 35 illustrate that state appropriations should be classified as non-operating revenues. Therefore, as a result of this classification, the College reports an operating deficit prior to the addition of these appropriations as 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.

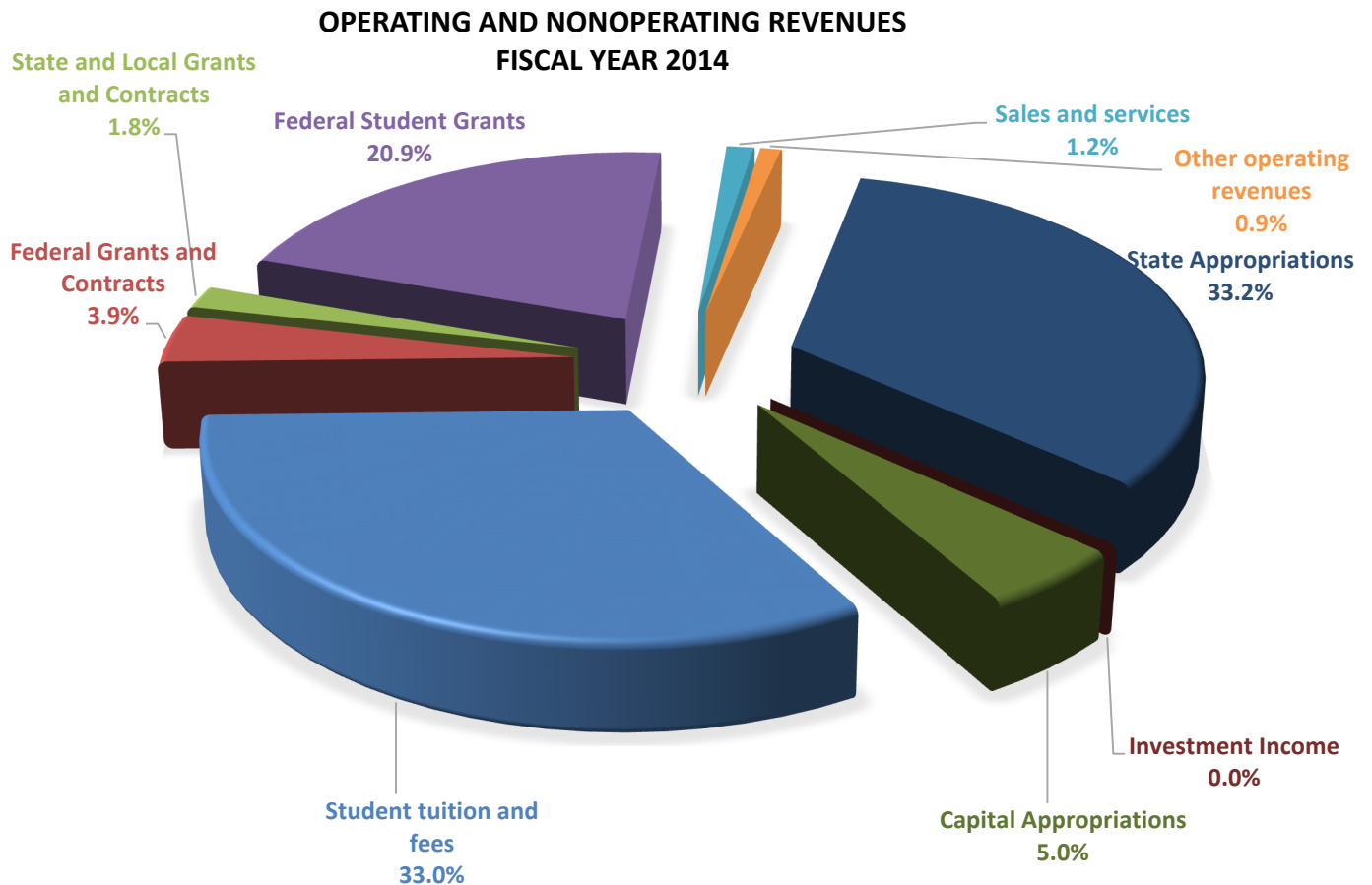
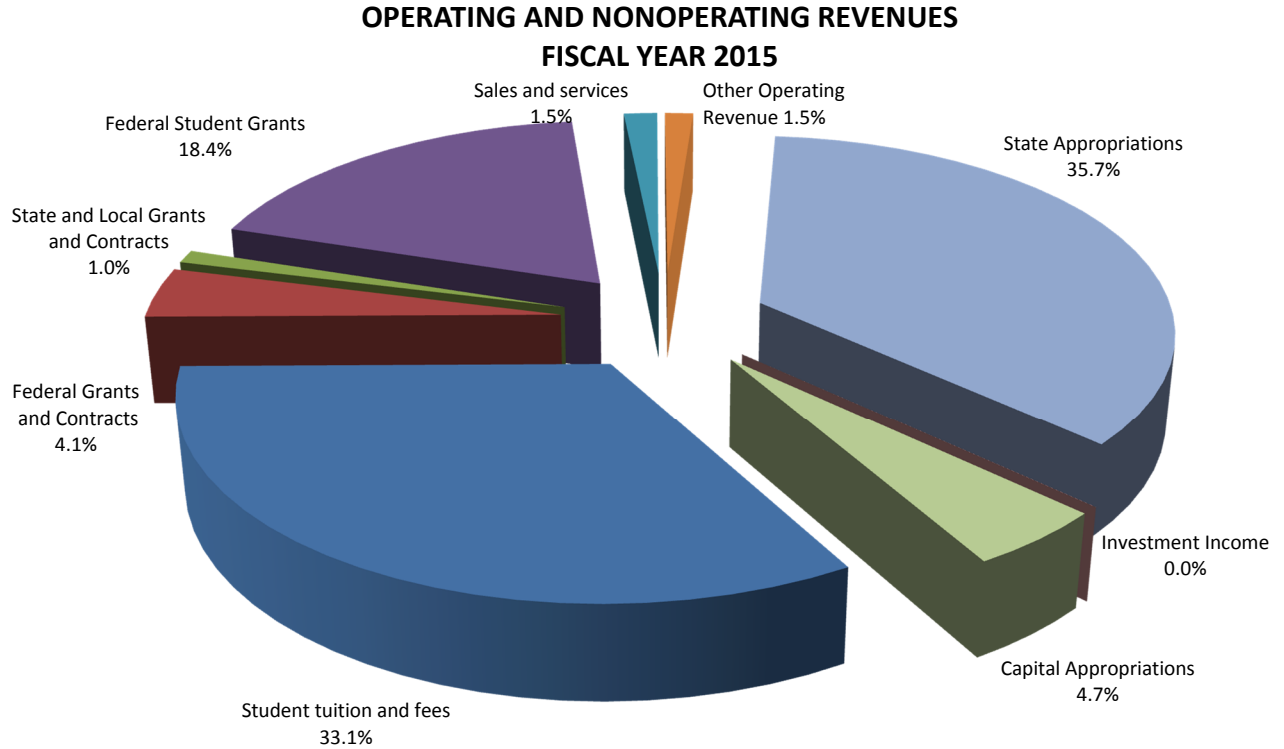
James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2015
(Unaudited)

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

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Student Tuition and Fees, Net	\$ 9,548	\$ 9,644
Federal Grants and Contracts	1,174	1,153
State Grants and Contracts	303	536
Sales and Services	432	353
Other Operating Revenues	436	270
Total Operating Revenues	<u>11,893</u>	<u>11,956</u>
OPERATING EXPENSES		
Educational and General	25,939	27,245
Depreciation	1,947	1,778
Total Operating Expenses	<u>27,886</u>	<u>29,023</u>
Operating Loss	<u>(15,993)</u>	<u>(17,067)</u>
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	10,291	9,721
Federal Student Grants	5,308	6,116
Gifts	5	8
Investment Income	2	1
Interest on Capital Asset-Related Debt	(45)	(302)
Other Non-Operating Revenue (Expense)	(5)	(17)
Net Non-Operating Revenues (Expenses)	<u>15,556</u>	<u>15,527</u>
OTHER REVENUE		
Capital Appropriations	1,361	1,468
Increase in Net Position	<u>924</u>	<u>(72)</u>
Net Position, Beginning of Year	<u>16,507</u>	<u>N/A</u>
Net Position, End of Year	<u>\$ 17,431</u>	<u>\$ 16,507</u>

**James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2015
(Unaudited)**

The following is a graphic illustration of revenues by source for the years ended June 30, 2015 and 2014:

