JAMES A. RHODES STATE COLLEGE
ALLEN COUNTY

SINGLE AUDIT

For the Years Ended June 30, 2013 and 2012
Fiscal Years Audited Under GAGAS: 2013 and 2012

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, 2012 through June 30, 2013. 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.

Dave Yost
Auditor of State

January 6, 2014

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James A. Rhodes State College
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Independent Auditor's Report

James A. Rhodes State College
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 years ended June 30, 2013 and 2012, 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 opinion.

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, 2013 and 2012, and the respective changes in its financial position and, where applicable, its cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, during the year ended June 30, 2013, the College adopted the provisions of Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,* No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and No. 65, *Items Previously Reported as Assets and Liabilities.* 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*, 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 Awards Expenditures 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 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 this 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, the 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 6, 2013, 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 6, 2013

James A. Rhodes State College (the "College") Management 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, 2013 with selected comparative information for the years ended June 30, 2012 and 2011. The 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 2013 for a full-time student was $4,613 for two semesters of 15 credit hours each, or $153.77 per semester credit hour. This is compared to the tuition rate under quarters in 2012 of $4,413 for three 15 credit hour quarter terms. James A. Rhodes State College still remains the most affordable option for higher education in our region.

- Our budget plan called for us to realize a deficit of $536,721 as we anticipated lower enrollment during our conversion to the semester system, after 40 years under a quarter system. By the end of 2013 the College had achieved a reduction in net position of $330,792, reflecting the results of the organization's efforts to control operating expenditures in the face of a drop in full time enrollment of approximately 15.9%.

- Total state appropriations decreased only slightly to $9.58 million compared to $9.66 million in fiscal year 2012, and $9.2 million in 2011. 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.

- In June of 2013, the College issued $4.125 million of State Community and Technical College Facilities Bonds, Series 2013 for the purpose of advance refunding all of the outstanding principal of General Receipts Bonds, Series 2003, dated October 1, 2003, and paying $1.5 million towards the cost of the construction of the Keese Hall multi-purpose center. At an effective interest rate of 3.358%, the value of the savings of this advanced refunding was $530,734.

- In 2013, the College completed the expansion of the Countryman Information and Engineering Technology building. This expansion was designed as a 16,000 square foot, $3.2 million locally funded investment with 5 classrooms, student soft space, faculty and administrative offices. This expansion has made the Countryman Building one of the busiest on campus, and is a preferred classroom and event location for students, faculty, and staff.

- In 2013, the College began construction of an expansion to Keese Hall multi-purpose center. With an 8,000 square foot event space that can seat over 300 occupants, this will be a premier addition to the campus and community. The project budget of $2.5 million is funded by $1.0 million of state funding and $1.5 million in new funds from the Series 2013 bond issuance.

- The College completed its three year Strategic Plan in 2013. This plan will continue the College's long legacy of disciplined strategic achievement.

- The Nursing division received the renewal of its accreditation, a feat that other larger institutions have struggled with in recent years, and ensures our Nursing program will continue its strong tradition through the next visit in 2021.

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 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 discussion and analysis 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 comparative 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

In June 2011 the GASB issued its Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities,* which established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. These changes required the College to present a Statement of Net Position and where applicable, categorize its accounts as assets, deferred outflows, liabilities and deferred inflows. GASB No. 63 and 65 were implemented for the College's fiscal year ended June 30, 2013.

The Statement of Net Position presents financial information about the College's assets and deferred outflows and liabilities. 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.

CONDENSED FINANCIAL INFORMATION
STATEMENTS OF NET POSITION
(in thousands)

	2013	2012	2011
ASSETS			
Current Assets	$ 16,108	$ 17,076	$ 17,696
Noncurrent, Capital Assets	31,735	30,961	30,679
Total Assets	47,843	48,037	48,375
DEFERRED OUTFLOWS			
Unamortized Deferred Amount	20	0	0
LIABILITIES			
Current Liabilities	2,384	3,731	4,847
Noncurrent Liabilities	4,944	3,440	3,526
Total Liabilities	7,328	7,171	8,373
NET POSITION			
Net Investment in Capital Assets	27,464	28,276	27,943
Restricted	1,662	25	9
Unrestricted	11,409	12,565	12,050
Total Net Position	$ 40,535	$ 40,866	$ 40,002

Assets

As of June 30, 2013, the College's total assets were $47.8 million compared to $48.0 million in fiscal year 2012 and $48.4 million in fiscal year 2011. This increase in total assets is the result of an increase in student related accounts receivable and capital assets. Capital assets, net of accumulated depreciation, are the college's largest asset and represent 66.3%, 64.5 % and 63.4 % of total assets for fiscal years 2013, 2012, and 2011, respectively. Cash and cash equivalents are the second largest asset category at $10.3 million, $12.7 million and $10.7 million for fiscal years 2013, 2012, and 2011, respectively. This represents 21.6%, 26.4% and 22.0% of the total assets for fiscal years 2013, 2012, and 2011 respectively.

Capital Assets

The total cost of capital assets was $49.0 million, $46.8 million and $44.8 million for fiscal years 2013, 2012, and 2011, respectively. The accumulated depreciation was $17.3 million, $15.9 million, and $14.3 million for fiscal years 2013, 2012 and 2011, respectively. Depreciation expense for the fiscal years ended June 30, 2013, 2012, and 2011 was $1.8 million, $1.6 million, and $1.5 million, respectively.

Liabilities

As of June 30, 2013, the College's liabilities were $7.3 million compared to $7.2 million in fiscal year 2012 and $8.4 million in fiscal year 2011. A decrease of $0.6 million is attributed to the accrued liabilities, which is a result of the timing of payroll distributions. As discussed in the Notes to the Financial Statements, the College executed an advance refunding of Series 2003, General Receipts Bonds with Series 2013 refunding funds; therefore the Series 2003 liabilities are no longer reported on the Statement of Net Position. Bonds payable, net represented the largest portion of liabilities with $4.1 million, $2.6 million, and $2.7 million for fiscal years 2013, 2012, and 2011, respectively. Bonds payable, net represents approximately 56.2%, 36.4%, and 32.0% of total liabilities for fiscal years 2013, 2012, and 2011, respectively.

Net Position

Net Position as of June 30, 2013, was $40.5 million compared to $40.9 million as of June 30, 2012, and $40.0 million as of June 30, 2011. Net investment in capital assets represents the largest portion of net position at 67.8%, 69.2%, and 69.9% of total net position for fiscal years 2013, 2012, and 2011, respectively.

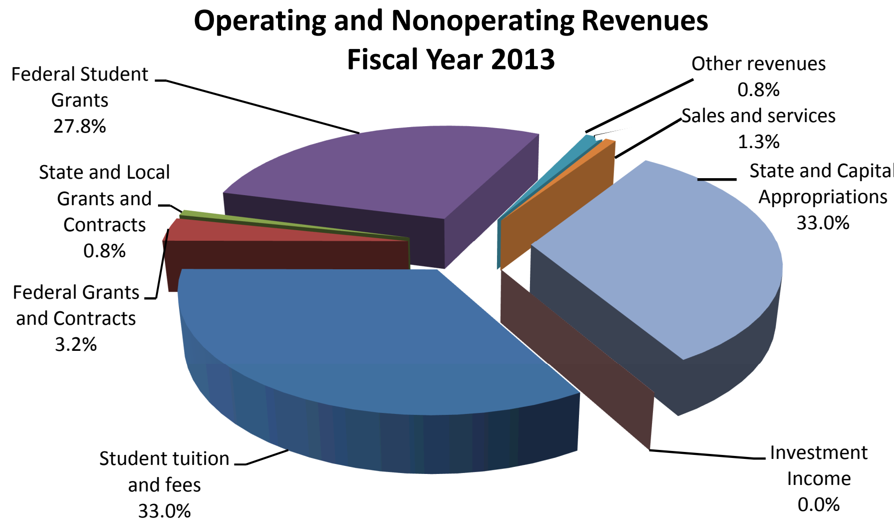
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

