



Balestra, Harr & Scherer, CPAs, Inc.

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

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JAMES A. RHODES STATE COLLEGE
ALLEN COUNTY

SINGLE AUDIT

For the Years Ended June 30, 2014 and 2013
Fiscal Years Audited Under GAGAS: 2014 and 2013



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the James A. Rhodes State College, Allen County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 21, 2015

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James A. Rhodes State College
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For the Fiscal Year Ended June 30, 2014 and 2013

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Balestra, Harr & Scherer, CPAs, Inc.

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

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Independent Auditor's Report

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of James A. Rhodes State College, Allen County, Ohio (the College), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of James A. Rhodes State College, Allen County, Ohio as of June 30, 2014 and 2013, 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.

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 the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 19, 2014, 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 19, 2014

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2014 and 2013
(Unaudited)

James A. Rhodes State College (the "College") Management's Discussion and Analysis (MD&A) presents an overview of its financial condition and assists the reader in focusing on significant financial issues for the year ended June 30, 2014 with selected comparative information for the years ended June 30, 2013 and 2012. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

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

FINANCIAL AND OTHER COLLEGE HIGHLIGHTS

The tuition rate for 2014 for a full-time student was \$4,705 for two semesters of 15 credit hours each, or \$156.86 per semester credit hour. This is compared to the tuition rate in 2013 of \$4,613 for two semesters of 15 credit hours each. The College still remains the most affordable option for higher education in our region.

Our budget plan called for us to realize a gain of only \$66,609 as we anticipated lower enrollment during our continued conversion to the semester system, after 40 years under a quarter system. Although the college ended the year with a decrease in Net Position, it was less than in 2013 because of a concerted effort to control operating expenses.

Total state appropriations increased to \$9.72 million in fiscal year 2014 compared to \$9.58 million in fiscal year 2013, and \$9.66 million in 2012. 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 fiscal year 2013, the College completed an advance refunding of the outstanding principal and interest, totaling \$2,695,798, of the General Receipts Bonds, Series 2003. The funds for this purpose were obtained from the issuance by the State of Ohio of \$4.125 million State Community and Technical College Facilities Bonds, Series 2013 to James A. Rhodes State College. The remainder of the funds were used to pay \$1.5 million of the costs of the construction of the Keese Hall multi-purpose center.

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

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2014 and 2013
(Unaudited)

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

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

In 2010, the College was awarded \$919,365 for preliminary work on the Downtown Project for the site proposal, retainer agreement, and related expenses which total \$120,860 at the end of June 30, 2014.

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

In 2012, the College was awarded \$1.15 million for the Tech Lab Renovation Project as additional general renovation funds, part of the state capital bill for 2013-14. These funds supplement the existing basic renewal renovation funds to complete the replacement of the roof and HVAC systems in our Tech Lab building, an on-going project as of June 30, 2014. This project will utilize high efficiency geothermal systems to lower operating costs for the next 30 years.

In 2014, the College completed the construction of an expansion to Keese Hall multi-purpose center. With an 8,000 square foot event space that can seat over 300 occupants, it is a premier addition to the campus and community. The project budget of \$2.5 million was funded by \$1 million of state funding and \$1.5 million in new funds from the Series 2013 bond issuance.

The Nursing division (Practical Nursing) received the renewal of its three year reaccreditation in December, 2013. Our Nursing program will continue its strong tradition through the next visit in 2021.

**James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2014 and 2013
(Unaudited)**

The EMS Paramedic program received its five year accreditation in March, 2014.

Occupational Therapy received its ten year reaccreditation in June, 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

The College's basic financial statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis-For Public Colleges and Universities*, as amended. These statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole. All comments and discussions included in this MD&A relate to James A. Rhodes State College and do not relate to the James A. Rhodes State College Foundation unless specifically noted.

The three financial statements should help the reader of the annual report understand how the College's overall financial condition has changed as a result of the current year's financial activities. The College presents 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

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.

**James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2014 and 2013
(Unaudited)**

**CONDENSED FINANCIAL INFORMATION
STATEMENTS OF NET POSITION**

(thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
ASSETS			
Current Assets	\$ 14,586	\$ 16,108	\$ 17,076
Noncurrent, Capital Assets	33,240	31,735	30,961
Total Assets	<u>47,826</u>	<u>47,843</u>	<u>48,037</u>
DEFERRED OUTFLOWS			
Unamortized Deferred Amount	-	20	-
LIABILITIES			
Current Liabilities	2,645	2,384	3,731
Noncurrent Liabilities	4,718	4,944	3,440
Total Liabilities	<u>7,363</u>	<u>7,328</u>	<u>7,171</u>
NET POSITION			
Net Investment in Capital Assets	29,215	27,464	28,276
Restricted	379	1,662	25
Unrestricted	10,869	11,409	12,565
Total Net Position	<u>\$ 40,463</u>	<u>\$ 40,535</u>	<u>\$ 40,866</u>

Assets

As of June 30, 2014, the College's total assets were \$47.8 million compared to \$47.8 million in fiscal year 2013 and \$48.0 million in fiscal year 2012. This difference in total assets is primarily the result of an increase in Capital Assets, net of accumulated depreciation, offset by a decrease in student related Accounts Receivable, net of allowance. Capital assets, net of accumulated depreciation, are the college's largest asset and represent 69.5%, 66.3 % and 64.5 % of total assets for fiscal years 2014, 2013, and 2012, respectively. Cash and cash equivalents are the second largest asset category at \$10.1 million, \$10.3 million and \$12.7 million for fiscal years 2014, 2013, and 2012, respectively. This represents 21.1%, 21.6% and 26.4% of the total assets for fiscal years 2014, 2013, and 2012 respectively.

Capital Assets

The total cost of capital assets was \$52.1 million, \$49.0 million and \$46.8 million for fiscal years 2014, 2013, and 2012, respectively. The accumulated depreciation was \$18.8 million, \$17.3 million, and \$15.9 million for fiscal years 2014, 2013 and 2012, respectively. Depreciation expense for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1.8 million, \$1.8 million, and \$1.6 million, respectively.