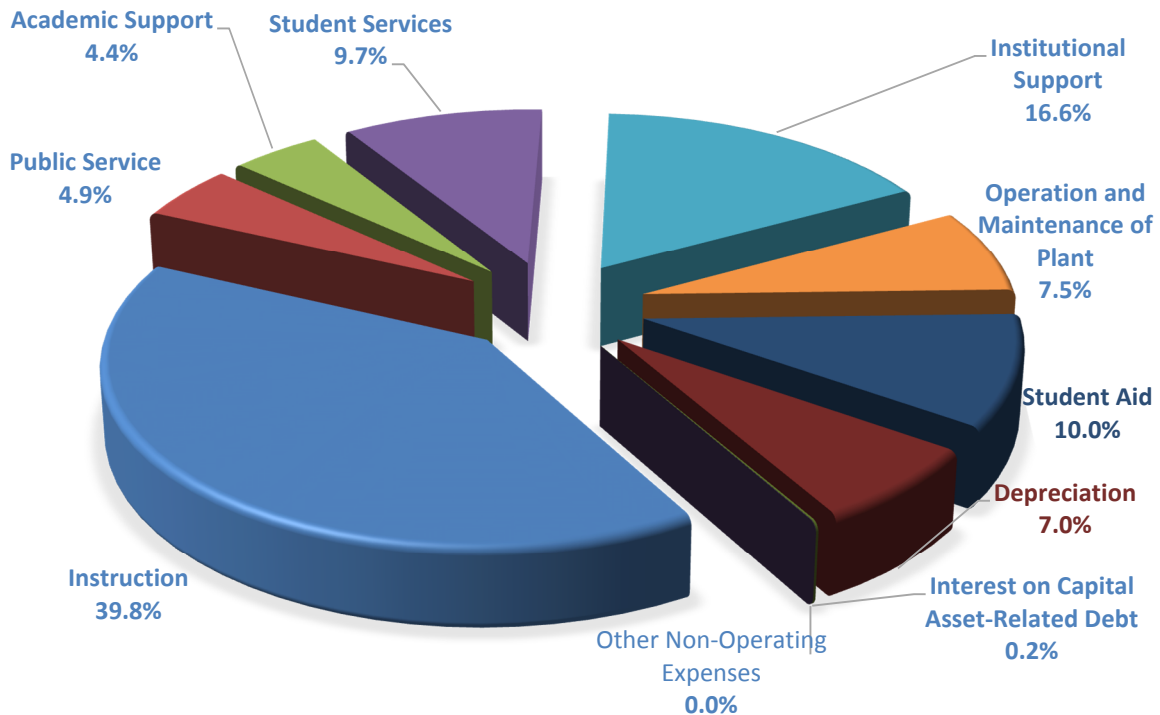


**James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2015
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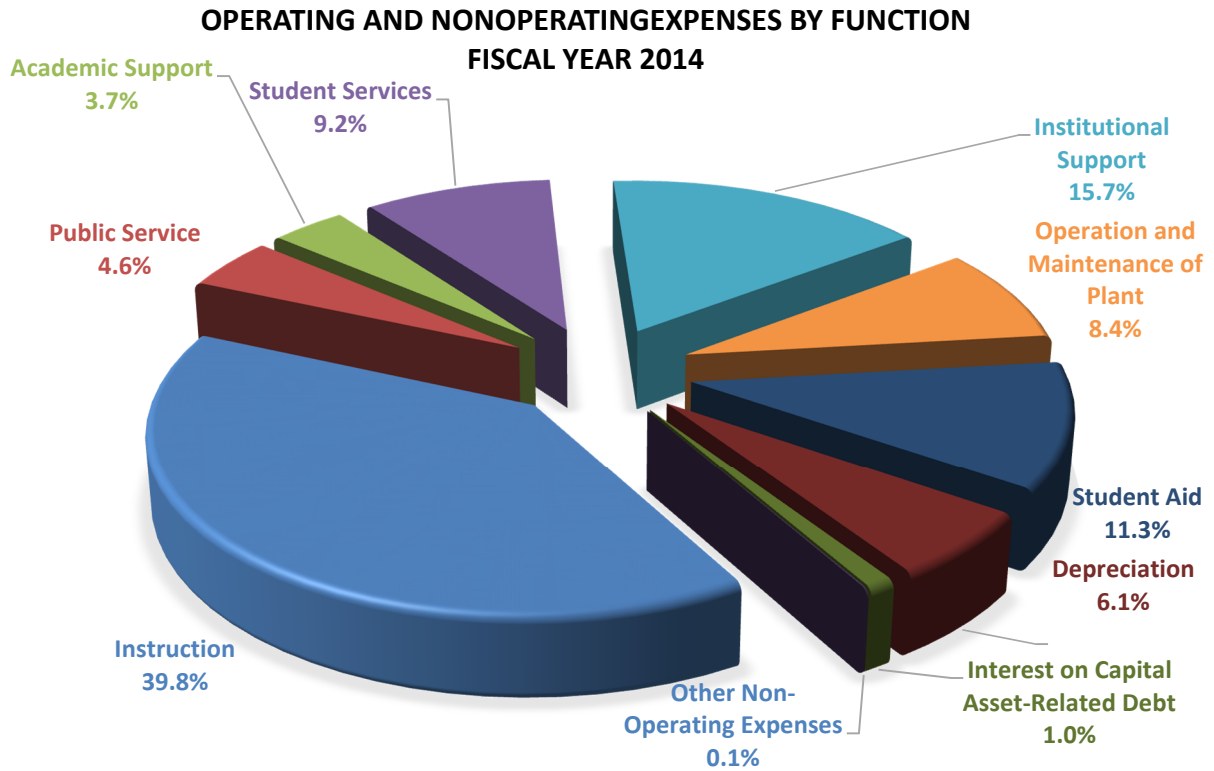
The College's largest sources of revenues are student tuition and fees (net of scholarship allowance), 33.1%, State appropriations, 35.7%, and Federal student grants, 18.4% for fiscal year 2015. Student tuition and fees (net of scholarship allowance) were \$9.5 million and \$9.6 million for fiscal years 2015 and 2014, respectively. Federal student grants were \$5.3 million and \$6.1 million for fiscal years 2015 and 2014, respectively. State appropriations were \$10.3 million and \$9.7 million for fiscal years 2015 and 2014 respectively. Total operating and non-operating revenues were \$28.9 million and \$29.3 million for fiscal years 2015 and 2014, respectively.

The following is a graphic illustration of expenses by function for the years ended June 30, 2015 and 2014:

**OPERATING AND NONOPERATING EXPENSES BY FUNCTION
FISCAL YEAR 2015**



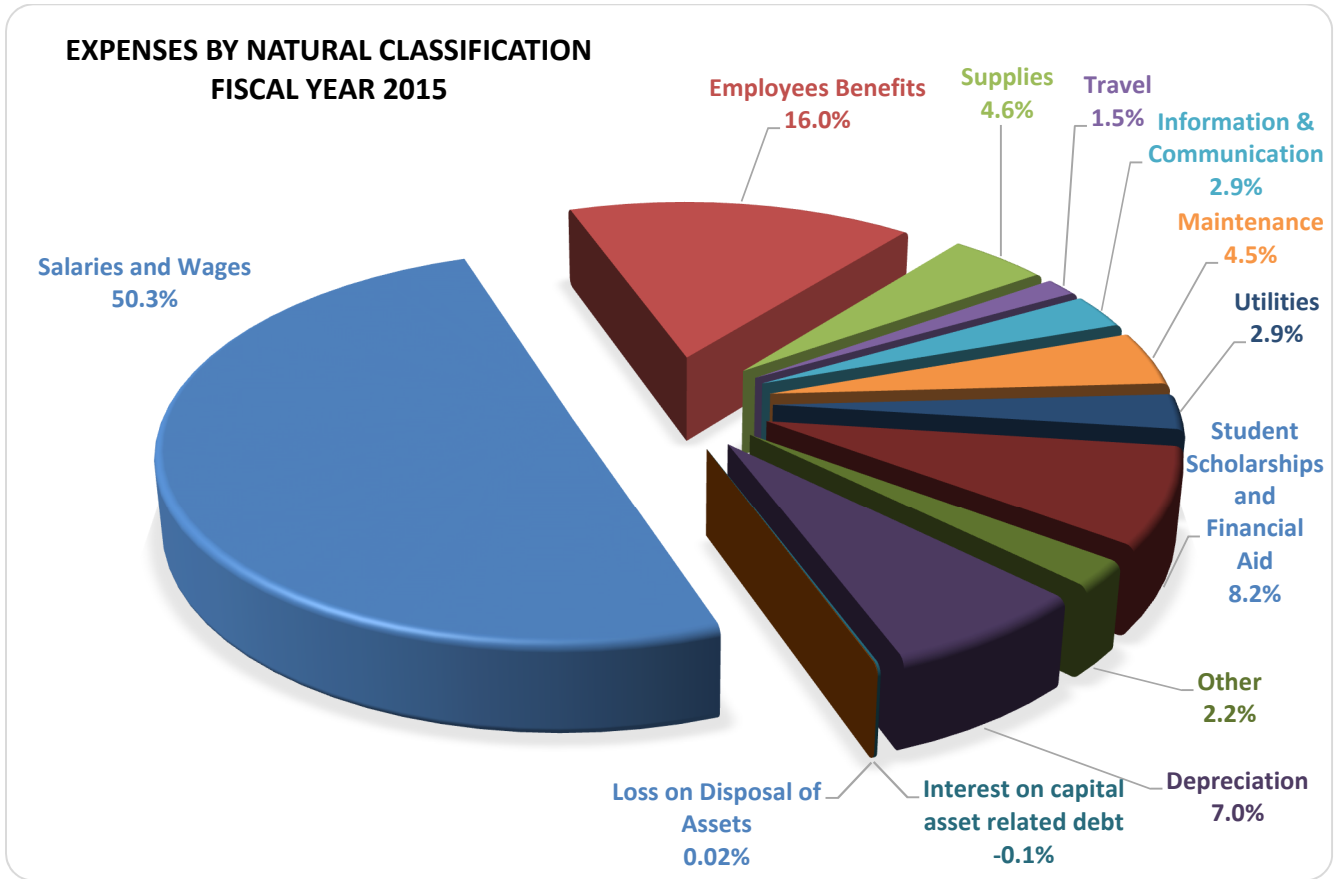
**James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2015
(Unaudited)**



Instructional expenditures are the largest expense for the College. Instructional expenses were \$11.1 million and \$11.7 million for fiscal years 2015 and 2014, respectively. Public service expenses were \$1.4 million and \$1.4 million for fiscal years 2015 and 2014, respectively. Academic support expenses were \$1.2 million and \$1.1 million for fiscal years 2015 and 2014, respectively. Student services expenses were \$2.7 million and \$2.7 million for fiscal years 2015 and 2014, respectively. Institutional support expenses were \$4.6 million and \$4.6 million for fiscal years 2015 and 2014, respectively. Operation and maintenance of plant expenses was approximately \$2.1 million and \$2.5 million for fiscal years 2015 and 2014, respectively. Student aid expenses were \$2.8 million and \$3.3 million for fiscal years 2015 and 2014, respectively. Total operating and non-operating expenses were \$27.9 million and \$29.3 million for fiscal years 2015 and 2014, respectively.