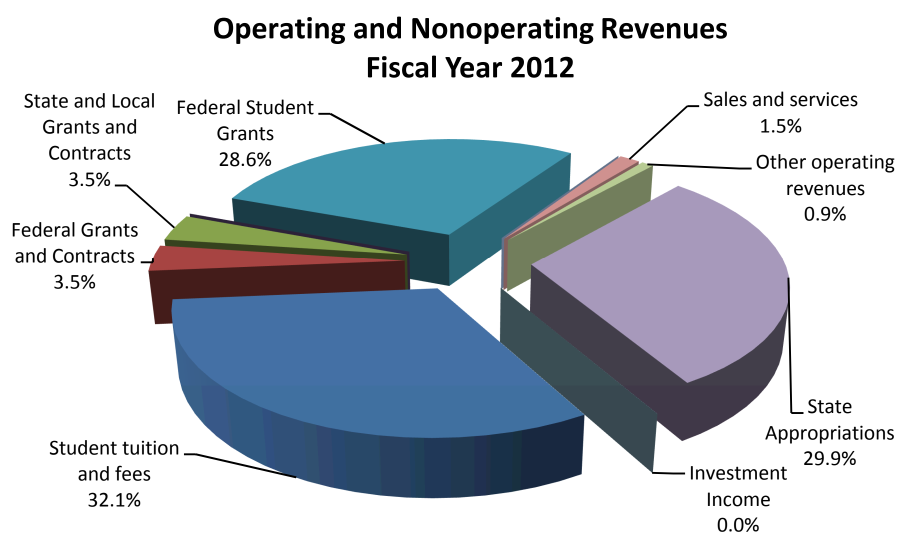
The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. The non-authoritative examples provided by the Governmental Accounting Standards Board Statement for GASB No. 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.

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

	2013	2012	2011
OPERATING REVENUES			
Student Tuition and Fees, Net	$ 9,903	$ 10,318	$ 10,326
Federal Grants and Contracts	965	1,131	1,811
State and Local Grants and Contracts	236	1,141	641
Sales and Services	396	490	416
Other Operating Revenues	249	296	295
Total Operating Revenues	11,749	13,376	13,489
OPERATING EXPENSES			
Educational and General	28,312	29,651	31,232
Depreciation	1,773	1,605	1,534
Total Operating Expenses	30,085	31,256	32,766
Operating Loss	(18,336)	(17,880)	(19,277)
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	9,577	9,663	9,215
Federal Student Grants	8,331	9,230	10,808
Federal Stimulus SSI	-	-	1,576
Capital Grants	-	-	1,848
Gifts	-	5	-
Investment Income	3	2	4
Interest on Capital Asset-Related Debt	(250)	(156)	(158)
Other Non-Operating Revenue (Expense)	(3)	-	-
Net Non-Operating Revenues (Expenses)	17,658	18,744	23,293
OTHER REVENUES			
Capital Appropriations	347	-	-
Increase (Decrease) in Net Position	(331)	864	4,016
Net Position, Beginning of Year	40,866	40,002	35,986
Net Position, End of Year	**$ 40,535**	**$ 40,866**	**$ 40,002**

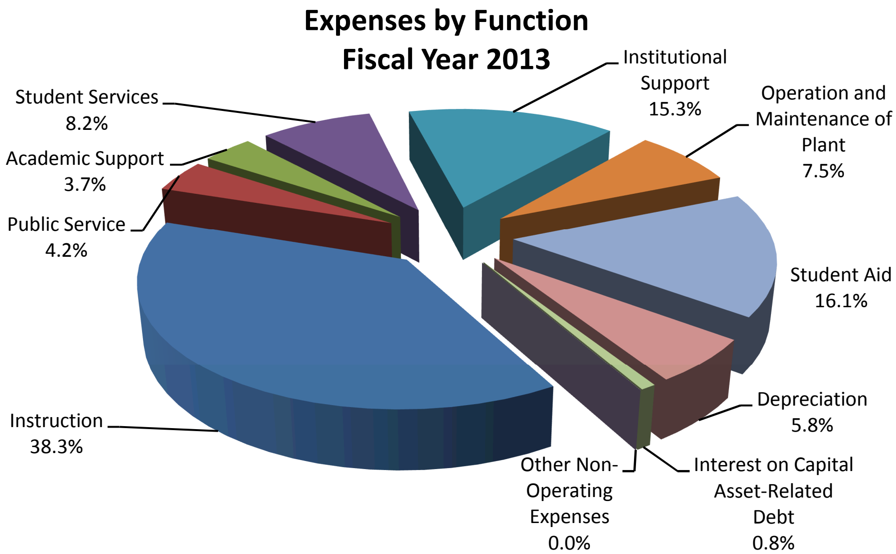
The following is a graphic illustration of revenues by source for the years ended June 30, 2013 and 2012:

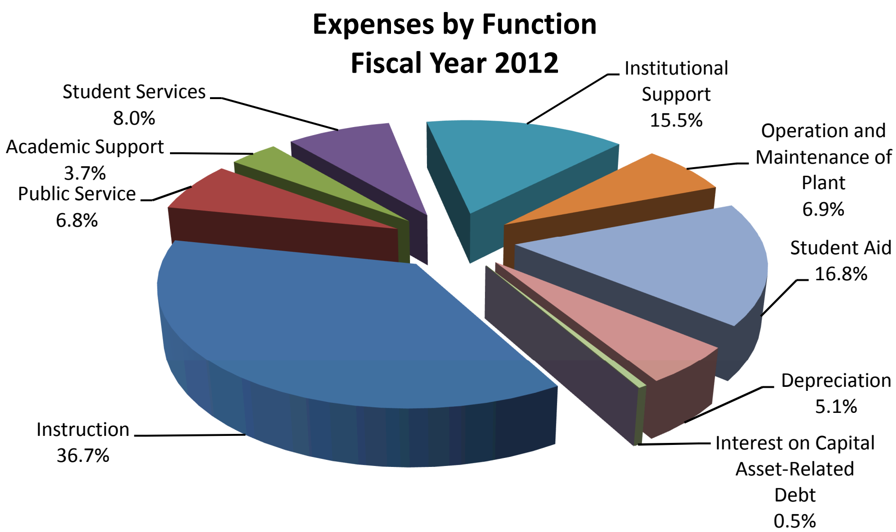




The College's largest sources of revenues are student tuition and fees (net of scholarship allowance), 33.0%, State and capital appropriations, 33.0%, and Federal student grants, 27.8% for fiscal year 2013. Student tuition and fees (net of scholarship allowance) were $9.9 million and $10.3 million for fiscal years 2013 and 2012, respectively. Federal student grants were $8.3 million and $9.2 million for fiscal years 2013 and 2012, respectively. State and capital appropriations were $9.9 million and $9.7 million for fiscal years 2013 and 2012 respectively. Total operating and non-operating revenues were $30.0 million and $32.3 million for fiscal years 2013 and 2012, respectively.