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2014 and 2013
(Unaudited)

Liabilities

As of June 30, 2014, the College's liabilities were \$7.4 million compared to \$7.3 million in fiscal year 2013 and \$7.2 million in fiscal year 2012. As discussed in the Notes to the Financial Statements in fiscal year 2013, the College had 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 represents the largest portion of liabilities with \$3.9 million, \$4.1 million, and \$2.6 million for fiscal years 2014, 2013, and 2012, respectively. Bonds payable, net represents approximately 52.6%, 56.2%, and 36.4% of total liabilities for fiscal years 2014, 2013, and 2012, respectively.

Net Position

Net position as of June 30, 2014, was \$40.5 million compared to \$40.5 million as of June 30, 2013, and \$40.9 million as of June 30, 2012. Net investment in capital assets represents the largest portion of net position at 72.2%, 67.8%, and 69.2% of total net position for fiscal years 2014, 2013, and 2012, 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.

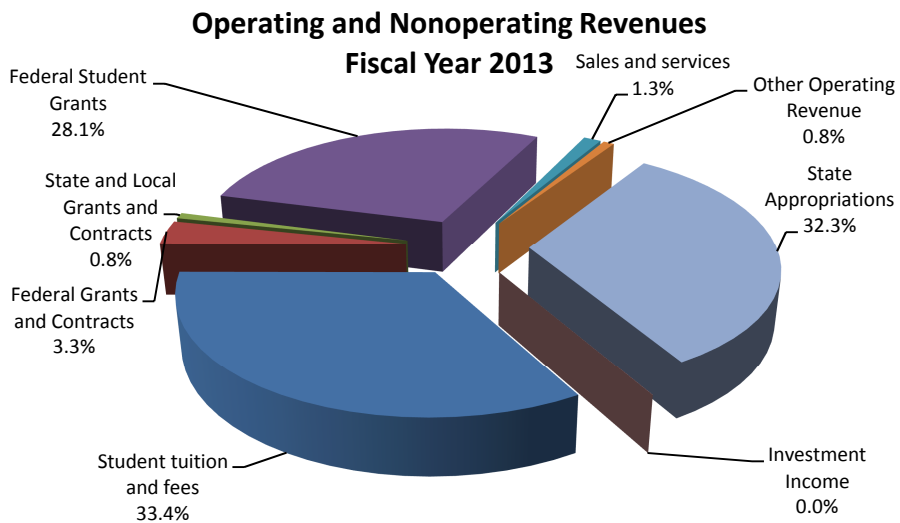
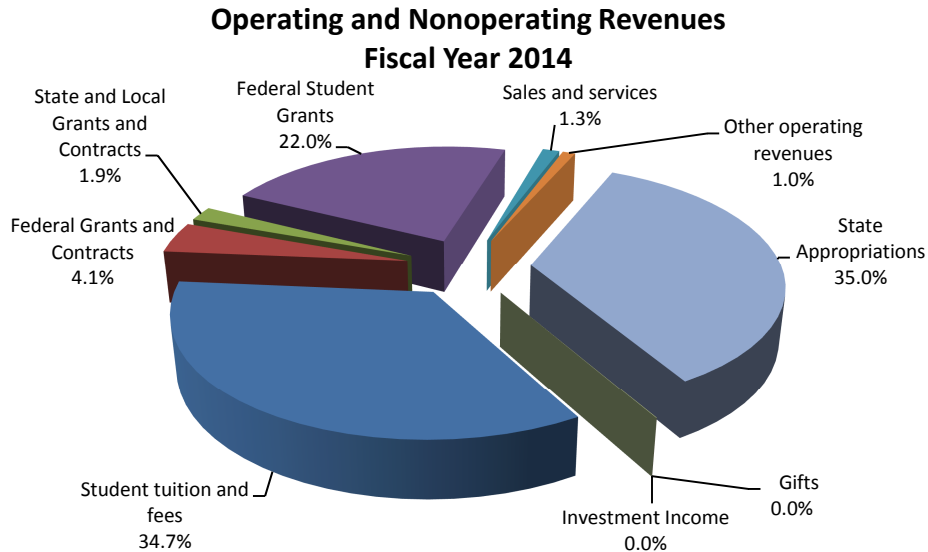
James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2014 and 2013
(Unaudited)

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
OPERATING REVENUES			
Student Tuition and Fees, Net	\$ 9,644	\$ 9,903	\$ 10,318
Federal Grants and Contracts	1,153	965	1,131
State Grants and Contracts	536	236	1,141
Sales and Services	353	396	490
Other Operating Revenues	270	249	296
Total Operating Revenues	<u>11,956</u>	<u>11,749</u>	<u>13,376</u>
OPERATING EXPENSES			
Educational and General	27,245	28,312	29,651
Depreciation	1,778	1,773	1,605
Total Operating Expenses	<u>29,023</u>	<u>30,085</u>	<u>31,256</u>
Operating Loss	<u>(17,067)</u>	<u>(18,336)</u>	<u>(17,880)</u>
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	9,721	9,577	9,663
Federal Student Grants	6,116	8,331	9,230
Gifts	8	-	5
Investment Income	1	3	2
Interest on Capital Asset-Related Debt	(302)	(250)	(156)
Other Non-Operating Revenue (Expense)	(17)	(3)	-
Net Non-Operating Revenues (Expenses)	<u>15,527</u>	<u>17,658</u>	<u>18,744</u>
OTHER REVENUE			
Capital Appropriations	1,468	347	-
Increase (Decrease) in Net Position	<u>(72)</u>	<u>(331)</u>	<u>864</u>
Net Position, Beginning of Year	<u>40,535</u>	<u>40,866</u>	<u>40,002</u>
Net Position, End of Year	<u><u>\$ 40,463</u></u>	<u><u>\$ 40,535</u></u>	<u><u>\$ 40,866</u></u>