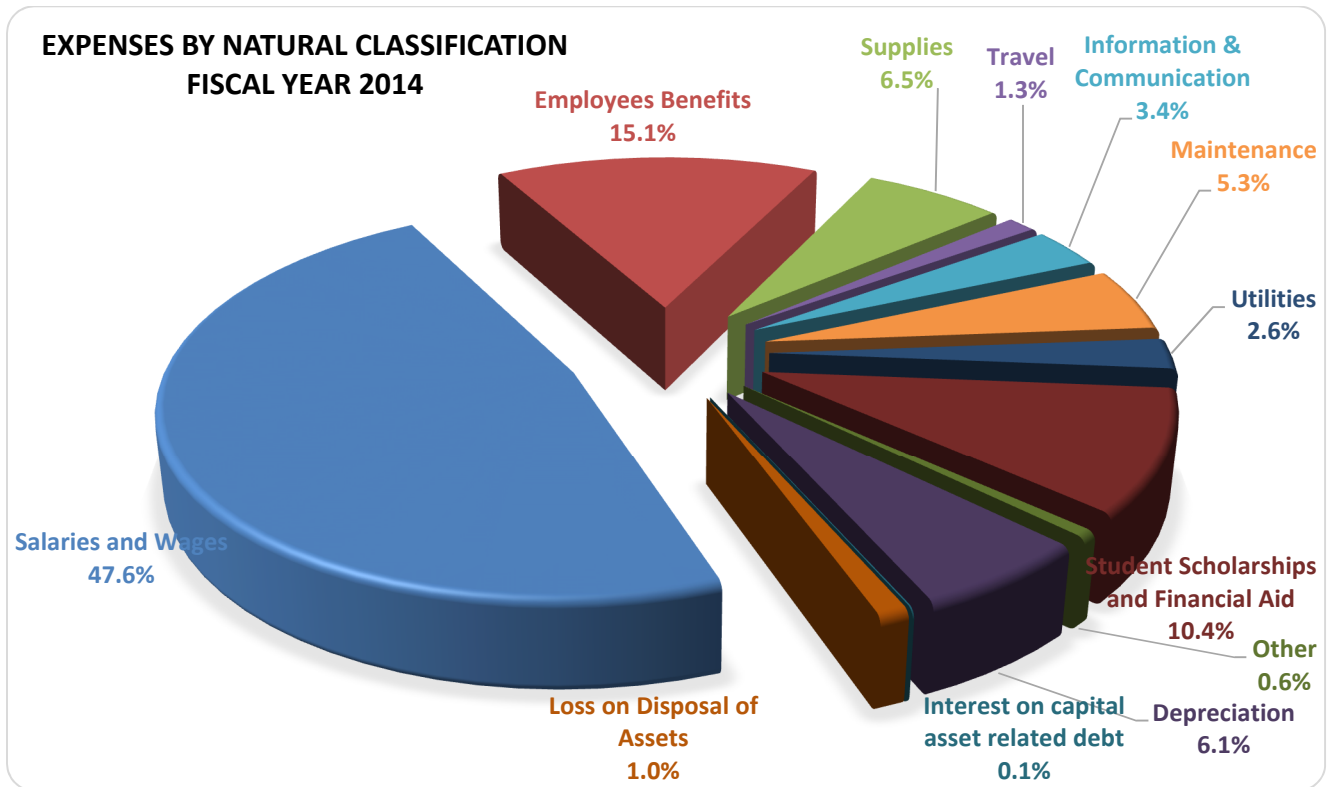
The following is a graphic illustration of expenses by natural classification for the years ended June 30, 2015 and 2014:

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2015
(Unaudited)



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**James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2015
(Unaudited)**



Salaries and wages were the largest expense for the College at 50.3% and 47.6% of the College's total expenses for fiscal years 2015 and 2014, respectively. Wages and benefits accounted for 66.3% and 62.7% of the College's total expenses, respectively. The next largest expense was student scholarships and financial aid, which accounted for 8.2% and 10.4% of total College expenses for fiscal years 2015 and 2014, respectively. Salaries and wages were \$14.0 million and \$14.0 million for fiscal years 2015 and 2014 respectively. Employee benefits were \$4.5 million and \$4.4 million for fiscal years 2015 and 2014, respectively. Student scholarships and financial aid were \$2.3 million and \$3.1 million for fiscal years 2015 and 2014, respectively. Total operating were \$27.9 million and \$29.0 million for fiscal years 2015 and 2014, respectively.

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,295,585 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense for the College represents its proportionate share of the service cost for the year as well as the interest on the net pension liability at the beginning of the year and the amortization of smoothing investment income and changes in actuarial experience. The remainder of these items represent deferred inflows or outflows. In addition the College records a deferred outflow for employer contributions after the measurement date.

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2015
(Unaudited)

The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report the College's proportionate share of pension expense of \$1,254,432. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	27,886,207
Pension expense under GASB 68	(1,254,432)
2015 Contractually required contribution	<u>1,607,368</u>
Adjusted 2015 program expenses	28,239,143
Total 2014 program expenses under GASB 27	<u>29,023,022</u>
Decrease in program expenses not related to pension	<u>(\$783,879)</u>

STATEMENTS OF CASH FLOWS

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

CONDENSED FINANCIAL INFORMATION
STATEMENTS OF CASH FLOWS
(thousands)

	2015	2014
Net Cash & Cash Equivalents		
Provided (Used) By:		
Operating Activities	\$ (15,563)	\$ (13,786)
Non-Capital Financing Activities	15,601	15,824
Capital Financing Activities	(492)	(2,268)
Investing Activities	<u>2</u>	<u>1</u>
Net Increase (Decrease) in Cash & Cash Equivalents	<u>(452)</u>	<u>(229)</u>
Cash & Cash Equivalents, Beginning of Year	<u>10,089</u>	<u>10,318</u>
Cash & Cash Equivalents, End of Year	<u>\$ 9,637</u>	<u>\$ 10,089</u>

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2015
(Unaudited)

Major sources of cash included in the operating activities were tuition and fees, and grants and contracts. Tuition and fees generated cash of \$8.7 million and \$10.2 million in fiscal years 2015 and 2014, respectively. Grants and contracts generated cash of \$831 thousand in fiscal year 2015 and \$2.3 million in fiscal year 2014.

Major uses of cash included in the operating activities were payments to employees for wages, payments to suppliers for goods and services, including construction expenses, and payments for student aid. Payments to employees amounted to \$14.1 million and \$13.9 million in fiscal years 2015 and 2014, respectively. Payments to suppliers for goods and services amounted to \$4.3 million and \$4.9 million in fiscal years 2015 and 2014, respectively. Payments for student aid amounted to \$2.3 million and \$3.1 million in fiscal years 2015 and 2014, respectively.

Federal student grants are the primary source of cash for non-capital financing activities and are used by students to finance the cost of tuition, books, and cost of living. The College received \$5.3 million and \$6.1 million in federal student grants in fiscal years 2015 and 2014, respectively. The accounting standards require the College to reflect this source of revenue as non-operating as our student's ability to pay their tuition is largely dependent upon the availability of this financing, and the College's budget depends on these funds to continue operations.

Local funds and capital grants are the primary source of cash for capital construction activities. In December, 2013, the college began work on the Tech Lab HVAC project budgeted at \$1.4 million to be completed in September, 2014. Funding for this project was awarded in the renovation funding as part of the state capital bill for 2013-2014. In January, 2014, the College completed the construction of a \$2.5 million, 8,000 square foot event space to Keese Hall funded in part by the Series 2013 bonds obtained in June, 2013 and in part by state appropriation. The College received \$1.4 million from capital grants in fiscal year 2015 and \$1.6 million from capital grants in fiscal year 2014. Major uses of cash included in the capital financing activities were payments for purchases of capital assets. The College paid \$1.5 million and \$3.3 million for purchases of capital assets in fiscal years 2015 and 2014, respectively.

CAPITAL ASSETS AND DEBT

Capital Assets

The total cost of capital assets was \$53.6 million and \$52.1 million for fiscal years 2015 and 2014, respectively. The accumulated depreciation was \$20.6 million and \$18.8 million for fiscal years 2015 and 2014, respectively. Depreciation expense for the fiscal years ended June 30, 2015 and 2014 were \$1.9 million and \$1.8 million, respectively. A summary of net capital assets for the years ended June 30 is as follows:

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2015
(Unaudited)

	<u>2015</u>	<u>2014</u>
Construction in Progress	\$ 75,860	\$ 510,348
Land Improvements	568,181	635,040
Infrastructure	75,914	61,669
Buildings and Improvements	27,259,186	26,580,930
Moveable Equipment	4,730,921	5,219,394
Library Books	235,576	232,888
Total Capital Assets, Net	<u>\$32,945,638</u>	<u>\$ 33,240,269</u>

During fiscal year 2015, the College purchased \$193,966 of moveable equipment, \$1,283,149 in new construction, and \$48,696 of library books.

For more information on capital assets, see Note 5 to the financial statements.

Debt

Following is a discussion of the components of debt and the activity for the years ended June 30, 2015 and 2014:

2013 Series State of Ohio Bonds and Corresponding Lease by the College

During fiscal year 2013, the State of Ohio issued \$4,125,000 in State Community and Technical College Facilities Bonds on behalf of the College. The Bonds are special obligations of the State and are payable solely from certain pledged receipts, principally lease payments made under a lease between the Ohio Public Facilities Commission and the College.

The purpose of the bonds is to (1) advance refund all of the outstanding principal amount of the College's General Receipts Bonds, series 2003, dated October 1, 2003 and (2) pay the costs of certain capital facilities, specifically the Keese Hall multi-purpose center, to be leased to the College. The proceeds were also used to pay costs incidental to the issuance and sale of the Bonds which amounted to \$74,375. This was expensed in accordance with professional standards.

Although the bond holders will be paid semi-annually by the State Treasurer, the College is required to make lease payments to the Ohio Public Facilities Commission on a monthly basis. The Lease between the College and the State requires that the lease payments from the College be sufficient to pay the debt service on the bonds, certain administrative costs of the Treasurer and any additional amounts required to be paid into the applicable Rebate Fund. The Treasurer has pledged these lease payments in accordance with the Trust Agreement to pay the bondholders. The College's pledged receipts are from the appropriations made to it by the State. If the State appropriations are insufficient and the College is unable to pay the lease payments from other sources the State will advance the amounts to cover the lease payments to the College.