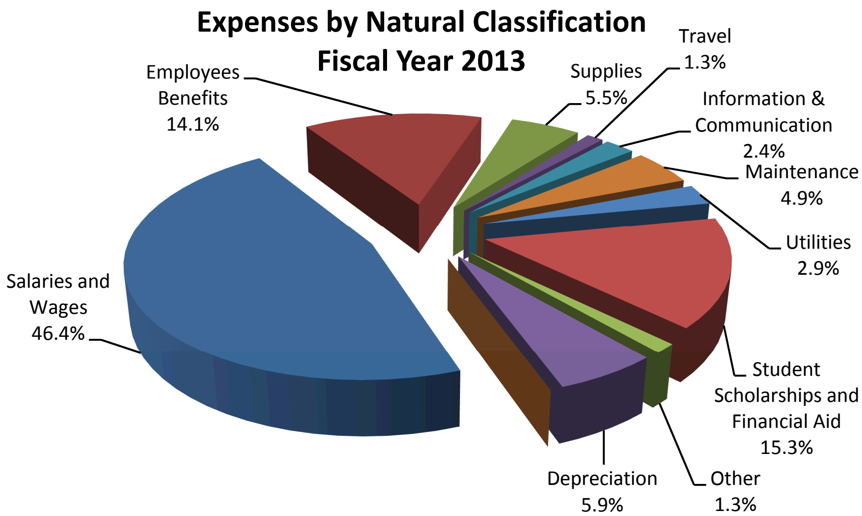
The following is a graphic illustration of expenses by function for the years ended June 30, 2013 and 2012:

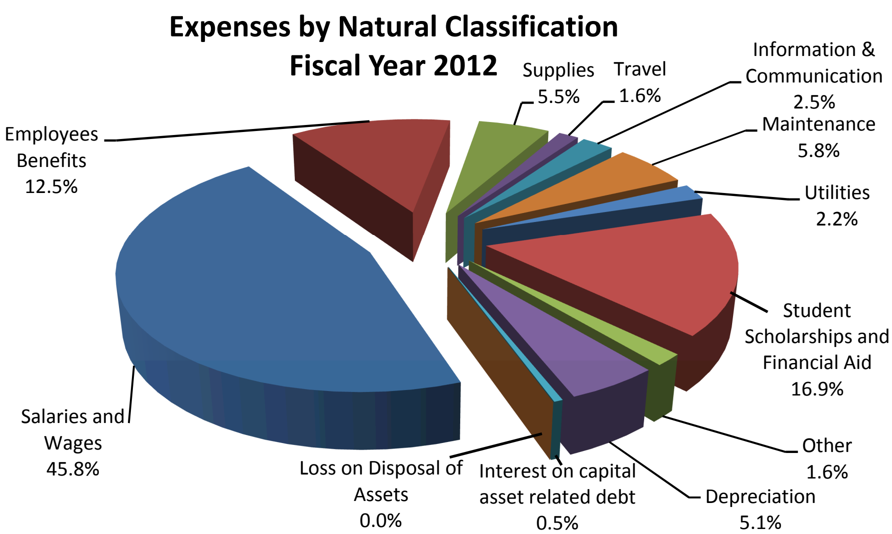




Instructional expenditures are the largest expense for the College. Instructional expenses were \$11.6 million and \$11.5 million for fiscal years 2013 and 2012, respectively. Public service expenses were \$1.3 million and \$2.1 million for fiscal years 2013 and 2012, respectively. Academic support expenses were \$1.1 million and \$1.2 million for fiscal years 2013 and 2012, respectively. Student services expenses were \$2.5 million for fiscal years 2013 and 2012. Institutional support expenses were \$4.6 million and \$4.9 million for fiscal years 2013 and 2012, respectively. Operation and maintenance of plant expenses was approximately \$2.3 million and \$2.2 million for fiscal years 2013 and 2012, respectively. Student aid expenses were \$4.9 million and \$5.3 million for fiscal years 2013 and 2012, respectively. Total operating and non-operating expenses were \$30.3 million and \$31.4 million for fiscal years 2013 and 2012, respectively.

The following is a graphic illustration of expenses by natural classification for the years ended June 30, 2013 and 2012:





Salaries and wages were the largest expense for the College at 46.4% and 45.8% of the College's total expenses for fiscal years 2013 and 2012, respectively. Wages and benefits accounted for 60.4% and 58.3% of the College's total expenses for 2013 and 2012, respectively. The next largest expense was student scholarships and financial aid, which accounted for 15.3% and 16.9% of total College expenses for fiscal years 2013 and 2012, respectively. Salaries and wages were $13.9 million and $14.4 million for fiscal years 2013 and 2012, respectively. Employee benefits were $4.2 million and $3.9 million for fiscal years 2013 and 2012, respectively. Student scholarships and financial aid were $4.6 million and $5.3 million for fiscal years 2013 and 2012, respectively. Total operating and non-operating expenses were $30.1 million and $31.3 million for fiscal years 2013 and 2012, respectively.

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
(in thousands)

	2013	2012	2011
Net Cash & Cash Equivalents Provided (Used) By:			
Operating Activities	($19,376)	($14,756)	($19,886)
Non-Capital Financing Activities	17,905	18,894	21,621
Capital Financing Activities	(899)	(2,108)	(701)
Investing Activities	3	2	4
Net Increase (Decrease) in Cash	(2,367)	2,032	1,038
Cash & Cash Equivalents, Beginning of Year	12,685	10,653	9,615
Cash & Cash Equivalents, End of Year	$ 10,318	$ 12,685	$ 10,653

Major sources of cash included in the operating activities were tuition and fees, and grants and contracts. Tuition and fees generated cash of $9.1 million, $10.9 million, and $8.9 million in fiscal years 2013, 2012, and 2011, respectively. Grants and contracts generated cash of $3.1 thousand in fiscal year 2013, $3.9 million in fiscal year 2012 and $1.1 million in fiscal year 2011.

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 $14.5 million, $14.4 million, and $15.1 million in fiscal years 2013, 2012, and 2011, respectively. Payments to suppliers for goods and services amounted to $5.0 million, $5.9 million, and $4.6 million in fiscal years 2013, 2012, and 2011, respectively. Payments for student aid amounted to $4.6 million, $5.3 million, and $5.9 million in fiscal years 2013, 2012, and 2011, 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 \$8.3 million, \$9.2 million, and \$10.8 million in federal student grants in fiscal years 2013, 2012, 2011, 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. The College completed the construction of a \$3.2 million, 16,000 square foot expansion to the James J. Countryman building in 2013. The College began the expansion of Keese Hall budgeted at \$2.5 million, funded in part by the Series 2013 bonds obtained in June of 2013 and in part by state appropriations. The College received \$0.3 million from capital grants in fiscal year 2013, zero funds from capital grants in fiscal year 2012, and \$1.8 million in fiscal year 2011. Major uses of cash included in the capital financing activities were payments for purchases of capital assets. The College paid \$2.5 million, \$1.9 million, and \$2.3 million for purchases of capital assets in fiscal years 2013, 2012, and 2011, respectively.

CAPITAL ASSETS AND DEBT

Capital Assets

The total cost of capital assets was \$49.0 million, \$46.9 million and \$44.8 million for fiscal years 2013, 2012, and 2011, respectively. The accumulated depreciation was \$17.3 million, \$15.9 million, and \$14.3 million for fiscal years 2013, 2012 and 2011, respectively. Depreciation expense for the fiscal years ended June 30, 2013, 2012, and 2011 were \$1.7 million for fiscal years 2013, \$1.6 million for fiscal year 2012, and \$1.5 million for fiscal year 2011. A summary of net capital assets for the years ended June 30 is as follows:

	2013	2012	2011
Construction in Progress	$ 333,949	$ 1,107,604	$ 193,090
Land Improvements	706,303	781,971	848,100
Infrastructure	67,635	46,980	52,849
Buildings and Improvements	25,057,999	23,167,263	24,096,477
Moveable Equipment	5,338,696	5,632,681	5,268,184
Library Books	230,408	224,866	220,185
Total Capital Assets, Net	**$ 31,734,990**	**$ 30,961,365**	**$ 30,678,885**

During fiscal year 2013, the College purchased \$410,973 of moveable equipment, \$2,347,955 in new construction, and \$51,047 of library books. During fiscal year 2012, the College purchased \$911,430 of moveable equipment, \$914,514 in construction, and \$49,619 of library books.