**James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2014 and 2013
(Unaudited)**

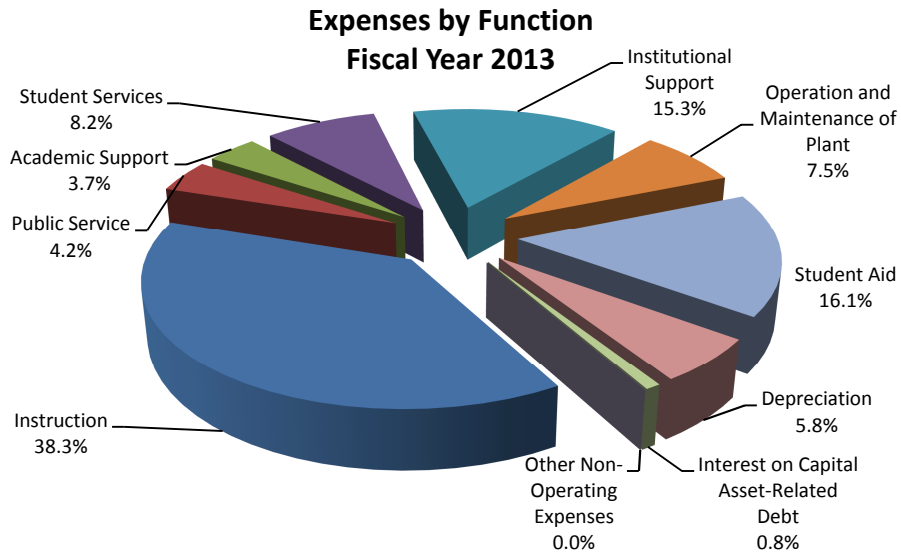
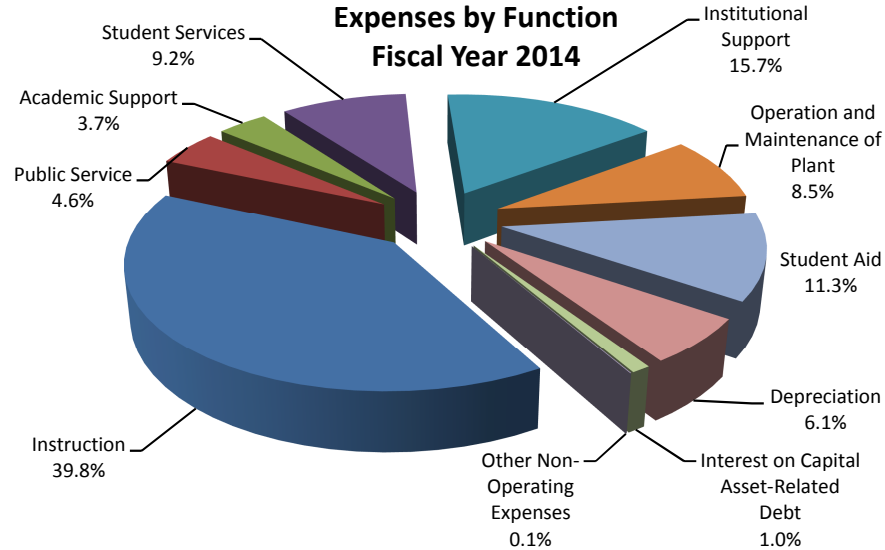
The following is a graphic illustration of revenues by source for the years ended June 30, 2014 and 2013:



The College's largest sources of revenues are student tuition and fees (net of scholarship allowance), 34.7%, State appropriations, 35.0%, and Federal student grants, 22.0% for fiscal year 2014. Student tuition and fees (net of scholarship allowance) were \$9.6 million and \$9.9 million for fiscal years 2014 and 2013, respectively. Federal student grants were \$6.1 million and \$8.3 million for fiscal years 2014 and 2013, respectively. State appropriations were \$9.7 million and \$9.6 million for fiscal years 2014 and 2013 respectively. Total operating and non-operating revenues were \$29.3 million and \$30.0 million for fiscal years 2014 and 2013, respectively.

**James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2014 and 2013
(Unaudited)**

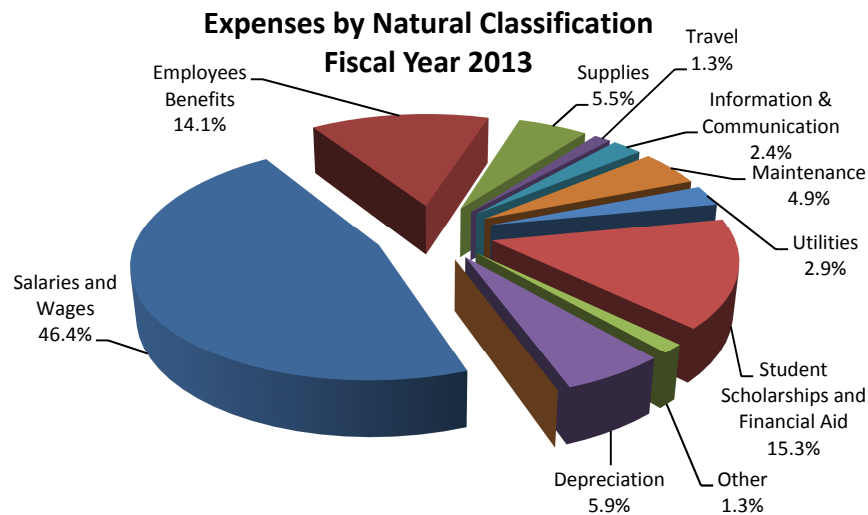
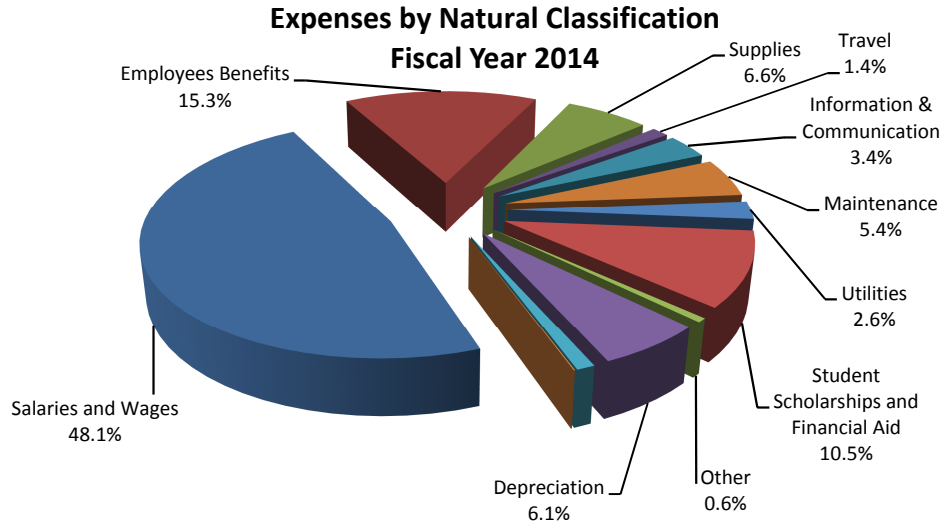
The following is a graphic illustration of expenses by function for the years ended June 30, 2014 and 2013:



Instructional expenditures are the largest expense for the College. Instructional expenses were \$11.7 million and \$11.6 million for fiscal years 2014 and 2013, respectively. Public service expenses were \$1.4 million and \$1.3 million for fiscal years 2014 and 2013, respectively. Academic support expenses were \$1.1 million and \$1.1 million for fiscal years 2014 and 2013, respectively. Student services expenses were \$2.7 million and \$2.5 million for fiscal years 2014 and 2013, respectively. Institutional support expenses were \$4.6 million and \$4.6 million for fiscal years 2014 and 2013, respectively. Operation and maintenance of plant expenses was approximately \$2.5 million and \$2.3 million for fiscal years 2014 and 2013, respectively. Student aid expenses were \$3.3 million and \$4.9 million for fiscal years 2014 and 2013, respectively. Total operating and non-operating expenses were \$29.3 million and \$30.3 million for fiscal years 2014 and 2013, respectively.

**James A. Rhodes State College
Management's Discussion and Analysis
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The following is a graphic illustration of expenses by natural classification for the years ended June 30, 2014 and 2013:



Salaries and wages were the largest expense for the College at 48.1% and 46.4% of the College's total expenses for fiscal years 2014 and 2013, respectively. Wages and benefits accounted for 63.4% and 60.5% of the College's total expenses, respectively. The next largest expense was student scholarships and financial aid, which accounted for 10.5% and 15.3% of total College expenses for fiscal years 2014 and 2013, respectively. Salaries and wages were \$14.0 million and \$13.9 million for fiscal years 2014 and 2013, respectively. Employee benefits were \$4.4 million and \$4.2 million for fiscal years 2014 and 2013, respectively. Student scholarships and financial aid were \$3.1 million and \$4.6 million for fiscal years 2014 and 2013, respectively. Total operating were \$29.0 million and \$30.1 million for fiscal years 2014 and 2013, respectively.

James A. Rhodes State College
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(Unaudited)

STATEMENTS OF CASH FLOWS

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and non-capital financing and investing activities. Cash flow is an important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they become due. The primary purpose of the statement of cash flows is to provide information about the cash receipts and cash payments of the College during the period. The statement of cash flows also helps financial statement readers assess:

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

CONDENSED FINANCIAL INFORMATION

STATEMENTS OF CASH FLOWS

(thousands)

	2014	2013	2012
Net Cash & Cash Equivalents			
Provided (Used) By:			
Operating Activities	\$ (13,786)	\$ (19,376)	\$ (14,756)
Non-Capital Financing Activities	15,824	17,905	18,894
Capital Financing Activities	(2,268)	(899)	(2,108)
Investing Activities	1	3	2
Net Increase (Decrease) in Cash & Cash Equivalents	(229)	(2,367)	2,032
Cash & Cash Equivalents, Beginning of Year	10,318	12,685	10,653
Cash & Cash Equivalents, End of Year	\$ 10,089	\$ 10,318	\$ 12,685

Major sources of cash included in the operating activities were tuition and fees, and grants and contracts. Tuition and fees generated cash of \$10.2 million, \$9.1 million, and \$10.9 million in fiscal years 2014, 2013, and 2012, respectively. Grants and contracts generated cash of \$2.3 million in fiscal year 2014, \$3.1 thousand in fiscal year 2013 and \$3.9 million in fiscal years 2012.

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 \$13.9 million, \$14.5 million, and \$14.4 million in fiscal years 2014, 2013, and 2012, respectively. Payments to suppliers for goods and services amounted to \$4.9 million, \$5.0 million, and \$5.9 million in fiscal years 2014, 2013, and 2012, respectively. Payments for student aid amounted to \$3.1 million, \$4.6 million, and \$5.3 million in fiscal years 2014, 2013, and 2012, respectively.

**James A. Rhodes State College
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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 \$6.1 million, \$8.3 million, and \$9.2 million in federal student grants in fiscal years 2014, 2013, 2012, respectively. The accounting standards require the College to reflect this source of revenue as non-operating as our student's ability to pay their tuition is largely dependent upon the availability of this financing, and the College's budget depends on these funds to continue operations.