**James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2015
(Unaudited)**

The 2013 Series issuance consists of \$2,185,000 in Series Bonds with expirations annually until 2025, a \$660,000 Term 1 coupon bond maturing 2028, and a \$1,280,000 Term 2 coupon bond maturing 2033. The Series bonds ranged from \$140,000 to \$205,000 principal and have an average coupon of 3.8%. The Term 1 coupon bonds carry an interest rate of 3.375% and the Term 2 coupon bonds carry an interest rate of 3.750%. The \$2,185,000 of Series Bonds was sold at a premium and lowered the total interest cost of the issuance. The effective interest rate of the issuance of 3.36% is the rate that the College will incur on the Lease to the State.

The College has the option to prepay amounts required by the lease on any date on or after December 1, 2023 at 100% of the principal amount redeemed plus accrued interest.

Advanced Refunding

As noted above a portion of the proceeds from the 2013 Series Bonds were used to advance refund \$2,685,000 of the College's 2003 Series Bonds. This represents the remaining amount owed to bondholders.

For more information on debt, see Note 7 to the financial statements.

CONCLUDING THOUGHTS

James A. Rhodes State College is well positioned to meet the needs of the people and communities we serve. With employment recovering in the region, the College is able to grow our Workforce and Economic Development services, supporting state initiatives, and making West Central Ohio an increasingly attractive place to live, learn, and do business. Our Academic programs remain very strong, resulting in some cases wait lists, for our high demand, high starting salary Allied Health and Nursing programs. Our Engineering Technology, Information Technology, Business & Public Service, and Arts & Science programs are all well positioned to contribute to region's future.

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:

Associate Vice President of Finance/Controller & Assistant Treasurer	Beverly Rex-Cook	4240 Campus Drive Lima, Ohio 45804	419-995-8177
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James A. Rhodes State College
Statement of Net Position
June 30, 2015

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 9,637,279
Accounts receivable (net of allowance of \$2,175,495)	5,907,664
Prepaid Expenses and other current assets	<u>23,019</u>
TOTAL CURRENT ASSETS	<u>15,567,962</u>
NONCURRENT ASSETS:	
Capital assets, net of accumulated depreciation	32,945,638
Net pension asset	<u>20,601</u>
TOTAL NONCURRENT ASSETS	<u>32,966,239</u>
TOTAL ASSETS	<u>48,534,201</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension	<u>1,709,241</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,709,241</u>
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable, net	1,096,610
Current portion of bonds payable	149,552
Current portion of compensated absences	69,112
Accrued liabilities	551,010
Unearned Revenue	<u>713,186</u>
TOTAL CURRENT LIABILITIES	<u>2,579,470</u>
NONCURRENT LIABILITIES:	
Bonds payable, net	3,719,326
Compensated absences	822,747
Net pension liability	<u>21,864,685</u>
TOTAL NONCURRENT LIABILITIES	<u>26,406,758</u>
TOTAL LIABILITIES	<u>28,986,228</u>
DEFERRED INFLOWS OF RESOURCES	
Pension	<u>3,826,015</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,826,015</u>
NET POSITION:	
Net investment in capital assets	29,076,760
Restricted, Expendable	400,323
Unrestricted	<u>(12,045,884)</u>
TOTAL NET POSITION	<u><u>\$ 17,431,199</u></u>

See accompanying notes to the financial statements

**James A. Rhodes State College Foundation
Consolidated Statement of Financial Position
June 30, 2015**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 780,848
Investments	2,034,806
Pledges receivable - Net	109,612
Loans receivable - Net	<u>21,084</u>
Total Current Assets:	<u>2,946,350</u>

Noncurrent Assets:

Property held for College	<u>302,300</u>
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TOTAL ASSETS	<u><u>\$ 3,248,650</u></u>
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LIABILITIES

Accounts payable	104,315
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TOTAL LIABILITIES	<u>104,315</u>
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NET ASSETS

Unrestricted	547,897
Temporarily restricted	1,032,808
Permanently restricted	1,563,630

TOTAL NET ASSETS	<u>3,144,335</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,248,650</u></u>
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See accompanying notes to the financial statements

James A. Rhodes State College
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2015

REVENUES

Operating Revenues:	
Student tuition and fees (net of scholarship allowances of \$3,560,365)	\$ 9,548,110
Federal grants and contracts	1,174,189
State and local grants and contracts	302,836
Sales and services	432,000
Other operating revenues	435,831
Total operating revenues	<u>11,892,966</u>

EXPENSES

Operating Expenses:	
Educational and general:	
Instruction	11,113,946
Public Service	1,357,709
Academic Support	1,215,684
Student Services	2,708,615
Institutional Support	4,649,764
Operation and Maintenance of Plant	2,102,236
Student Aid	2,791,159
Depreciation	1,947,094
Total operating expenses	<u>27,886,207</u>
Operating (loss)	<u>(15,993,241)</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations	10,291,552
Federal student grants	5,307,567
Gifts	4,693
Investment income (net of investment expense)	2,101
Interest on capital asset-related debt	(44,905)
Other nonoperating revenues (expenses)	(5,259)
Net Nonoperating Revenues (Expenses)	<u>15,555,749</u>
Income (Loss) Before Other Revenues	<u>(437,492)</u>

OTHER REVENUES, EXPENSES, GAINS AND LOSSES

Capital appropriations	1,361,486
Total other revenues	<u>1,361,486</u>
Increase (decrease) in net position	923,994

NET POSITION

Net Position, Beginning of Year, as restated	<u>16,507,205</u>
Net Position, June 30	<u><u>\$ 17,431,199</u></u>

See accompanying notes to the financial statements

James A. Rhodes State College Foundation
Consolidated Statement of Activities
For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Contributions, net of bad debt and loss on pledge receivable	\$ 272,298	\$ 91,035	\$ 105,312	\$ 468,645
Interest and dividends	5,192	54,754	-	59,946
Realized and unrealized gain on investments	(1,192)	58,211	-	57,019
Total Revenues	<u>276,298</u>	<u>204,000</u>	<u>105,312</u>	<u>585,610</u>
Net assets released from restrictions	124,147	(124,147)	-	-
Total Revenues, Gains and Other Support	<u>400,445</u>	<u>79,853</u>	<u>105,312</u>	<u>585,610</u>
EXPENSES				
Academic Programs	17,034	-	-	17,034
Scholarships/Grants	102,140	-	-	102,140
Management and General	207,824	-	-	207,824
Fundraising	4,973	-	-	4,973
Total Expenses	<u>331,971</u>	<u>-</u>	<u>-</u>	<u>331,971</u>
Changes in net assets	<u>68,474</u>	<u>79,853</u>	<u>105,312</u>	<u>253,639</u>
NET ASSETS				
Net Assets - Beginning of Year	<u>479,423</u>	<u>952,955</u>	<u>1,458,318</u>	<u>2,890,696</u>
Net Assets - End of Year	<u>\$ 547,897</u>	<u>\$ 1,032,808</u>	<u>\$ 1,563,630</u>	<u>\$ 3,144,335</u>

See accompanying notes to the financial statements

James A. Rhodes State College
Statement of Cash Flows
For the Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	8,713,883
Grants and contracts	831,247
Payments to suppliers	(4,300,373)
Payments for utilities	(821,642)
Payments to employees	(14,055,229)
Payments for benefits	(4,503,616)
Payments for student aid	(2,277,903)
Sales and services	441,841
Other receipts	409,172
Net cash (used) in operating activities	<u>(15,562,620)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	10,291,552
Federal student grants	5,307,567
Gifts and grants for other than capital purposes	2,603
Student loan receipts	7,680,312
Student loan disbursements	(7,680,312)
Net cash provided by noncapital financing activities	<u>15,601,722</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Capital appropriations	1,361,486
Principal paid on bonds payable	(149,333)
Interest Paid on Bonds Payable	(163,680)
Purchases of capital assets	(1,540,907)
Net cash (used) in capital financing activities	<u>(492,434)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	2,101
Net cash provided by investing activities	<u>2,101</u>
NET DECREASE IN CASH	<u>(451,231)</u>
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>10,088,510</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 9,637,279</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating (loss)	(15,993,241)
Adjustments to reconcile net operating loss to net cash (used) in operating activities:	
Depreciation expense	1,947,094
Changes in assets and deferred outflows of resources and liabilities and deferred inflows of resources:	
Accounts receivable, net	(1,425,567)
Prepaid expenses	(11,167)
Net pension asset	(14,987)
Deferred outflows of resources	(413,656)
Accounts payable, net	81,276
Accrued liabilities	(74,997)
Unearned revenue	(71,256)
Compensated absences	(20,147)
Net pension liability	(3,391,987)
Deferred inflows of resources	3,826,015
Net cash (used) in operating activities	<u>\$ (15,562,620)</u>

See accompanying notes to the financial statements

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2015

NOTE 1 – Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

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

The College’s financial statements include the financial data of its component unit, the James A. Rhodes State College Foundation (the “Foundation”). The Foundation is a legally separate, not-for-profit organization incorporated and operated exclusively for the benefit of the College. It is presented as a discrete component unit in the accompanying financial statements in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an Amendment of GASB Statement No. 14*. The Foundation reports under FASB standards and as such certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. The Foundation is the sole member of a not-for-profit LLC, the Rhodes State College Foundation Lima, LLC (RSCF Lima LLC), an entity formed to purchase, sell or lease real estate for the College. It was formed in November, 2013. The RSCF LLC is consolidated in the financial statements of the Foundation. During the fiscal year ended June 30, 2015 the Foundation distributed \$102,140 for scholarships and \$17,034 for College instructional programs. Complete financial statements for the Foundation may be obtained from the Office of Institutional Advancement at 4240 Campus Drive, Lima, OH 45804.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2015

B. Basis of Presentation

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

GASB Pronouncements adopted:

The College adopted the following GASB Pronouncements in fiscal year 2015:

- For Fiscal Year 2015, the College implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting of Pensions” which significantly revises accounting for pension costs and liabilities, an amendment of GASB 27. Many end users of this financial statement will gain a clearer understanding of the College’s actual financial condition. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s net pension liability. GASB 68 takes an earnings approach to pension accounting; however the nature of Ohio’s statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements. In accordance with GASB 68, the College’s statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan’s change in net pension liability not accounted for as deferred inflows/outflows. As a result of implementing GASB 68, the College is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.
- The College also implemented GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68”.