For more information on capital assets, see Note 4 to the basic financial statements.

Debt

2013 Series State of Ohio Bonds and Corresponding Agreement 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 payments made under an agreement 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 construction, specifically the Keese Hall multi-purpose center renovation project. The proceeds were also used to pay costs incidental to the issuance and sale of the Bonds, which amounted to $53,750. This was expensed in accordance with professional standards.

Although the bondholders will be paid semi-annually by the State Treasurer, the College is required to make payments to the Ohio Public Facilities Commission on a monthly basis. The agreement between the College and the State requires that the 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 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 required payments from other sources the State will advance the amounts to cover the lease payments to the College.

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 Bonds.

The College has the option to prepay amounts required by the agreement 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. The reacquisition price exceeded the amount of the refunding debt resulting in a deferred outflow of resources in the amount of $20,625.

For more information on debt, see Note 6 to the basic financial statements.

CONCLUDING THOUGHTS

The major financial challenge the College faced in fiscal year 2013 was the state mandated conversion to 15 week semester terms. The quarter-to-semester conversion cost the institution dearly in enrollment and was a challenge that, after years of advanced planning and preparation, is complete and now behind us. Additionally the College faced a second year of substantial increases in health care premiums. The ability to mitigate our losses under such circumstances is the result of the hard work of our faculty, staff, and students of the College.

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, with 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:

Vice President of Business/Treasurer	Chris Schmidt CMA, CIA	4240 Campus Drive Lima, OH 45804	419-995-8342
Controller & Assistant Treasurer	Beverly Rex-Cook	4240 Campus Drive Lima, OH 45804	419-995-8177

James A. Rhodes State College
Statements of Net Position
June 30, 2013 and 2012

ASSETS		**2013**		**2012**
CURRENT ASSETS:				
Cash and cash equivalents	$	10,317,098	$	12,684,871
Restricted cash and cash equivalents		-		15,502
Accounts receivable (net of allowance of $1,781,047 and $1,773,208 respectively)		5,697,024		4,302,042
Appropriations receivable		90,860		66,332
Prepaid Expenses and other current assets		3,000		7,302
TOTAL CURRENT ASSETS		16,107,982		17,076,049
NONCURRENT ASSETS:				
Capital assets, net of accumulated depreciation		31,734,990		30,961,365
TOTAL NONCURRENT ASSETS		31,734,990		30,961,365
TOTAL ASSETS		47,842,972		48,037,414
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized deferred amount on refunding		20,625		-
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable, net		842,828		1,180,866
Retainage payable		-		15,502
Current portion of bonds payable		151,951		65,000
Accrued liabilities		475,204		1,111,519
Current portion of compensated absences		69,112		66,696
Unearned tuition and fees		845,068		1,292,164
TOTAL CURRENT LIABILITIES		2,384,163		3,731,747
NONCURRENT LIABILITIES:				
Bonds payable, net		4,119,031		2,610,815
Compensated absences		825,276		828,933
TOTAL NONCURRENT LIABILITIES		4,944,307		3,439,748
TOTAL LIABILITIES		7,328,470		7,171,495
NET POSITION:				
Net investment in capital assets		27,464,007		28,276,365
Restricted		1,662,336		24,603
Unrestricted		11,408,784		12,564,951
TOTAL NET POSITION	$	40,535,127	$	40,865,919

See accompanying notes to the financial statements.

James A. Rhodes State College Foundation
Statements of Financial Position
June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 447,454	$ 463,414
Investments	1,865,104	1,689,139
Pledges receivable - Net	29,689	32,642
Loans receivable - Net	30,505	23,120
TOTAL ASSETS	**$ 2,372,752**	**$ 2,208,315**
LIABILITIES		
Accounts payable	68,811	79,781
TOTAL LIABILITIES	68,811	79,781
NET ASSETS		
Unrestricted	347,760	364,300
Temporarily restricted	644,924	501,686
Permanently restricted	1,311,257	1,262,548
TOTAL NET ASSETS	2,303,941	2,128,534
TOTAL LIABILITIES AND NET ASSETS	**$ 2,372,752**	**$ 2,208,315**

See accompanying notes to the financial statements.

James A. Rhodes State College
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2013 and 2012

	2013	2012
REVENUES		
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of $4,215,268 and $5,561,816 respectively)	$ 9,903,014	$ 10,317,798
Federal grants and contracts	965,091	1,131,294
State and local grants and contracts	236,066	1,141,061
Sales and services	395,674	490,343
Other operating revenues	248,861	295,686
Total operating revenues	11,748,706	13,376,182
EXPENSES		
Operating Expenses:		
Educational and general:		
Instruction	11,623,939	11,511,704
Public Service	1,286,753	2,149,019
Academic Support	1,135,754	1,177,772
Student Services	2,480,159	2,518,666
Institutional Support	4,628,485	4,867,610
Operation and Maintenance of Plant	2,264,269	2,156,421
Student Aid	4,892,627	5,270,061
Depreciation	1,773,340	1,605,085
Total operating expenses	30,085,326	31,256,338
Operating loss	(18,336,620)	(17,880,156)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	9,576,821	9,663,494
Federal student grants	8,330,486	9,230,550
Investment income (net of investment expense)	3,049	1,807
Interest on capital asset-related debt	(174,839)	(156,093)
Debt issuance costs	(74,375)	-
Other nonoperating revenues (expenses)	(2,662)	4,802
Net Nonoperating Revenues (Expenses)	17,658,480	18,744,560
Income (Loss) Before Other Revenues	(678,140)	864,404
OTHER REVENUES		
Capital appropriations	347,348	-
Total other revenues	347,348	-
Increase (decrease) in net position	**(330,792)**	**864,404**
NET POSITION		
Net Position, Beginning of the Year	40,865,919	40,001,515
Net Position, End of the Year	$ 40,535,127	$ 40,865,919

See accompanying notes to the financial statements.

James A. Rhodes State College Foundation
Statements of Activities
For the Years Ended June 30, 2013 and 2012

	For the Year Ended June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions, net of bad debt and loss on pledge receivable	$ 753	$ 44,473	$ 48,709	$ 93,935
Interest and dividends	1,178	55,227	-	56,405
Realized and unrealized gain on investments	1,504	139,629	-	141,133
Total Revenues	3,435	239,329	48,709	291,473
Net assets released from restrictions	96,089	(96,089)	-	-
Total Revenues, Gains and Other Support	99,524	143,240	48,709	291,473
EXPENSES				
Academic Programs	29,058	-	-	29,058
Scholarships/Grants	61,791	-	-	61,791
Management and General	19,975	-	-	19,975
Fundraising	5,240	-	-	5,240
Total Expenses	116,064	-	-	116,064
Changes in net assets	(16,540)	143,240	48,709	175,409
NET ASSETS				
Net Assets - Beginning of Year	364,300	501,686	1,262,548	2,128,534
Net Assets - End of Year	$ 347,760	$ 644,924	$ 1,311,257	$ 2,303,941

	For the Year Ended June 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions, net of bad debt and loss on pledge receivable	$ 500	$ 72,743	$ 114,367	$ 187,610
Interest and dividends	2,430	38,278	-	40,708
Realized and unrealized gain on investments	(2,428)	(10,410)	-	(12,838)
Total Revenues	502	100,611	114,367	215,480
Net assets released from restrictions	105,889	(105,889)	-	-
Total Revenues, Gains and Other Support	106,391	(5,278)	114,367	215,480
EXPENSES				
Academic Programs	16,068	-	-	16,068
Scholarships/Grants	84,191	-	-	84,191
Management and General	3,168	-	-	3,168
Fundraising	5,630	-	-	5,630
Total Expenses	109,057	-	-	109,057
Changes in net assets	(2,666)	(5,278)	114,367	106,423
NET ASSETS				
Net Assets - Beginning of Year	366,966	506,964	1,148,181	2,022,111
Net Assets - End of Year	$ 364,300	$ 501,686	$ 1,262,548	$ 2,128,534

See accompanying notes to the financial statements.