Local funds and capital grants are the primary source of cash for capital construction activities. In December, 2013, the college began work on the Tech Lab HVAC project budgeted at \$1.4 million to be completed in September, 2014. Funding for this project was awarded in the renovation funding as part of the state capital bill for 2013-14. In January, 2014, the College completed the construction of a \$2.5 million, 8,000 square foot event space to Keese Hall funded in part by the Series 2013 bonds obtained in June, 2013 and in part by state appropriation. The College received \$1.5 million from capital grants in fiscal year 2014, \$0.3 million from capital grants in fiscal year 2013, and zero funds in fiscal year 2012. Major uses of cash included in the capital financing activities were payments for purchases of capital assets. The College paid \$3.3 million, \$2.5 million, and \$1.9 million for purchases of capital assets in fiscal years 2014, 2013, and 2012, respectively.

CAPITAL ASSETS AND DEBT

Capital Assets

The total cost of capital assets was \$52.1 million, \$49.0 million and \$46.9 million for fiscal years 2014, 2013, and 2012, respectively. The accumulated depreciation was \$18.8 million, \$17.3 million, and \$15.9 million for fiscal years 2014, 2013 and 2012, respectively. Depreciation expense for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1.8 million for fiscal years 2014, \$1.8 million for fiscal year 2013, and \$1.6 million for fiscal year 2012. A summary of net capital assets for the years ended June 30 is as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Construction in Progress	\$ 510,348	\$ 333,949	\$ 1,107,604
Land Improvements	635,040	706,303	781,971
Infrastructure	61,669	67,635	46,980
Buildings and Improvements	26,580,930	25,057,999	23,167,263
Moveable Equipment	5,219,394	5,338,696	5,632,681
Library Books	232,888	230,408	224,866
Total Capital Assets, Net	\$ 33,240,269	\$ 31,734,990	\$ 30,961,365

During fiscal year 2014, the College purchased \$546,359 of moveable equipment, \$2,706,233 in new construction, and \$48,368 of library books. During fiscal year 2013, the College purchased \$410,973 of moveable equipment, \$2,347,955 in construction, and \$51,047 of library books.

**James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2014 and 2013
(Unaudited)**

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

Debt

Following is a discussion of the components of debt and the activity for the years ended June 30, 2014, 2013 and 2012:

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

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

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

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

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

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

**James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2014 and 2013
(Unaudited)**

Advanced Refunding

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

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

CONCLUDING THOUGHTS

James A. Rhodes State College is well positioned to meet the needs of the people and communities we serve. With employment recovering in the region, the College is able to grow our Workforce and Economic Development services, supporting state initiatives, and making West Central Ohio an increasingly attractive place to live, learn, and do business. Our Academic programs remain very strong, 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/Finance	James Nargang	4240 Campus Drive Lima, Ohio 45804	419-995-8342
Associate Vice President/Controller & Assistant Treasurer	Beverly Rex-Cook	4240 Campus Drive Lima, Ohio 45804	419-995-8177

James A. Rhodes State College
Statement of Net Position
June 30, 2014 and 2013

ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 10,088,510	\$ 10,317,098
Accounts receivable (net of allowance of \$1,919,812 and \$1,781,047 respectively)	4,485,266	5,697,024
Appropriations receivable	-	90,860
Prepaid Expenses and other current assets	<u>11,852</u>	<u>3,000</u>
TOTAL CURRENT ASSETS	<u>14,585,628</u>	<u>16,107,982</u>
NONCURRENT ASSETS:		
Capital assets, net of accumulated depreciation	<u>33,240,269</u>	<u>31,734,990</u>
TOTAL NONCURRENT ASSETS	<u>33,240,269</u>	<u>31,734,990</u>
TOTAL ASSETS	<u>47,825,897</u>	<u>47,842,972</u>
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized deferred amount on refunding	<u>-</u>	<u>20,625</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable, net	1,015,334	842,828
Current portion of bonds payable	150,552	151,951
Current portion of compensated absences	69,112	69,112
Accrued liabilities	626,007	475,204
Unearned Revenue	<u>784,442</u>	<u>845,068</u>
TOTAL CURRENT LIABILITIES	<u>2,645,447</u>	<u>2,384,163</u>
NONCURRENT LIABILITIES:		
Bonds payable, net	3,874,878	4,119,031
Compensated absences	<u>842,894</u>	<u>825,276</u>
TOTAL NONCURRENT LIABILITIES	<u>4,717,772</u>	<u>4,944,307</u>
TOTAL LIABILITIES	<u>7,363,219</u>	<u>7,328,470</u>
NET POSITION:		
Net investment in capital assets	29,214,839	27,464,007
Restricted, Expendable	378,875	1,662,336
Unrestricted	<u>10,868,964</u>	<u>11,408,784</u>
TOTAL NET POSITION	<u>\$ 40,462,678</u>	<u>\$ 40,535,127</u>

See accompanying notes to the financial statements

James A. Rhodes State College Foundation
Statements of Financial Position
June 30, 2014 and 2013

	2014	2013
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 555,645	\$ 447,454
Investments	2,151,129	1,865,104
Pledges receivable - Net	35,991	29,689
Loans receivable - Net	17,195	30,505
Total Current Assets:	2,759,960	2,372,752
Noncurrent Assets:		
Property held for College	227,300	-
TOTAL ASSETS	\$ 2,987,260	\$ 2,372,752
LIABILITIES		
Accounts payable	96,564	68,811
TOTAL LIABILITIES	96,564	68,811
NET ASSETS		
Unrestricted	479,423	347,760
Temporarily restricted	952,955	644,924
Permanently restricted	1,458,318	1,311,257
TOTAL NET ASSETS	2,890,696	2,303,941
TOTAL LIABILITIES AND NET ASSETS	\$ 2,987,260	\$ 2,372,752