C. Basis of Accounting

The accompanying financial statements have been prepared by the College as a special-purpose government entity engaged in business type activities. For purposes of financial reporting, GASB Statement 35 defines business type activities as those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, these financial statements have been presented using the economic resources measurement focus and on the accrual basis of accounting. Revenues are recognized when earned. Expenses are recognized when incurred. Interfund receivables and payables have been eliminated in the Statement of Net Position.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2015

D. Cash and Cash Equivalents

Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents represent cash held in safe, cash on deposit in banks, and cash invested in STAR Ohio. STAR Ohio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. The investment objectives of STAR Ohio are the preservation of capital, the maintenance of liquidity, and providing current income. STAR Ohio is similar in concept to a registered investment company investing in redeemable securities, commonly called a “money market mutual fund.” STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. As of June 30, 2015, STAR Ohio held federal agency debentures and discount notes, commercial paper, bank deposits, and money market funds. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on the balance sheet date.

E. Investments

The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position. The College had no assets characterized as investment as of June 30, 2015.

The Foundation carries its investments at fair value. Since all of its investments are in its endowment fund, investment income gains and losses are classified as temporarily restricted until they are appropriated for expenditure in accordance with Ohio’s UPMIFA.

F. Accounts Receivable

Accounts receivable consists primarily of amounts owed to the College for tuition and fees charged to students and amounts owed to the College by other governments. Accounts receivable is recorded net of estimated uncollectible amounts. The College regularly evaluates its tuition receivable for collectability and provides for an allowance for bad debts when deemed necessary.

G. Appropriations Receivable

Appropriations receivable include amounts due from the State of Ohio for completed capital projects. The College had no appropriations receivable at June 30, 2015.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2015

H. Capital Assets

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

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

I. Unearned Tuition and Fees

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

J. Compensated Absences

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

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

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

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2015

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the College, deferred outflows of resources are reported on the Statement of Net Position for pension. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the College, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the Statement of Net Position.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the defined benefit retirement plans discussed in Note 10 and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Net Position Classification

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

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

Restricted – represents funds that the College is legally or contractually obligated to spend in accordance with externally imposed restrictions, such as student loans or sponsored projects.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2015

Unrestricted – represents funds that are not subject to restrictions. Unrestricted net position may be designated for specific purposes by the board of trustees.

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

N. Operating Revenues and Expenses

The College presents its revenues and expenses as operating or non-operating based on recognition definitions per GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trusts Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include all charges to customers, grants received for student financial assistance, and interest earned on loans. Pell grants received for student financial assistance are considered non-operating revenues because they are a source of funding for the college's students. Other grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the college. Revenues from non-exchange transactions and state appropriations that represent subsidies or gifts to the College, as well as investment income, are considered non-operating since these are investing, capital, or noncapital financial activities. Revenues received from the state as capital appropriations are included in Other Revenues, Expenses, Gains and Losses. The College received \$1,361,486 in revenues for capital financing activities for the fiscal years ended June 30, 2015.

O. Scholarship Allowances

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

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

P. Budgetary Process

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

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2015

Q. 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 amounts reported in the financial statements and disclosure in the notes to the financial statements. Actual results could differ from those estimates.

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

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- **Unrestricted Net Assets**– Net assets not subject to donor-imposed stipulations.
- **Temporarily Restricted Net Assets**- Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.
- **Permanently Restricted Net Assets**- Net Assets subject to donor-imposed stipulations to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes on net assets.

Cash and Cash Equivalents

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

Cash maintained in non-interest bearing accounts at a bank are fully insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

James A. Rhodes State College
Notes to the Financial Statements
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Use of Estimates

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

NOTE 2 –Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the College implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$ 40,462,678
Adjustments:	
Net pension liability	(25,256,672)
Deferred outflows of resources	1,295,585
Net pension asset	5,614
Restated net position June 30, 2014	\$ 16,507,205

The College elected to present single year financial statements for fiscal year 2015, due to the lack of comparative information with the implementation of GASB 68, as recommended by the Governmental Accounting Standards Board.

NOTE 3 –Deposits and Investments

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

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

James A. Rhodes State College
Notes to the Financial Statements
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Cash on Hand

At June 30, 2015 the College had \$742 cash on hand, held in safe, which is reported as part of cash and cash equivalents on the Statement of Net Position.

Deposits

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

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

The following table represents the total of the College's deposits as of June 30, 2015:

Cash & Cash Equivalents	
Account	
General Checking	\$ 1,082,488
Payroll Checking	4,327,782
Flex Spend Account	13,946
HRA Account	13,948
Cash on Hand	742
Total Cash	\$ 5,438,906

The following summarizes the value of investments at June 30, 2015:

Account	
STAR Ohio	\$ 4,121,223
Huntington Bank	77,150
Total Investments	\$ 4,198,373

James A. Rhodes State College
Notes to the Financial Statements
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The following table represents the custodial risks of the College's deposits and the deposits of the component unit as of June 30, 2015.

	College	Component Unit
Amounts insured by FDIC	\$ 500,000	\$ 517,321
Amounts collateralized by the pledged securities held by the financial institutions' trust department or agent in the name of the entity	5,240,331	264,614
Total Bank Balance	\$ 5,740,331	\$ 781,935

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At June 30, 2015, the College had 98.2% of its investments in STAR Ohio and 1.8% in a Huntington Bank money market fund.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Ohio Revised Code limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations at the time of purchase. STAR Ohio is an investment pool managed by the Treasurer of the State of Ohio. STAR Ohio has obtained an AAAM rating, which is Standard & Poor's highest investment rating for a Local Government Investment Pool.

James A. Rhodes State College Foundation

At June 30, 2015, the Foundation had a carrying cash balance of \$780,848.

Investments at June 30, 2015, by major security type, were as follows:

Description	Fair Value
Common Stock	\$ 1,115,324
Equity Funds	535,074
Bond Funds	384,408
Total Investments	\$ 2,034,806

James A. Rhodes State College
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Risk and Uncertainties

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

NOTE 4 – Accounts Receivable

The following is a summary of the accounts receivable as of June 30, 2015:

	<u>2015</u>
Tuition and fees	\$ 5,758,500
Less allowance for uncollectible accounts	<u>(2,175,495)</u>
Net tuition and fees	\$ 3,583,005
Governmental Entities	\$ 2,175,890
Other	148,769
Accounts Receivable, net	<u><u>\$ 5,907,664</u></u>

All receivables are expected to be collected in full within one year except certain tuition and fees receivables. An allowance for uncollectible accounts has been established based upon prior collection experience.

James A. Rhodes State College
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NOTE 5 – Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	July 1, 2014	Additions	Sales/Other Dispositions	June 30, 2015
Non-depreciable capital assets:				
Construction in progress	\$ 510,348	\$ 1,283,149	\$ 1,717,637	\$ 75,860
Total non-depreciable assets	510,348	1,283,149	1,717,637	75,860
Depreciable capital assets:				
Land Improvements	1,188,246	0	0	1,188,246
Infrastructure	167,483	20,350	0	187,833
Buildings & Improvements	38,817,142	1,829,196	0	40,646,338
Moveable Equipment	10,102,888	193,966	140,813	10,156,041
Library Books	1,280,957	48,696	0	1,329,653
Total depreciable assets	51,556,716	2,092,208	140,813	53,508,111
Less Accumulated Depreciation:				
Land Improvements	553,206	66,859	0	620,065
Infrastructure	105,814	6,105	0	111,919
Buildings & Improvements	12,236,212	1,150,940	0	13,387,152
Moveable Equipment	4,883,494	677,182	135,556	5,425,120
Library Books	1,048,069	46,008	0	1,094,077
Total accumulated depreciation	18,826,795	1,947,094	135,556	20,638,333
Total depreciable assets, net	32,729,921	145,115	5,257	32,869,778
Total capital assets, net	\$ 33,240,269	\$ 1,428,263	\$ 1,722,894	\$ 32,945,638

State Appropriations not reflected in Statement of Revenues, Expenses and Changes in Net Position

The College receives funding for projects and renovations through state appropriations. These appropriations are not reflected on the Statement of Revenues, Expenses and Changes in Net Position as non-operating revenues until released. Release of these funds for spending requires the approval of the Board of Regents and the State Controlling Board. As of June 30, 2015, the College had released \$622,570 which has been applied to current projects and \$12,501,355 available for future projects as follows:

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Appropriation Line Item Description	Appropriation	Allotted (Released)	Remaining (Unreleased)
Basic Renovations	\$ 342,743	\$ 222,040	\$ 120,703
Non-Credit Job Training	32,677	32,530	147
Design Plan Excellence Health Science	798,505	0	798,505
Cook Hall Renovations	1,500,000	368,000	1,132,000
Energy Efficiency Upgrades	300,000	0	300,000
Water Pressure Improvements	150,000	0	150,000
Center for Health Science Ed & Innv	10,000,000	0	10,000,000
	\$ 13,123,925	\$ 622,570	\$ 12,501,355

NOTE 6 – Accrued Liabilities

Accrued liabilities consist of the following as of June 30, 2015:

Accrued wages	\$ 410,263
Accrued benefits payable	140,747
Total	\$ 551,010

NOTE 7 – Long-Term Obligations

Changes in long-term obligations of the College during fiscal year 2015 was as follows:

	Restated Balance June 30, 2014	Additions	Reductions	Ending Balance June 30, 2015	Amounts Due in One Year
Special Obligation Bonds:					
Series 2013 Variable					
Rate Bonds 3.375-3.75%	\$ 3,886,667	\$ -	\$ 149,333	\$ 3,743,334	\$ 142,333
Premium on Bonds	138,763	-	7,219	131,544	7,219
Total Special Obligation Bonds	4,025,430	-	156,552	3,868,878	149,552
Other Long-Term Obligations:					
Compensated Absences	912,006	129,157	149,304	891,859	69,112
Net Pension Liability	25,256,672	-	3,391,987	21,864,685	-
Total Long-Term Obligations	\$ 30,194,108	\$ 129,157	\$ 3,697,843	\$26,625,422	\$ 218,664

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2013 Series State of Ohio Bonds and Corresponding Lease by the College

During fiscal year 2013 the State of Ohio issued \$4,125,000 in State Community and Technical College Facilities Bonds on behalf of the College. The Bonds are special obligations of the State and are payable solely from certain pledged receipts, principally lease payments made under a lease between the Ohio Public Facilities Commission and the College.