James A. Rhodes State College
Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 9,154,787	$ 10,901,112
Grants and contracts	3,050	3,866,512
Payments to suppliers	(4,966,156)	(5,936,557)
Payments for utilities	(865,738)	(682,765)
Payments to employees	(14,473,855)	(14,401,884)
Payments for benefits	(4,373,251)	(3,993,052)
Payments for student aid	(4,604,278)	(5,316,573)
Sales and services	355,586	499,929
Other receipts	392,978	307,253
Net cash used for operating activities	(19,376,877)	(14,756,025)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	9,576,821	9,663,494
Federal student grants	8,330,486	9,230,550
Gifts and grants for other than capital purposes	(2,435)	(136)
Student loan receipts	13,210,786	13,800,028
Student loan disbursements	(13,210,786)	(13,800,028)
Net cash provided by noncapital activities	17,904,872	18,893,908
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital grants	322,820	-
Proceeds from debt issuance	4,125,000	-
Premium from debt issuance	145,982	-
Principal paid on bonds payable	(65,000)	(65,000)
Interest paid on bonds payable	(111,279)	(155,467)
Payment to refunding escrow agent	(2,695,000)	-
Debt issuance costs	(74,375)	-
Purchases of capital assets	(2,546,965)	(1,887,563)
Net cash used for financing activities	(898,817)	(2,108,030)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	3,049	1,807
Net cash provided by investing activities	3,049	1,807
NET INCREASE (DECREASE) IN CASH	(2,367,773)	2,031,660
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	12,684,871	10,653,211
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 10,317,098	$ 12,684,871
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	$ (18,336,620)	$ (17,880,156)
Adjustments to reconcile net operating loss to net cash used for operating activities:		
Depreciation expense	1,773,340	1,605,085
Changes in assets and liabilities:		
Accounts receivable, net	(1,395,209)	2,671,472
Prepaid expenses	4,302	-
Accounts payable, net	(338,038)	(580,573)
Accrued liabilities	(636,315)	(102,493)
Deferred revenue	(447,096)	(472,846)
Compensated absences	(1,241)	3,486
Net cash used for operating activities	$ (19,376,877)	$ (14,756,025)

See accompanying notes to the financial statements.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2013 and 2012

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. During the fiscal year ended June 30, 2013, the Foundation distributed $61,791 for scholarships and $29,058 for College instructional programs. During the fiscal year ended June 30, 2012, the Foundation distributed $84,191 for scholarships and $16,068 for College instructional programs. Complete financial statements for the Foundation can be obtained from the Office of Institutional Advancement at 4240 Campus Drive, Lima, OH 45804.

B. Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") as prescribed by the 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, net position, revenues, expenses, changes in net position, and cash flows.

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.

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 statues 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, 2013, 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 as of June 30, 2013.

E. Investments

The College accounts for its investments at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position. The College had no assets characterized as investments as of June 30, 2013 and 2012.

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.

G. Appropriations Receivable
Appropriations receivable include amounts due from the State of Ohio for completed capital projects.

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).

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

K. Net 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.
>
> *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.

L. Operating Revenues and Expenses

The College presents its revenues and expenses as operating or non-operating based on recognition definitions per GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trusts Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include all charges to customers, grants received for student financial assistance, and interest earned on loans. Pell grants received for student financial assistance are considered non-operating revenues because they are a source of funding for our 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 $347,348 in revenues for capital financing activities for the fiscal year ended June 30, 2013.

M. Scholarship Allowances

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

N. Budgetary Process

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

O. Use of Estimates

The preparation of financial statements in conformity with 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.

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

<u>Basis of Presentation</u>

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 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 were fully insured by the Federal Deposit Insurance Corporation (FDIC) up until December 31, 2012. Beginning January 1, 2013 cash deposits maintained at a bank are insured up to $250,000.

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

Subsequent Events
Subsequent events have been evaluated through the date of the Independent Accountants' Report, which is the date the financial statements were issued.

Subsequent to year-end but prior to issuance of the financial statements, the Foundation expressed an interest in entering into a purchase agreement for eight parcels located in downtown

Lima. As this is a bargain purchase, management believes that this transaction will equate to approximately a $1 million donation to the foundation by the seller.

NOTE 2 – Deposits and Investments

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

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

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

The following table represents the total of the College's deposits as of June 30.

Cash & Cash Equivalents
Balance on June 30th

Account		2013		2012
General Checking	$	1,508,184	$	1,534,307
Payroll Checking		3,195,659		7,031,279
Cash on Hand		1,221		4,142
Total Cash	**$**	**4,705,064**	**$**	**8,569,728**

Cash on Hand
At June 30, 2013 and 2012, the College had $1,221 and $4,142, respectively, 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 summarizes the value of investments at June 30:

Account	2013	2012
STAR Ohio	$ 4,118,192	$ 4,115,143
Huntington Bank money market fund	1,493,842	0
Total Investments	**$ 5,612,034**	**$ 4,115,143**

The following table represents the custodial risks of the College's deposits and the deposits of the component unit as of June 30.

	2013		**2012**	
	College	**Component Unit**	**College**	**Component Unit**
Amounts insured by FDIC	$ 500,000	$ 278,555	$ 500,000	$ 267,971
Amounts collateralized by the pledged securities held by the financial institutions' trust department or agent in the name of the entity	4,461,047	168,913	8,584,496	49,541
Total Bank Balance	**$ 4,961,047**	**$ 447,467**	**$9,084,496**	**$ 317,512**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. For fiscal years 2013 the College had 72.7% of its investments in STAR Ohio and 27.3% in a Huntington Bank money market fund; for 2012 the College had 100% of its investments in STAR Ohio.

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. Huntington Bank's money market fund obtained a rating of BBB+ from Standard & Poor.

James A. Rhodes State College Foundation

At June 30, 2013 and 2012, the Foundation had carrying cash balances of $447,454 and $463,414, respectively. Investments at June 30, 2013, by major security type, were as follows:

Description	Fair Value
Common Stock	$ 647,297
Equity Funds	377,788
Bond Funds	840,019
Total Investments	**$ 1,865,104**

Investments at June 30, 2012, by major security type, were as follows:

Description	Fair Value
Common Stock	$ 514,547
Equity Funds	325,543
Bond Funds	849,049
Total Investments	**$ 1,689,139**

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

NOTE 3 – Accounts Receivable

The following is a summary of the accounts receivable as of June 30, 2013 and 2012:

	2013	**2012**
Tuition and fees	$ 5,214,061	$ 4,904,891
Less allowance for uncollectible accounts	(1,781,047)	(1,773,208)
Net tuition and fees	3,433,014	3,131,683
Governmental Entities	2,144,742	1,011,649

Other	119,268	158,710
Accounts Receivable, net	$ 5,697,024	$ 4,302,042

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.