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
REVENUES		
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of \$3,665,418 and \$4,215,268 respectively)	\$ 9,643,622	\$ 9,903,014
Federal grants and contracts	1,153,545	965,091
State and local grants and contracts	536,441	236,066
Sales and services	353,055	395,674
Other operating revenues	269,492	248,861
Total operating revenues	11,956,155	11,748,706
EXPENSES		
Operating Expenses:		
Educational and general:		
Instruction	11,681,805	11,623,939
Public Service	1,357,057	1,286,753
Academic Support	1,085,001	1,135,754
Student Services	2,702,890	2,480,159
Institutional Support	4,620,390	4,628,485
Operation and Maintenance of Plant	2,476,362	2,264,269
Student Aid	3,321,353	4,892,627
Depreciation	1,778,164	1,773,340
Total operating expenses	29,023,022	30,085,326
Operating (loss)	(17,066,867)	(18,336,620)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	9,721,125	9,576,821
Federal student grants	6,116,455	8,330,486
Gifts	7,813	-
Investment income (net of investment expense)	930	3,049
Interest on capital asset-related debt	(302,002)	(174,839)
Debt issuance cost	-	(74,375)
Other nonoperating revenues (expenses)	(17,517)	(2,662)
Net Nonoperating Revenues (Expenses)	15,526,804	17,658,480
Income (Loss) Before Other Revenues	(1,540,063)	(678,140)
OTHER REVENUES, EXPENSES, GAINS AND LOSSES		
Capital appropriations	1,467,614	347,348
Total other revenues	1,467,614	347,348
Increase (decrease) in net assets	(72,449)	(330,792)
NET POSITION		
Net Position, Beginning of Year	40,535,127	40,865,919
Net Position, June 30	\$ 40,462,678	\$ 40,535,127

See accompanying notes to the financial statements

James A. Rhodes State College Foundation
Statements of Activities
For the Years Ended June 30, 2014 and 2013

	For the Year Ended June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions, net of bad debt and loss on pledge receivable	\$ 153,227	\$ 124,232	\$ 147,061	\$ 424,520
Interest and dividends	831	54,994	-	55,825
Realized and unrealized gain on investments	2,907	290,319	-	293,226
Total Revenues	<u>156,965</u>	<u>469,545</u>	<u>147,061</u>	<u>773,571</u>
Net assets released from restrictions	161,514	(161,514)	-	-
Total Revenues, Gains and Other Support	<u>318,479</u>	<u>308,031</u>	<u>147,061</u>	<u>773,571</u>
EXPENSES				
Academic Programs	59,975	-	-	59,975
Scholarships/Grants	96,230	-	-	96,230
Management and General	25,302	-	-	25,302
Fundraising	5,309	-	-	5,309
Total Expenses	<u>186,816</u>	<u>-</u>	<u>-</u>	<u>186,816</u>
Changes in net assets	<u>131,663</u>	<u>308,031</u>	<u>147,061</u>	<u>586,755</u>
NET ASSETS				
Net Assets - Beginning of Year	<u>347,760</u>	<u>644,924</u>	<u>1,311,257</u>	<u>2,303,941</u>
Net Assets - End of Year	<u>\$ 479,423</u>	<u>\$ 952,955</u>	<u>\$ 1,458,318</u>	<u>\$ 2,890,696</u>

	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	\$ 44,471	\$ 48,709	\$ 93,933
Interest and dividends	1,178	55,227	-	56,405
Realized and unrealized gain on investments	1,504	139,629	-	141,133
Total Revenues	<u>3,435</u>	<u>239,327</u>	<u>48,709</u>	<u>291,471</u>
Net Assets Released from Restrictions	96,089	(96,089)	-	-
Total Revenues, Gains and Other Support	<u>99,524</u>	<u>143,238</u>	<u>48,709</u>	<u>291,471</u>
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	<u>116,064</u>	<u>-</u>	<u>-</u>	<u>116,064</u>
Changes in net assets	<u>(16,540)</u>	<u>143,238</u>	<u>48,709</u>	<u>175,407</u>
NET ASSETS				
Net Assets - Beginning of Year	<u>364,300</u>	<u>501,686</u>	<u>1,262,548</u>	<u>2,128,534</u>
Net Assets - End of Year	<u>\$ 347,760</u>	<u>\$ 644,924</u>	<u>\$ 1,311,257</u>	<u>\$ 2,303,941</u>

See accompanying notes to the financial statements

James A. Rhodes State College
Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013

CASH FLOWS FROM OPERATING ACTIVITIES	2014	2013
Tuition and fees	10,199,708	9,154,787
Grants and contracts	2,306,572	3,050
Payments to suppliers	(4,860,540)	(4,966,156)
Payments for utilities	(751,352)	(865,738)
Payments to employees	(13,838,553)	(14,473,855)
Payments for benefits	(4,396,313)	(4,373,251)
Payments for student aid	(3,050,206)	(4,604,278)
Sales and services	312,184	355,586
Other receipts	292,060	392,978
Net cash (used) in operating activities	<u>(13,786,440)</u>	<u>(19,376,877)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	9,721,125	9,576,821
Federal student grants	6,116,455	8,330,486
Gifts and grants for other than capital purposes	(12,941)	(2,435)
Student loan receipts	9,385,723	13,210,786
Student loan disbursements	(9,385,723)	(13,210,786)
Net cash provided by noncapital financing activities	<u>15,824,639</u>	<u>17,904,872</u>
 CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital appropriations	1,558,474	322,820
Proceeds from debt issuance	-	4,125,000
Proceeds from debt	-	145,982
Principal paid on bonds payable	(238,333)	(65,000)
Interest Paid on Bonds Payable	(288,596)	(111,279)
Payment to refunding Escrow Agent	-	(2,695,000)
Discount on Bonds Payable	-	(74,375)
Purchases of capital assets	(3,299,262)	(2,546,965)
Net cash (used) in capital financing activities	<u>(2,267,717)</u>	<u>(898,817)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	930	3,049
Net cash provided by investing activities	<u>930</u>	<u>3,049</u>
 NET DECREASE IN CASH	<u>(228,588)</u>	<u>(2,367,773)</u>
 CASH AND CASH EQUIVALENTS, Beginning of Year	<u>10,317,098</u>	<u>12,684,871</u>
 CASH AND CASH EQUIVALENTS, End of Year	<u>10,088,510</u>	<u>\$ 10,317,098</u>
 RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating (loss)	(17,066,867)	(18,336,620)
Adjustments to reconcile net operating loss to net cash (used) in operating activities:		
Depreciation expense	1,778,164	1,773,340
Changes in assets and liabilities:		
Accounts receivable, net	1,214,995	(1,395,209)
Prepaid expenses	(8,852)	4,302
Accounts payable, net	172,506	(338,038)
Accrued liabilities	166,622	(636,315)
Deferred revenue	(60,626)	(447,096)
Compensated absences	17,618	(1,241)
Net cash (used) in operating activities	<u>(13,786,440)</u>	<u>\$ (19,376,877)</u>