The purpose of the bonds was to (1) advance refund all of the outstanding principal amount of the College's General Receipts Bonds, series 2003, dated October 1, 2003 and (2) pay the costs of certain capital facilities to be leased to the College. The proceeds were also used to pay costs incidental to the issuance and sale of the Bonds which amounted to \$74,375. This was expensed in fiscal year 2013 in accordance with professional standards.

Although the bond holders will be paid semiannually by the State, the College is required to make lease payments to the State which corresponds to the amounts due bonds on a monthly basis. The College is making lease payments to the Ohio Public Facilities Commission. The Lease between the College and the State requires lease payments from the College sufficient to pay the debt service on the bonds, certain administrative costs of the Treasurer and any additional amounts required to be paid into the applicable Rebate Fund. The Treasurer has pledged these lease payments in accordance with the Trust Agreement to pay the bondholders.

The Bonds carry an interest rate of 3.375% for the portion of the bonds maturing December 1, 2028 and 3.750% for the portion of the bonds maturing December 1, 2033. The effective yield for those bonds is 3.55% and 3.9%, as the bonds were issued with \$145,982 premium. This is the rate that the College will pay on the Lease to the State.

The College's pledged receipts are from the appropriations made to it by the State. If the State appropriations are insufficient and the College is unable to pay the lease payments from other sources the State will advance the amounts to cover the lease payments to the College.

The College has the option to prepay amounts required by the lease on any date on or after December 1, 2023 at 100% of the principal amount redeemed plus accrued interest.

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The debt service on the Lease associated with the State's 2013 Series bonds follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 142,333	\$ 137,277	\$ 285,610
2017	153,333	132,825	286,158
2018	158,333	128,225	286,558
2019	163,333	123,475	286,808
2020	168,333	117,475	285,808
2021-2025	943,333	481,001	1,424,334
2026-2030	1,126,666	289,171	1,415,837
2031-2034	881,670	74,000	955,670
Total	\$ 3,737,334	\$ 1,483,449	\$ 5,220,783

NOTE 8 – Lease Commitments

The College has entered into leases for duplicating equipment on a monthly basis. Future minimum lease payments under these leases are \$32,061 due in 2015.

Operating lease expenditures for the year ending June 30, 2015 was \$24,266.

NOTE 9 - State Support

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

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

The College facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of the State of Ohio. If sufficient monies are not available from this fund, the Ohio Board of Regents may assess a special fee uniformly applicable in state-assisted institutions of higher education throughout the state. There were no fees assessed in 2015.

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

James A. Rhodes State College
Notes to the Financial Statements
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NOTE 10 – Defined Benefit Pension Plans

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

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68” were effective. These GASB pronouncements had a significant effect on beginning net position as reported June 30, 2014, as more fully described in Note 2. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the College’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the College’s obligation for this liability to annually required payments. The College cannot control benefit terms or the manner in which pensions are financed; however, the College does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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Plan Description - State Teachers Retirement System - STRS

Plan Description – College licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The College was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS Ohio was \$1,048,195 for fiscal year 2015. The entire contribution has been made.

Plan Description - Ohio Public Employees Retirement System

The College participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the fiscal years ended June 30, 2015 and 2014, the contribution rate for members in the state and local classification remained 10 percent.

The College’s contribution rate for members in state and local classifications for the fiscal year ended June 30, 2015 was 14.0 percent. State statute sets a maximum contribution rate for the College of 14.0 percent.

The College’s contractually required contribution to OPERS was \$559,173 for fiscal year 2015. The entire contribution has been made.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability reported as of June 30, 2015 was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College’s proportion of the net pension liability was based on the College’s share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	STRS	OPERS Traditional	OPERS Combined	Total
Proportionate Share of the Net Pension Liability (Asset)	\$18,203,050	\$3,661,635	(\$20,601)	\$21,844,084
Proportion of the Net Pension Liability/Asset	0.07483742%	0.030359%	0.053505%	
Pension Expense	\$840,964	\$399,779	\$13,689	\$1,254,432

At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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Deferred Outflows of Resources	STRS	OPERS Traditional	OPERS Combined	Total
Differences between expected and actual economic experience	\$175,244	\$195,374	\$1,257	\$371,875
College contributions subsequent to the measurement date	1,048,195	276,622	12,549	1,337,366
Total	\$1,223,439	\$471,996	\$13,806	\$1,709,241

Deferred Inflows of Resources	STRS	OPERS Traditional	OPERS Combined	Total
Differences between projected and actual investment earnings	\$3,367,633	\$64,328	\$6,286	\$3,438,247
Differences between College contributions and proportionate share of contributions	134,860	242,348	10,560	387,768
Total	\$3,502,493	\$306,676	\$16,846	\$3,826,015

\$1,337,366 reported as deferred outflows of resources related to pension resulting from the College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS	OPERS Traditional	OPERS Combined	Total
Fiscal Year Ending June 30:				
2016	(\$831,812)	(\$27,825)	(\$3,897)	(\$863,534)
2017	(831,812)	(27,826)	(3,897)	(863,535)
2018	(831,812)	(27,825)	(3,897)	(863,534)
2019	(831,813)	(27,826)	(3,898)	(863,537)
Total	(\$3,327,249)	(\$111,302)	(\$15,589)	(\$3,454,140)

Actuarial Assumptions – STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of Retirement date.

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Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	<hr style="border: 1px solid black;"/>	
Total	<u>100.00 %</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' Fiduciary net position was projected to be available to make expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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Sensitivity of The College’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the College proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what The College’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	\$26,059,651	\$18,203,050	\$11,559,010

Actuarial Assumptions – OPERS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Projected Salary increase	4.25 -10.05% (Traditional; 4.25% - 8.05% Combined)
Investment Rate of Return	8 percent
Cost-of-Living Adjustments	3 percent simple

Mortality rates were based on the RP-2000 Combined Mortality Table (projected 20 years using Projection Scale AA) for Males and Females. For males, 105% of the Combined Healthy Mortality rates were used. For females, 100% of the Combined Healthy Female Mortality rates were used. Mortality rates used in evaluating disability allowances were based upon the RP-2000 mortality table with no projection.

Discount Rate

The discount rate used to measure the total pension liability was 8 percent for both the Traditional Pension Plan and the Combined Plan. The Projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the College were made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments for both the Traditional Pension Plan and the Combined Plan was applied to all periods of projected benefits payments to determine the total pension liability.

The allocation of investment assets within the Defined Benefit Portfolio is approved as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans.

James A. Rhodes State College
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Asset Class	Target Allocation For 2014	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other Investments	18.00	4.59
	<hr style="border-top: 3px double black;"/>	
Total	100.00 %	5.29%
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Sensitivity of The College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the College proportionate share of the net pension liability calculated using the current period discount rate assumption of 8.0 percent, as well as what The College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7.0 percent) or one-percentage-point higher (9.0 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
College's proportionate share of the net pension liability (asset):			
OPERS Traditional	\$6,736,359	\$3,661,634	\$1,071,976
OPERS Combined	(\$2,675)	(\$20,601)	(\$39,059)

Average Remaining Service Life

GASB 68 requires that changes arising from differences between expected and actual experience or from changes in actuarial assumptions be recognized in pension expense over the average remaining service life of all employees provided with benefits through the pension plan (active and inactive). As of December 31, 2014, the average of the expected remaining service lives of all employees calculated by our external actuaries for the Traditional Pension Plan was 3.1673 years and for the Combined Plan was 9.4080 years. These amounts were used when calculating elements of pension expense subject to amortization requirements as defined in GASB 68 and reported in the Schedule of Collective Pension Amounts.

James A. Rhodes State College
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Alternative Retirement Plan

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the fiscal years ended June 30, 2015, contributions equal to those required by STRS Ohio and OPERS are required to be made to the ARP; however, a portion (which may be revised pursuant to periodic actuarial studies) of the employer contribution must be contributed to STRS Ohio or OPERS to enhance the stability of those plans. The College’s required contributions for pension obligations to the plan for the fiscal years ended June 30, 2015 was \$457,598; 100 percent has been contributed for fiscal year 2015.

NOTE 11 – Postemployment Benefits

State Teachers Retirement System

Plan Description – The College participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The College’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$75,390, and \$78,529, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

James A. Rhodes State College
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Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (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 has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying benefit recipients 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 Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the 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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund 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 Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 2.0 percent during calendar year 2014. Effective January 1, 2015, the portion of

James A. Rhodes State College
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employer contributions allocated to health care remains at 2.0% for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The College's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$33,335, \$30,304, and \$29,639, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 12 – Risk Management -Property and Liability

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of property; errors and omissions; injuries to third parties; automobile damage; and commercial crime. As a risk transfer technique, the College contracted with various insurance underwriters in fiscal year 2015 for specific types of insurance.

Insurance policies in place during fiscal year 2015 include the following:

<u>Description of Coverage</u>	<u>Insurance Carrier</u>	<u>Limit of Liability</u>
"All Risk" Property	Lexington Insurance Co. (AIG)	\$750,000,000
Property Liability	Lexington Insurance Co (AIG)	\$500,000,000
General Liability	Catlin Indemnity Company (Wright Specialty)	\$1,000,000
Limited Professional Liability	Catlin Indemnity Company (Wright Specialty)	\$1,000,000
Automobile	Catlin Indemnity Company (Wright Specialty)	\$1,000,000
Educators Legal Liability	Catlin Indemnity Company (Wright Specialty)	\$1,000,000
		\$15,000,000
1st Excess Liability	United Educators	excess \$1,000,000
		\$15,000,000
1st Excess Educators Liability	United Educators	excess \$1,000,000
Crime	Catlin Indemnity Company (Wright Specialty)	\$1,000,000

Notes: (1) There is no deductible for liability for automobile insurance. The deductible for physical damaged to owned and leased vehicles is \$500.