NOTE 4 – Capital Assets

Capital asset activity for the years ended June 30, 2013 and 2012 was as follows:

	July 1, 2012	**Additions**	**Sales and Other Dispositions**	**June 30, 2013**
Non-depreciable capital assets:				
Construction in progress	$ 1,107,604	$ 2,347,955	$ 3,121,610	$ 333,949
Total non-depreciable assets	1,107,604	2,347,955	3,121,610	333,949
Depreciable capital assets:				
Land Improvements	1,188,246	-	-	1,188,246
Infrastructure	141,383	26,100	-	167,483
Buildings & Improvements	33,598,770	2,832,500	-	36,431,270
Moveable Equipment	9,649,727	410,973	383,909	9,676,791
Library Books	1,181,542	51,047	-	1,232,589
Total depreciable assets	45,759,668	3,320,620	383,909	48,696,379
Less Accumulated Depreciation:				
Land Improvements	406,275	75,668	-	481,943
Infrastructure	94,403	5,445	-	99,848
Buildings & Improvements	10,431,507	941,764	-	11,373,271
Moveable Equipment	4,017,046	704,958	383,909	4,338,095
Library Books	956,676	45,505	-	1,002,181
Total accumulated depreciation	15,905,907	1,773,340	383,909	17,295,338
Total depreciable assets, net	29,853,761	1,547,280	-	31,401,041
Total capital assets, net	**$ 30,961,365**	**$ 3,895,235**	**$ 3,121,610**	**$ 31,734,990**

	July 1, 2011	Additions	Sales and Other Dispositions	June 30, 2012
Non-depreciable capital assets:				
Construction in progress	$ 193,090	$ 914,514	-	$ 1,107,604
Total non-depreciable assets	193,090	914,514	-	1,107,604
Depreciable capital assets:				
Land Improvements	1,176,246	12,000	-	1,188,246
Infrastructure	141,383	-	-	141,383
Buildings & Improvements	33,598,770	-	-	33,598,770
Moveable Equipment	8,770,500	911,430	32,203	9,649,727
Library Books	1,131,923	49,619	-	1,181,542
Total depreciable assets	44,818,822	973,049	32,203	45,759,668
Less Accumulated Depreciation:				
Land Improvements	328,146	78,129	-	406,275
Infrastructure	88,534	5,869	-	94,403
Buildings & Improvements	9,502,293	929,214	-	10,431,507
Moveable Equipment	3,502,316	546,933	32,203	4,017,046
Library Books	911,738	44,938	-	956,676
Total accumulated depreciation	14,333,027	1,605,083	32,203	15,905,907
Total depreciable assets, net	30,485,795	(632,034)	-	29,853,761
Total capital assets, net	**$ 30,678,885**	**$ 282,480**	**$ -**	**$ 30,961,365**

During fiscal year 2013, the College incurred $273,089 in construction in progress expenditures related to the construction of a $3.2 million, 16,000 square foot addition on the Countryman Engineering Technology Building.

State Appropriations not reflected in Capital Assets

Rhodes State College receives funding for projects and renovations through state appropriations. These amounts are not reflected on the Statement of Net Position. Release of these funds for spending requires the approval of the Board of Regents and the State Controlling Board. As of

June 30, 2013, the College had $1,304.555 applied to current projects and $2,727,878 available for future projects as follows:

Description	Appropriation	Allotted (Released)	Remaining (Unreleased)
Basic Renovations	$ 673,380	-	$ 673,380
Equipment	37,221	37,221	-
Community Union	1,045,625	1,045,625	-
Non-credit Job Training	206,842	206,709	133
Design and Planning Health Center	919,365	15,000	904,365
Tech Lab Repairs	1,150,000	-	1,150,000
	$ 4,032,433	**$ 1,304,555**	**$ 2,727,878**

NOTE 5 – Accrued Liabilities

Accrued liabilities consist of the following as of June 30:

	2013	**2012**
Accrued wages	$ 398,161	$ 831,712
Accrued benefits payable	77,043	279,807
Total	**$ 475,204**	**$ 1,111,519**

The accrual for the year ended June 30, 2013 is substantially less than in prior years due to the time period for which wages and benefits are owed to employees. With the change from quarters to semesters, contract periods for faculty also changed.

NOTE 6 – Long-Term Obligations

Changes in long-term obligations of the College during fiscal years 2013 and 2012 were as follows:

	Principal Outstanding June 30, 2012	Additions	Reductions	Principal Outstanding June 30, 2013	Amount Due in 1 Year – Current Portion
Special Obligation Bonds:					
Series 2003 Variable Rate Bonds 4.200% to 5.875%	$ 2,685,000	-	$(2,685,000)	-	-
Discount on Bonds	(9,185)	-	9,185	-	-
Series 2013 Variable Rate Bonds 3.75% to 3.375%	-	4,125,000	-	4,125,000	145,000
Premium on Bonds	-	145,982	-	145,982	6,951
Total Special Obligation Bonds	2,675,815	4,270,982	(2,675,815)	4,270,982	151,951
Other Long-Term Obligations:					
Compensated Absences	895,629	76,416	(77,655)	894,388	69,112
Total Long-Term Obligations	$ 3,571,444	$4,347,397	$(2,753,470)	$ 5,165,370	$ 221,063

	Principal Outstanding June 30, 2011	Additions	Reductions	Principal Outstanding June 30, 2012	Amount Due in 1 Year – Current Portion
Special Obligation Bonds:					
Series 2003 Variable Rate Bonds 4.200% to 5.875%	$ 2,750,000	-	($65,000)	$ 2,685,000	$ 65,000
Discount on Bonds	(9,615)	-	430	(9,185)	-
Total Special Obligation Bonds	2,740,385	-	(64,570)	2,675,815	65,000
Other Long-Term Obligations:					
Compensated Absences	892,143	68,188	($64,702)	895,629	66,696
Total Long-Term Obligations	$ 3,632,528	$ 68,188	($129,222)	$ 3,571,444	$ 131,696

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

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 payments made under an agreement 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 construction. The proceeds were also used to pay costs incidental to the issuance and sale of the Bonds.

Although the bondholders will be paid semiannually by the State, the College is required to make monthly payments to the State, which correspond to the amounts due. The College is making payments to the Ohio Public Facilities Commission. The agreement between the College and the State requires 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 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.

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 required payments from other sources the State will advance the amounts to cover the payments to the College.

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

The required principal and interest payments associated with the State's 2013 Series bonds are as follows:

Fiscal Year	Principal	Interest	Total
2014	$145,000	$143,209	$288,209
2015	140,000	141,575	281,575
2016	145,000	138,000	283,000
2017	150,000	133,575	283,575
2018	155,000	129,000	284,000
2019-2023	855,000	557,275	1,412,275
2024-2028	1,030,000	373,078	1,403,078
2029-2033	1,225,000	170,672	1,395,672
2034	280,000	5,250	285,250
Total	**$4,125,000**	**$1,791,634**	**$5,916,634**

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NOTE 7 – Lease Commitments

The College has entered into leases for duplicating equipment on a monthly basis. Future minimum lease payments under these leases are $84,056 due in 2014.

Operating lease expenditures for the years ending June 30, 2013 and 2012 were $89,660 and $89,660 respectively

NOTE 8 - State Support

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

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

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

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

NOTE 9 – Defined Benefit Pension Plans

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

A. State Teachers Retirement System

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

Plan Options

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

DB Plan Benefits

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

DC Plan Benefits

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

Combined Plan Benefits

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

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

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

Benefits are increased annually by 3 percent of the original base amount for DB Plan participants.

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

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

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10 percent of covered payroll for members and 14 percent for employers.

Pension Obligations for STRS Ohio
fiscal year ending June 30

	2013	2012	2011
Obligation	$ 1,099,408	$ 1,135,795	$ 1,201,511
Funding %	91%	100%	100%
Contributions	$ 114,319	$ 80,844	$ 124,528

Contributions to the DC and Combined plans for fiscal year 2013 were $47,633 made by the College and $66,686 made by plan members. Contributions to the DC and Combined plans for fiscal year 2012 were $47,159 made by the College and $33,685 made by the plan members, and $72,641 made by the College and $51,887 made by the plan members in 2011.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2011 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Ohio Public Employees Retirement System

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

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, 2013 and 2012, the contribution rate for members in the state and local classification remained 10 percent.