See accompanying notes to the financial statements

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2014 and 2013

NOTE 1 – Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

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

The College’s financial statements include the financial data of its component unit, the James A. Rhodes State College Foundation (the “Foundation”). The Foundation is a legally separate, not-for-profit organization incorporated and operated exclusively for the benefit of the College. It is presented as a discrete component unit in the accompanying financial statements in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an Amendment of GASB Statement No. 14*. The Foundation reports under FASB standards and as such certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. The Foundation is the sole member of a not-for-profit LLC, the Rhodes State College Foundation Lima, LLC (RSCF Lima LLC), an entity formed to purchase, sell or lease real estate for the College. It was formed in November, 2013. The RSCF LLC is consolidated in the financial statements of the Foundation. During the fiscal year ended June 30, 2014 and 2013, the Foundation distributed \$96,230 and \$61,791 respectively for scholarships and \$59,975 and \$29,058 for College instructional programs. Complete financial statements for the Foundation may be obtained from the Office of Institutional Advancement at 4240 Campus Drive, Lima, OH 45804.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2014 and 2013

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.

GASB Pronouncements adopted:

The College adopted the following GASB Pronouncements in fiscal year 2014:

- GASB No. 66, resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends Statements No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis—for State and Local Governments*.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. The College identified no effects on the financial statements.

- GASB No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this statement, the term *government combinations* includes a variety of transactions referred to as mergers and transfers of operations. The College identified no effects on the financial statements.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2014 and 2013

- GASB No. 70 improved accounting and financial reporting by state and local governments that extend and receive non-exchange financial guarantees. This statement requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not the government will be required to make a payment on the guarantee. The College identified no effects on the financial statements.

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 statutes and managed by the Treasurer of the State of Ohio. The investment objectives of STAR Ohio are the preservation of capital, the maintenance of liquidity, and providing current income. STAR Ohio is similar in concept to a registered investment company investing in redeemable securities, commonly called a “money market mutual fund.” STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. As of June 30, 2014, STAR Ohio held federal agency debentures and discount notes, commercial paper, bank deposits, and money market funds. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on the balance sheet date.

E. Investments

The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position. The College had no assets characterized as investment as of June 30, 2014 and 2013.

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.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2014 and 2013

F. Accounts Receivable

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

G. Appropriations Receivable

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

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.

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

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.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2014 and 2013

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.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2014 and 2013

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 the college's students. Other grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the college. Revenues from non-exchange transactions and state appropriations that represent subsidies or gifts to the College, as well as investment income, are considered non-operating since these are investing, capital, or noncapital financial activities. Revenues received from the state as capital appropriations are included in Other revenues, expenses, gains and losses. The College received \$1,467,614 and \$347,348 in revenues for capital financing activities for the fiscal years ended June 30, 2014 and 2013, respectively.

M. Scholarship Allowances

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

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

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.

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

Basis of Presentation

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

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

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

Cash and Cash Equivalents

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

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

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

The Foundation has evaluated subsequent events through the date of the Independent Auditor's report, which is the date the financial statements were issued.

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On July 1, 2014, The City of Lima gifted to Rhodes State College Foundation Lima, LLC three parcels of property at a fair market value of \$75,000 for the Downtown Center for Health Science Education and Innovation project.

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.

Cash on Hand

At June 30, 2014 and 2013, the College had \$2,215 and \$1,221, 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 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*.

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

Cash & Cash Equivalents		
<u>Account</u>	<u>2014</u>	<u>2013</u>
General Checking	\$ 339,896	\$ 1,508,184
Payroll Checking	5,452,033	3,195,659
Flex Spend Account	14,727	-
HRA Account	23,253	-
Cash on Hand	2,215	1,221
Total Cash	\$ 5,832,124	\$ 4,705,064

The following summarizes the value of investments at June 30:

Investments		
<u>Account</u>	<u>2014</u>	<u>2013</u>
STAR Ohio	\$ 4,119,122	\$ 4,118,192
Huntington Bank	137,264	1,493,842
Total Investments	\$ 4,256,386	\$ 5,612,034

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

	2014		2013	
	Component		Component	
	College	Unit	College	Unit
Amounts insured by FDIC	\$ 500,000	\$ 328,849	\$ 500,000	\$ 278,555
Amounts collateralized by the pledged securities held by the financial institutions' trust department or agent in the name of the entity	5,727,039	219,882	4,461,047	168,913
Total Bank Balance	\$ 6,227,039	\$ 548,731	\$ 4,961,047	\$ 447,468

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At June 30, 2014, the College had 96.8% of its investments in STAR Ohio and 3.2% in a Huntington Bank money market fund. At June 30, 2013, the College had 72.7% of its investments in STAR Ohio and 27.3% in a Huntington Bank money market fund.

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

James A. Rhodes State College Foundation

At June 30, 2014 and 2013, the Foundation had carrying cash balances of \$555,645 and \$447,454, respectively.

Investments at June 30, 2014, by major security type, were as follows:

Description	Fair Value
Common Stock	\$ 897,724
Equity Funds	471,430
Bond Funds	781,975
Total Investments	\$ 2,151,129

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

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.