James A. Rhodes State College
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NOTE 13 - Cost Share Agreement

According to the cost sharing agreement entered into as of July 1, 1971 between The Ohio State University-Lima Campus (the “University”) and the College, the College reimburses the University for costs incurred in the following areas: academic instruction, library, student services, student activities, institutional support, plant operation and community educational services. The College and the University incur ongoing expenses that approximate each institution’s share of the total expense. At the end of each quarter, both institutions complete summaries of their actual incurred expenses and a payment is made to the University or College based on estimated costs using formulas as prescribed in the cost sharing agreement. The total cost of shared services, net of shared income, was \$3,826,863 for the fiscal year ended June 30, 2015. The majority of the expenditures were incurred for plant operations. Based upon the various formulas, the College’s share was 67.82% of the total expenses, net of total shared income, for the fiscal year ending June 30, 2015. At June 30, 2015, the College owed the University \$234,946, which is included in accounts payable, on the Statement of Net Position.

NOTE 14 – Operating Expenses by Natural Classification

The College’s operating expenses by natural classification for the year ended June 30, 2015 was as follows:

Salaries and wages	\$ 14,014,077
Employee benefits	4,464,134
Supplies	1,274,507
Travel	420,395
Information and communication	800,118
Maintenance	1,264,984
Utilities	821,642
Student scholarships and financial aid	2,277,903
Other	601,353
Depreciation	1,947,094
Total operating expenses	\$ 27,886,207

NOTE 15 – Contingencies

The Foundation, a component unit, receives funding from donors that may have restrictions placed upon it. Failure to comply with these restrictions could result in a liability of the Foundation and ultimately the College. Management believes that it is in compliance with all restrictions placed on funding by donors.

James A. Rhodes State College
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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 costs resulting from such audits could become a liability of the College. However, in the opinion of management, any such disallowed costs will not have a material adverse effect on the overall financial position of the College at June 30, 2015.

NOTE 16 – James A. Rhodes State College Foundation

Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets are available for the following purposes:

	2015
Gifts and other donations available for:	
Schell Foundation Loan Fund	\$ 39,098
Instructional programs	283,589
Scholarships	710,121
Total gifts and other donations	\$ 1,032,808

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

	2015
Instructional Programs	\$ 17,034
Fundraising	4,973
Scholarships	102,140
Total	\$ 124,147

Permanently restricted funds consist of endowment funds. In certain cases, the donors of these funds have restricted the use of the income from such funds for scholarships.

Permanently restricted net assets are available for the following purposes:

	2015
Scholarships	\$ 1,563,630
Total	\$ 1,563,630

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2015

NOTE 17 – James A. Rhodes State College Foundation

Fair Value Measurements

Professional literature defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). It establishes a hierarchy for purposes of disclosure that prioritizes the inputs to valuation techniques used to measure fair value into three levels.

The following table presents information about the Foundation's assets that are measured at fair value on a recurring basis at June 30, 2015, and the valuation techniques used by the Foundation to determine those fair values.

- Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets.
- Fair values categorized as Level 2 inputs use other inputs that are observable, either directly or indirectly. The equity and bond funds included in Level 2 at June 30, 2015 are valued using market techniques which include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.
- Fair values categorized as Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset. There were no Level 3 investments at June 30, 2015.

The Foundation's recognizes transfers between levels as the end of the reporting period.

James A. Rhodes State College
Notes to the Financial Statements
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Fair Value Measurements at June 30, 2015

Description	Level 1	Level 2	Total
Common Stock Types:			
Basic Materials	\$ 31,245	\$ -	\$ 31,245
Communications	181,442	-	181,442
Consumer	352,282	-	352,282
Energy	14,484	-	14,484
Financial	115,211	-	115,211
Health Care	154,308	-	154,308
Industrial	179,437	-	179,437
Technology	86,915	-	86,915
Total-Common Stock Types	<u>\$ 1,115,324</u>	<u>\$ -</u>	<u>\$ 1,115,324</u>
Equity Fund Types:			
Real Estate Investment Trust	\$ -	\$ 63,860	\$ 63,860
Small Cap Funds	-	25,510	25,510
Index Funds	-	445,704	445,704
Total-Equity Fund Types	<u>\$ -</u>	<u>\$ 535,074</u>	<u>\$ 535,074</u>
Bond Fund Types:			
Other Bond Funds	\$ -	\$ 384,408	\$ 384,408
Total-Bond Fund Types	<u>\$ -</u>	<u>\$ 384,408</u>	<u>\$ 384,408</u>
Total - Investments	<u>\$ 1,115,324</u>	<u>\$ 919,482</u>	<u>\$ 2,034,806</u>

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2015

NOTE 18 – James A. Rhodes State College Foundation

Endowments

The Foundation's endowment consists of donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported per state law based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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

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

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2015

Endowment Net asset Composition by Type of Fund as June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ (546)	\$ 684,419	\$ 1,563,630	\$ 2,247,503
Total Funds	\$ (546)	\$ 684,419	\$ 1,563,630	\$ 2,247,503

Changes in Endowment Net Assets for Fiscal Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, beginning of year	\$ -	\$ 679,865	\$ 1,458,318	\$ 2,138,183
Contributions, net of allowance	-	6,000	105,312	111,312
Investment Income	77	53,029	-	53,106
Realized and unrealized gains and losses	105	55,794	-	55,899
Investment Expenses	(28)	(13,817)	-	(13,845)
Appropriation of endowment assets for expenditures	(700)	(96,452)	-	(97,152)
Net Assets, end of year	\$ (546)	\$ 684,419	\$ 1,563,630	\$ 2,247,503

Endowment Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. The deficiency was \$546 at June 30, 2015. The deficiency resulted from unfavorable market fluctuations.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, approved by the Board of

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2015

Directors, the endowment assets are invested to manage the contributions in a manner that will maximize the benefit intended by the donor, produce current income to support the programs of the College and donor objectives, and achieve growth of both principal value and income over time sufficient to preserve or increase the purchasing power of the assets, thus protecting the assets against inflation. The long term annualized total net rate of return objective is inflation plus five percent. Investment objectives will be achieved by maximizing total return consistent with prudent risk limits. Actual returns in any given year may vary from this amount. To satisfy its long term net rate of return objective, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and from current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

Ohio law states that the appropriation for expenditure in any year of an amount greater than seven percent of the fair market value of an endowment fund calculated on the basis of fair market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure was made creates a rebuttable presumption of imprudence. For an endowment fund in existence for fewer than three years, the fair market value of the endowment fund must be calculated for the period that the fund has been in existence.

The Foundation has elected to distribute annually five percent of a trailing three-year average of the Foundation's total asset value. The Foundation believes that such a policy should allow for steady growth for the support of operations and minimize the probability of invading the principal over time. The Investment Committee reviews the spending policy periodically against actual returns in order to consider adjustments necessary for the preservation of the purchasing power of the endowment.

NOTE 19 – James A. Rhodes State College Foundation

Programmatic Investments – Charles E. Schell Foundation Grant Program

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

The minimum loan is \$500 and the maximum loan is \$2,500. Students are to repay these loans at no interest beginning six months after graduation. The Foundation collected \$6,482 in student repayments in fiscal year 2015. The Foundation does not pursue collections on these loans. Because these are programmatic investments the amounts are classified as operating in the statement of cash flows.

Loans Receivable is recorded net of estimated uncollectible amounts. The Foundation regularly evaluates its loans receivable for collectability and provides for an allowance for bad debts when deemed necessary.

**James A. Rhodes State College
Notes to the Financial Statements
June 30, 2015**

NOTE 20 – James A. Rhodes State College Foundation

Lima Community Foundation

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

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

	2015
John J. and Martha M. Hudson Scholarship Fund	\$ 8,858
James J. Countryman Scholarship Fund	\$ 39,908
Thomas R. and Gloria P. Leech Scholarship Fund	\$ 16,559

Scholarship awards made from each of these funds for the fiscal year 2015 was as follows:

	2015
James J. Countryman Scholarship Fund	\$ 1,110
Thomas R. and Gloria P. Leech Scholarship Fund	\$ 295

The Lima Community Foundation owns all three funds and manages them according to their investment policy. Since the amounts were contributed to the Community Foundation by the donors and the Community Foundation has variance power, these amounts are not recorded on the financial statements of the Foundation. Scholarship money transferred from the Lima Community Foundation is recognized as revenue when awarded by the Community Foundation.

NOTE 21 – James A. Rhodes State College Foundation

Rhodes State College Foundation Lima, LLC

On November 13, 2013, the creation of RSCF Lima, LLC was done for the purpose of purchasing, selling or leasing real estate to the College. A Board of Directors and Officers operate RSCF Lima, LLC. The LLC’s initial project will be to develop the Rhodes State College Center for Health Sciences Education and Innovation in downtown Lima. In January 2014, the Board of Directors authorized the LLC to purchase several parcels of downtown properties comprised of land and buildings owned by Tri-C Enterprises and pay any and all expenses and fees related to the completion of this acquisition. There are additional properties yet to be acquired. The purchased properties are reflected in the Consolidated Statements of Financial Position as Property Held for College.

James A. Rhodes State College
 Required Supplementary Information
 Schedule of the College's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Two Years

	<u>2014</u>	<u>2013</u>
Net pension liability	\$ 24,323,460,773	\$ 28,973,947,372
College's proportion of the net pension liability	0.07483742%	0.07483742%
College's proportionate share of the net pension liability	\$ 18,203,050	\$ 21,683,355
College's covered-employee payroll	\$ 7,646,315	\$ 7,291,992
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.10%	297.40%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to 2013 not available.