The College's contribution rate for members in state and local classifications for the fiscal years ended June 30, 2013 and 2012 was 14.0 percent. State statute sets a maximum contribution rate for the College of 14.0 percent.

Pension Contributions for OPERS
fiscal year ending June 30

	2013	2012	2011
Required Contributions	$ 581,154	$ 585,419	$ 629,892
Funding %	100%	100%	100%

The College's required contributions for pension obligations for the fiscal years ended June 30, 2013, 2012, and 2011 were $581,154, $585,419, $629,892 respectively; 100 percent has been contributed for fiscal year 2013 and 100 percent has been contributed for fiscal years 2012 and 2011. Contributions to the Member-Directed and Combined plans for fiscal year 2013 were $56,569 made by the College and $40,406 made by the plan members. Contributions to the Member-Directed and Combined plans for fiscal year 2012 were $47,416 made by the College and $33,869 made by the plan.

B. 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, 2013 and 2012, 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, 2013 and 2012 were $301,204 and $205,105 respectively; 100 percent has been contributed for fiscal year 2013 and 100 percent has been contributed for fiscal year 2012.

NOTE 10 – Postemployment Benefits

A. State Teachers Retirement System

Plan Description

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

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

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

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14.0 percent employer contribution rate, 1.0 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2013, 2012, and 2011. The 14.0 percent employer contribution rate is the maximum rate established under Ohio law.

Postemployment Obligations for STRS Ohio
fiscal year ending June 30

	2013	2012	2011
Obligation	$ 78,529	$ 81,128	$ 85,823
Funding %	91%	100%	100%

B. Ohio Public Employees Retirement System

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

To qualify for post-employment health care coverage, age-and-service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided by 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/org/investments/cafr.shtml, 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 postretirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. The College's contribution rate for members in state and local classifications for the fiscal years ended June 30, 2013 and 2012 remained 14.0 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active members do not contribute to the OPEB plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent during calendar years 2012 and 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar years 2012 and 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2013. 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.

Postemployment Obligations for OPERS
fiscal year ending June 30

	2013	2012	2011
Obligation	$ 29,639	$ 24,192	$ 31,495
Funding %	100%	100%	100%

NOTE 11 – Risk Management - Property and Liability

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of property; errors and omissions; injuries to third parties; automobile damage; and commercial crime. As a risk transfer technique, the College contracted with various insurance underwriters in fiscal years 2013 and 2012 for specific types of insurance.

Insurance policies in place during fiscal year 2013 include the following:

Type of Coverage	Coverage	
Property	$ 56,730,000	Replacement cost
Automobile	$ 1,000,000	Per occurrence
Crime	$ 1,000,000	Per occurrence
General Liability	$ 1,000,000/$2,000,000	Per occurrence/Aggregate
Medical/Professional Liability	$ 1,000,000	Per occurrence
Day Care Liability	$ 1,000,000/$2,000,000	Per occurrence/Aggregate
Educators Legal Liability	$ 1,000,000	Per occurrence
Law Enforcement	$ 1,000,000	Per occurrence
Umbrella	$ 10,000,000	Aggregate
Excess Liability	$ 5,000,000	Per occurrence
Builders Risk – JJC expansion	$ 4,000,000	Replacement cost
Builders Risk – Keese Hall	$ 2,500,000	Replacement cost

NOTE 12 - Cost Share Agreement

According to the cost sharing agreement entered into as of July 1, 1971 between The Ohio State University-Lima Campus (the "University") and the College, the College reimburses the University for costs incurred in the following areas: academic instruction, library, student services, student activities, institutional support, plant operation and community educational services. The College and the University incur ongoing expenses that approximate each institution's share of the total expense. At the end of each 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 operations, net of shared income, was $4,311,441 and $4,030,733 for the fiscal years ended June 30, 2013, and 2012, respectively. The majority of the expenditures were incurred for plant operations. Based upon the various formulas, the College's share was 66.98% and 65.9% of the total expenses, net of total shared income, for the fiscal years ending June 30, 2013 and June 30, 2012, respectively. At June 30, 2013, the College owed the University $2,513 for the year ended June 30, 2013. The payable for the University is included in accounts payable, net on the statement of net position.

NOTE 13 – Operating Expenses by Natural Classification

The College's operating expenses by natural classification for the years ended June 30, 2013 and 2012 were as follows:

	2013	2012
Salaries and wages	$ 13,944,696	$ 14,404,408
Employee benefits	4,239,600	3,914,764
Supplies	1,658,172	1,735,035
Travel	399,683	489,909
Information and communication	714,708	779,700
Maintenance	1,491,606	1,824,445
Utilities	865,738	682,765
Student scholarships and financial aid	4,604,278	5,316,573
Other	393,505	503,654
Depreciation	1,773,340	1,605,085
Total operating expenses	**$ 30,085,326**	**$ 31,256,338**

NOTE 14 – Contingencies

The College received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed 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, 2013.

NOTE 15 – Changes in Accounting Principles

During fiscal year 2013, the College adopted the following GASB Pronouncements:

GASB No. 61, *The Reporting Entity*, an amendment of GASBs No. 14 and 34. This Standard modifies certain requirements for inclusion of component units in the financial reporting entity. However, it did not affect GASB No. 39, *Determining Whether Certain Organizations Are Component Units,* because its provisions had not yet been effective for at least five years at the commencement of the GASB No. 61 project. The College identified no changes that need to be made to its reporting entity because of GASB No. 61.

GASB No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and American Institute of Certified Public Accountants (AICPA) Pronouncements*. This Standard improves financial reporting by incorporating into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and the AICPA pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. GASB 62 superseded Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting.* The adoption of this standard did not have a significant impact on the College.

GASB No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Standard amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The adoption of this standard resulted in changes to captions in the basic financial statements. The College had no transactions that resulted in deferred inflows or outflows as a result of GASB 63.

GASB No. 65, Items Previously Reported as Assets and Liabilities This Standard clarifies financial reporting by (1) classifying certain items that were previously reported as assets and liabilities as deferred outflows or deferred inflows of resources and (2) recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). Due to the advance refunding entered into by the College during the year ended June 30, 2013, the College was required to write off current debt issue costs. However, the transaction resulted in a deferred outflow of resources for the deferred loss on the advance refunding of debt.

The implementation of these GASB Statements had no impact on beginning of year net position.

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:

	2013	2012
Gifts and other donations available for:		
Schell Foundation Loan Fund	$ 54,496	$ 50,405
Instructional programs	146,295	158,560
Scholarships	444,133	292,721
Total gifts and other donations	**$ 644,924**	**$ 501,686**

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

	2013	2012
Instructional Programs	$ 29,058	$ 16,068
Fundraising	5,240	5,630
Scholarships	61,791	84,191
Total	**$ 96,089**	**$ 105,889**

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

Permanently restricted net assets are available for the following purposes:

	2013	2012
Scholarships	$ 1,311,257	$ 1,262,548
Total	**$ 1,311,257**	**$ 1,262,548**

NOTE 17 – James A. Rhodes State College Foundation
Fair Value Measurements

The following table presents information about the Foundation's assets that are measured at fair value on a recurring basis at June 30, 2013 and 2012, and the valuation techniques used by the Foundation to determine those fair values.

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). This 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, 2013, 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, 2013 and 2012 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. The fair value may also be further adjusted for attributes of the interest held, including any restrictions or illiquidity on the disposition of the interest.