James A. Rhodes State College
 Required Supplementary Information
 Schedule of the College's Proportionate Share of the Net Pension Liability
 Ohio Public Employees Retirement System - Traditional Plan
 Last Two Years

	<u>2014</u>	<u>2013</u>
Net pension liability	\$ 12,061,117,624	\$ 11,788,697,166
College's proportion of the net pension liability	0.030359%	0.030359%
College's proportionate share of the net pension liability	\$ 3,661,635	\$ 3,578,931
College's covered-employee payroll	\$ 5,889,070	\$ 5,811,540
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	62.20%	61.60%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.50%

Note: Information prior to 2013 not available.

James A. Rhodes State College
 Required Supplementary Information
 Schedule of the College's Proportionate Share of the Net Pension Asset
 Ohio Public Employees Retirement System - Combined Plan
 Last Two Years

	<u>2014</u>	<u>2013</u>
Net pension asset	\$ 38,502,348	\$ 10,492,992
College's proportion of the net pension asset	0.053505%	0.053505%
College's proportionate share of the net pension asset	\$ 20,601	\$ 5,614
College's covered-employee payroll	\$ 746,189	\$ 711,560
College's proportionate share of the net pension asset as a percentage of its covered-employee payroll	2.80%	0.80%
Plan fiduciary net position as a percentage of the total pension asset	71.70%	65.50%

Note: Information prior to 2013 not available.

James A. Rhodes State College
 Required Supplementary Information
 Schedule of College Contributions
 State Teachers Retirement System of Ohio
 Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 1,048,195	\$ 994,021	\$ 947,959	\$ 979,334	\$ 1,115,689	\$ 1,096,841	\$ 996,829	\$ 1,001,404	\$ 934,337	\$ 878,681
Contributions in relation to the contractually required contribution	<u>(1,048,195)</u>	<u>(994,021)</u>	<u>(947,959)</u>	<u>(979,334)</u>	<u>(1,115,689)</u>	<u>(1,096,841)</u>	<u>(996,829)</u>	<u>(1,001,404)</u>	<u>(934,337)</u>	<u>(878,681)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College covered-employee payroll	\$ 7,487,107	\$ 7,646,315	\$ 7,291,992	\$ 7,533,338	\$ 8,582,223	\$ 8,437,238	\$ 7,667,915	\$ 7,703,108	\$ 7,187,208	\$ 6,759,085
Contributions as a percentage of covered-employee payroll	-14.00%	-13.00%	-13.00%	-13.00%	-13.00%	-13.00%	-13.00%	-13.00%	-13.00%	-13.00%

James A. Rhodes State College
 Required Supplementary Information
 Schedule of College Contributions
 Ohio Public Employees Retirement System - Traditional Plan
 Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 565,098	\$ 588,907	\$ 581,154	\$ 585,419	\$ 476,662	\$ 361,727	\$ 268,022	\$ 296,115	\$ 315,553	\$ 342,708
Contributions in relation to the contractually required contribution	<u>(565,098)</u>	<u>(588,907)</u>	<u>(581,154)</u>	<u>(585,419)</u>	<u>(476,662)</u>	<u>(361,727)</u>	<u>(268,022)</u>	<u>(296,115)</u>	<u>(315,553)</u>	<u>(342,708)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 5,650,980	\$ 5,889,070	\$ 5,811,540	\$ 5,854,190	\$ 5,153,103	\$ 4,452,025	\$ 4,123,415	\$ 3,701,438	\$ 3,506,144	\$ 3,239,206
Contributions as a percentage of covered employee payroll	-10.00%	-10.00%	-10.00%	-10.00%	-9.25%	-8.12%	-6.50%	-8.00%	-9.00%	-10.58%

James A. Rhodes State College
 Required Supplementary Information
 Schedule of College Contributions
 Ohio Public Employees Retirement System - Combined Plan
 Last Six Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 34,075	\$ 59,322	\$ 56,569	\$ 47,416	\$ 50,381	\$ 47,992
Contributions in relation to the contractually required contribution	<u>(34,075)</u>	<u>(59,322)</u>	<u>(56,569)</u>	<u>(47,416)</u>	<u>(50,381)</u>	<u>(47,992)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 258,536	\$ 746,189	\$ 711,560	\$ 596,428	\$ 633,723	\$ 603,673
Contributions as a percentage of covered employee payroll	-13.18%	-7.95%	-7.95%	-7.95%	-7.95%	-7.95%

Note: Information prior to 2010 not available.

James A. Rhodes State College
Allen County, Ohio
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2015

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	N/A	84.033	92,872
Federal Supplemental Educational Opportunity Grants (FSEOG)	N/A	84.007	89,035
Federal Pell Grant Program	N/A	84.063	5,307,567
Federal Direct Student Loans	N/A	84.268	7,479,314
<i>Total Student Financial Aid Cluster</i>			<u>12,968,788</u>
<i>Passed through the Ohio Department of Education</i>			
Career and Technical Education - Basic Grants to States	CDP-P	84.048	131,616
<i>Total Passed through the Ohio Department of Education</i>			<u>131,616</u>
Total United States Department of Education			<u>13,100,404</u>
National Science Foundation			
<i>Direct from the Federal Agency</i>			
Education and Human Resources - STEM	N/A	47.076	154,297
Education and Human Resources - ATE	N/A	47.076	207,040
Total National Science Foundation			<u>361,337</u>
Department of Justice			
<i>Direct from the Federal Agency</i>			
Edward Byrne Memorial Competitive Grant Program	N/A	16.751	135,251
Total Department of Justice			<u>135,251</u>
United States Department of Labor			
<i>Passed through the Ohio Department of Job and Family Services</i>			
WIA Dislocated Workers	N	17.260	57,122
<i>Passed through Henry Ford Community College</i>			
Trade Adjustment Assistance Community College and Career Training (TAACCCT)	TC-23767-12-60-A-26	17.282	228,656
Total United States Department of Labor			<u>285,778</u>
United States Department of Health and Human Services			
<i>Passed through the Ohio Dept of Job and Family Services</i>			
Child Care and Development Block Grant	N	93.575	15,950
Total United States Department of Health and Human Services			<u>15,950</u>
United States Department of Housing and Urban Development			
<i>Passed through the City of Lima, Ohio</i>			
Community Development Block Grant	N	14.218	5,554
Total United States Department of Housing and Urban Development			<u>5,554</u>
United States Department of Agriculture			
<i>Passed through Ohio Department of Education:</i>			
Child and Adult Care Food Program	N	10.558	15,051
Total United States Department of Agriculture			<u>15,051</u>
United States Department of Commerce			
<i>Passed through ODSA \ CIFT</i>			
Manufacturing Extension Partnership	13-069	11.611	105,000
Total United States Department of Commerce			<u>105,000</u>
Small Business Administration			
<i>Passed through Ohio Department of Development</i>			
Small Business Development Centers	DEVFR036	59.037	119,156
Total Small Business Administration			<u>119,156</u>
Total Federal Financial Assistance			<u>\$ 14,143,481</u>

N/A - Direct from the federal government

N - Pass through number was not provided to the College

See accompanying notes to the schedule of federal awards expenditures

James A. Rhodes State College
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2015

NOTE 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of James A. Rhodes State College (the “College”) under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

NOTE 2 – Summary of Significant Accounting Policies

A. Basis of Presentation

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular, A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

B. Pass-through Entities

Pass-through entity identifying numbers are presented where available.

NOTE 3 – Student Financial Aid Cluster

The Student Financial Aid Cluster includes federally guaranteed loans issued to students of the College under the Federal Direct Student Loan Program and awards to provide financial assistance to students, primarily under the Federal Pell Grant, Federal Academic Competiveness Grant, Federal College Work Study, and Federal Supplemental Education Opportunity Grants of the United State Department of Education. The College receives awards to make loans to eligible students under certain federal student loan programs. These loans are considered for purposes of determining the total federal expenditures. Several banks act as lenders for the College. The amount shown reflects the fiscal year amount that has been certified by the College.



Balestra, Harr & Scherer, CPAs, Inc.

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

www.bhscpas.com

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and the discretely presented component unit of James A. Rhodes State College, Allen County, (the College), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 18, 2015, wherein we noted the College adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and per guidance by the Governmental Accounting Standards Board the College presented single year statements for fiscal year 2015, due to the lack of comparative information available with the implementation of GASB Statement No. 68.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the College's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the College's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2015-001 to be a significant deficiency.

Compliance and Other Matters

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

Entity's Response to Findings

The College's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the College's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 18, 2015



Balestra, Harr & Scherer, CPAs, Inc.

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

www.bhscpas.com

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

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

To the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited James A. Rhodes State College's (the College) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of James A. Rhodes State College's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the College's major federal programs.

Management's Responsibility

The College's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the College's compliance for each of the College's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the College's major programs. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the James A. Rhodes State College complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 18, 2015

James A. Rhodes State College
Schedule of Findings
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2015

1. SUMMARY OF AUDITOR' S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material internal 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)?	Yes
(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	Unmodified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Aid Cluster: Federal Work-Study Program, CFDA# 84.033; Federal Pell Grant Program, CFDA# 84.063; Federal Supplemental Educational Opportunity Grants (FSEOG), CFDA# 84.007 Federal Direct Student Loans, CFDA# 84.268
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$424,304 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

James A. Rhodes State College
Schedule of Findings
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2015

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

Finding Number 2015-001

Significant Deficiency

An employee of the College was compensated for 53 hours more than the approved timesheet that was submitted. This overpayment occurred due to untimely submission of the timesheet coupled with a default setting in the payroll processing system, that credited the employee for 80 hours of earned compensation rather than processing at 0 hours when nothing was entered manually and no timesheet had been received.

The auditor verified that the amount of overpayment was repaid through a payroll deduction of \$774.33 on the December 11, 2015 payroll run.

The College lacks effective internal controls over payroll processing. The College should remove the default setting for hourly payroll processing in the system and should not process payroll without the approved timesheets for hourly employees.

Officials' Response:

The College has implemented additional controls, as noted above, to help ensure that all employees are paid properly.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

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Dave Yost • Auditor of State

JAMES A RHODES STATE COLLEGE

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 9, 2016**