- 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, 2013 and 2012.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2013 and 2012

Fair Value Measurements at June 30, 2013

Description	Level 1	Level 2	Total
Common stock types:			
Basic materials	$ 58,166	-	$ 58,166
Communications	73,017	-	73,017
Consumer	169,553	-	169,553
Energy	65,276	-	65,276
Financial	100,406	-	100,406
Health Care	29,245	-	29,245
Industrial	31,736	-	31,736
Technology	119,898	-	119,898
Total – Common stock types	$ 647,297	-	$ 647,297
Equity fund types:			
Real estate investment trust	-	$ 54,976	$ 54,976
Small cap funds	-	16,776	16,776
Index funds	-	306,036	306,036
Total – Equity fund types	-	$ 377,788	$ 377,788
Bond fund types:			
Other bond funds	-	$ 840,019	$ 840,019
Total – Bond fund types	-	$ 840,019	$ 840,019
Total – Investments	**$ 647,297**	**$ 1,217,807**	**$ 1,865,104**

Fair Value Measurements at June 30, 2012

Description	Level 1	Level 2	Total
Common stock types:			
Basic materials	$ 80,342	-	$ 80,342
Communications	51,679	-	51,679
Consumer	126,504	-	126,504
Energy	60,198	-	60,198
Financial	67,443	-	67,443
Industrial	22,336	-	22,336
Technology	106,045	-	106,045
Total – Common stock types	$ 514,547	-	$ 514,547
Equity fund types:			
Real estate investment trust	-	$ 52,344	$ 52,344
Small cap funds	-	14,456	14,456
Index funds	-	258,743	258,743
Total – Equity fund types	-	$ 325,543	$ 325,543
Bond fund types:			
Other bond funds	-	$ 849,049	$ 849,049
Total – Bond fund types	-	$ 849,049	$ 849,049
Total – Investments	**$ 514,547**	**$ 1,174,592**	**$ 1,689,139**

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

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

Endowment Net Asset Composition by Type of Fund as of June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$(326)	$ 432,430	$ 1,311,257	$ 1,743,361
Total Funds	**$(326)**	**$ 432,430**	**$ 1,311,257**	**$ 1,743,361**

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2013 and 2012

Changes in Endowment Net Assets for the Fiscal Year End June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, beginning of year	($1,308)	$ 307,274	$ 1,300,819	$ 1,606,785
Contributions	-	1,000	10,438	11,438
Investment income	183	52,073	-	52,256
Investment expenses	(35)	(9,858)	-	(9,893)
Realized and unrealized gains and losses	1,084	131,651	-	132,735
Appropriation of endowment assets for expenditures	(250)	(49,710)	-	(49,960)
Net Assets, end of year	**($326)**	**$ 432,430**	**$ 1,311,257**	**$ 1,743,361**

Endowment Net Asset Composition by Type of Fund as of June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$(1,308)	$ 307,274	$ 1,300,819	$ 1,606,785
Total Funds	**$(1,308)**	**$ 307,274**	**$ 1,300,819**	**$ 1,606,785**

Changes in Endowment Net Assets for the Fiscal Year End June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, beginning of year	$(401)	$ 344,919	$ 1,177,678	$ 1,522,196
Contributions	500	1,000	123,141	124,641
Investment income	6,439	29,977	-	36,416
Realized and unrealized gains and losses	(220)	(4,010)	-	(4,230)
Investment expenses	(1,660)	(7,565)	-	(9,225)
Appropriation of endowment assets for expenditures	(5,966)	(57,047)	-	(63,013)
Net Assets, end of year	**$(1,308)**	**$ 307,274**	**$ 1,300,819**	**$ 1,606,785**

Endowment Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. Such amounts totaled $326 and $1,308 at June 30, 2013 and 2012, respectively. These deficiencies 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 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 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
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 $7,707 and $13,214 in student repayments in fiscal years 2013 and 2012, respectively. The Foundation does not pursue collections on these loans.

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:

	2013	2012
John J. and Martha M. Hudson Scholarship Fund	$ 7,743	$ 7,314
James J. Countryman Scholarship Fund	36,970	34,933
Thomas R. and Gloria P. Leech Scholarship Fund	14,722	13,952

Scholarship awards made from each of these funds for the fiscal years 2013 and 2012 were as follows:

	2013	2012
James J. Countryman Scholarship Fund	$ 1,500	$ 1,000
Thomas R. and Gloria P. Leech Scholarship Fund	550	350

The Lima Community Foundation manages all three funds according to their investment policy. As such, there is no balance recorded on the financial statements of the Foundation. Amounts donated to the Foundation from the Lima Community Foundation are recognized as revenue when awarded by the Community Foundation.

James A. Rhodes State College
Allen County, Ohio
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2013

Federal Grantor/ Pass Through Grantor/ Program Title	Agency or Pass Through Entity Number	Federal CFDA Number	Disbursements
United States Department of Education			
Direct from the Federal Agency			
Student Financial Aid Cluster:			
Federal Work-Study Program	N/A	84.033	128,186
Federal Supplemental Education Opportunity Grants (FSEOG)	N/A	84.007	146,827
Federal Pell Grant Program	N/A	84.063	8,330,486
Federal Direct Student Loans	N/A	84.268	11,614,422
Total Student Financial Aid Cluster			20,219,921
Passed through the Ohio Department of Education			
Career and Technical Education - Basic Grants to States	CDP-P	84.048	155,008
Total Passed through the Ohio Department of Education			155,008
Total United States Department of Education			20,374,929
National Science Foundation			
Direct from the Federal Agency			
Education and Human Resources	N/A	47.076	266,584
Total National Science Foundation			266,584
Department of Justice			
Direct from the Federal Agency			
Edward Byrne Memorial Competitive Grant Program	N/A	16.751	83,364
Total Department of Justice			83,364
United States Department of Labor			
Passed through the Ohio Department of Job and Family Services			
Job Training Partnership Act	CB-17295-08-60-A-39	17.246	60,054
Passed through Henry Ford Community College			
Trade Adjustment Assistance Community College and Career Training (TAACCCT)	TC-23767-12-60-A-26	17.282	4,045
Total United States Department of Labor			64,099
United States Department of Health and Human Services			
Passed through the Ohio Dept of Job and Family Services			
Child Care Development Block Grant	N	93.575	6,000
Total United States Department of Health and Human Services			6,000
United States Department of Agriculture			
Passed through Ohio Department of Education:			
Child and Adult Care Food Program	N	10.558	26,825
Total United States Department of Agriculture			26,825
United States Department of Commerce			
Passed through City of Lima, Ohio			
Economic Development_Technical Assistance	06-78-05329	11.303	3,797
Passed through ODSA \ CIFT			
Manufacturing Extension Partnership	13-069	11.611	68,588
Total United States Department of Commerce			72,385
Small Business Administration			
Passed through Ohio Department of Development			
Small Business Development Centers	DEVFR036	59.037	120,246
Small Business Development Centers-RSC	DEVFRSC13	59.037	41,165
Small Business Development Centers-Jobs Bill	DEVFN979	59.037	21,844
Total Small Business Administration			183,255
Total Federal Financial Assistance			$ 21,077,441

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, 2013

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, 2013. 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 assets, 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.

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

James A. Rhodes State College
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 years ended June 30, 2013 and 2012, 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 6, 2013, wherein we noted the College implemented Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,* No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position,* and No. 65, *Items Previously Reported as Assets and Liabilities*.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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*.

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 6, 2013

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
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 James A. Rhodes State College's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the College's major federal program.

Management's Responsibility

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

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 program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on the 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 its major federal program for the year ended June 30, 2013.

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 6, 2013

1. SUMMARY OF AUDITOR' S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	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 Education Opportunity Grants, CFDA# 84.007 Federal Direct Student Loans, CFDA# 84.268
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number	None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

Dave Yost • Auditor of State

JAMES A. RHODES STATE COLLEGE

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 16, 2014

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