James A. Rhodes State College
Notes to the Financial Statements
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NOTE 3 – Accounts Receivable

The following is a summary of the accounts receivable as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Tuition and fees	\$ 4,739,846	\$ 5,214,061
Less allowance for uncollectible accounts	<u>(1,919,812)</u>	<u>(1,781,047)</u>
Net tuition and fees	\$ 2,820,034	\$ 3,433,014
Governmental Entities	\$ 1,530,112	\$ 2,144,742
Other	<u>135,120</u>	<u>119,268</u>
Accounts Receivable, net	<u>\$ 4,485,266</u>	<u>\$ 5,697,024</u>

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

James A. Rhodes State College
Notes to the Financial Statements
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NOTE 4 – Capital Assets

Capital asset activity for the years ended June 30, 2014 and 2013 was as follows:

	July 1, 2013	Additions	Sales/Other Dispositions	June 30, 2014
Non-depreciable capital assets:				
Construction in progress	\$ 333,949	\$ 2,706,233	\$ 2,529,834	\$ 510,348
Total non-depreciable assets	333,949	2,706,233	2,529,834	510,348
Depreciable capital assets:				
Land Improvements	1,188,246	-	-	1,188,246
Infrastructure	167,483	-	-	167,483
Buildings & Improvements	36,431,270	2,529,834	143,962	38,817,142
Moveable Equipment	9,676,791	546,359	120,262	10,102,888
Library Books	1,232,589	48,368	-	1,280,957
Total depreciable assets	48,696,379	3,124,561	264,224	51,556,716
Less Accumulated Depreciation:				
Land Improvements	481,943	71,263	-	553,206
Infrastructure	99,848	5,966	-	105,814
Buildings & Improvements	11,373,271	990,088	127,147	12,236,212
Moveable Equipment	4,338,095	664,959	119,560	4,883,494
Library Books	1,002,181	45,888	-	1,048,069
Total accumulated depreciation	17,295,338	1,778,164	246,707	18,826,795
Total depreciable assets, net	31,401,041	1,346,397	17,517	32,729,921
Total capital assets, net	\$ 31,734,990	\$ 4,052,630	\$ 2,547,351	\$ 33,240,269

James A. Rhodes State College
Notes to the Financial Statements
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	July 1, 2012	Additions	Sales/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

During fiscal year 2014, the College incurred \$412,416 in construction in progress expenditures related to the Tech Lab HVAC Project, which is expected to cost \$1.4 million.

State Appropriations not reflected in Net Position

The College receives funding for projects and renovations through state appropriations. These appropriations are not reflected on the Statement of Net Position until released. Release of these funds for spending requires the approval of the Board of Regents and the State Controlling Board. As of June 30, 2014, the College had \$2,705,961 which has been applied to current projects and \$1,298,875 available for future projects as follows:

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ALI Description	Appropriation	Allotted (Released)	Remaining (Unreleased)
Basic Renovations	\$ 673,380	\$ 205,637	\$ 467,743
Community Union	1,026,017	1,026,017	-
Non-Credit Job Training	251,074	218,447	32,627
Design Plan Exlnc Hlth Science	904,365	105,860	798,505
Technology Laboratory Repairs	1,150,000	1,150,000	-
	\$ 4,004,836	\$ 2,705,961	\$ 1,298,875

NOTE 5 – Accrued Liabilities

Accrued liabilities consist of the following as of June 30:

	<u>2014</u>	<u>2013</u>
Accrued wages	\$ 434,366	\$ 398,161
Accrued benefits payable	191,641	77,043
Total	\$ 626,007	\$ 475,204

NOTE 6 – Long-Term Obligations

Changes in long-term obligations of the College during fiscal years 2014 and 2013 were as follows:

	Principal Outstanding June 30, 2013	Additions	Reductions	Principal Outstanding June 30, 2014	Amount Due in 1 Year – Current Year
Special Obligation Bonds:					
Series 2013 Variable					
Rate Bonds 3.375-3.75%	\$ 4,125,000	\$ -	\$ 238,333	\$ 3,886,667	\$ 143,333
Premium on Bonds	145,982	-	7,219	138,763	7,219
Total Special Obligation Bonds	4,270,982	-	245,552	4,025,430	150,552
Other Long-Term Obligations:					
Compensated Absences	894,388	457,736	440,118	912,006	69,112
Total Long-Term Obligations	\$ 5,165,370	\$ 457,736	\$ 685,670	\$ 4,937,436	\$ 219,664

James A. Rhodes State College
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	Principal Outstanding June 30, 2012	Additions	Reductions	Principal Outstanding June 30, 2013	Amount Due in 1 Year – Current Year
Special Obligation Bonds					
Series 2003 Variable Rate Bonds 4.2% to 5.875%	\$ 2,685,000	\$ -	\$(2,685,000)	\$ -	\$ -
Discount on Bonds	(9,185)	-	9,185	-	-
Series 2013 Variable Rate Bond 3.375% 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

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

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

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

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

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

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

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 143,333	\$ 141,108	\$ 284,441
2016	148,333	137,277	285,610
2017	153,333	132,825	286,158
2018	158,334	128,225	286,559
2019	163,333	123,475	286,808
2020-2024	908,334	517,334	1,425,668
2025-2029	1,088,334	328,188	1,416,522
2030-2034	1,123,333	116,125	1,239,458
Total	\$ 3,886,667	\$ 1,624,557	\$ 5,511,224

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 \$28,163 due in 2015.

Operating lease expenditures for the years ending June 30, 2014 and 2013 were \$86,014 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.

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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 9.5 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.

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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 31st 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 9.5 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.

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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 DB or Combined Plan member with five or more years’ credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of 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 14 percent for members and 14 percent for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11 percent of covered payroll for members and 14 percent for employers.

Pension Obligations for STRS Ohio			
fiscal year ending June 30			
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Obligation	\$ 1,055,457	\$ 1,099,408	\$ 1,135,795
Funding %	95%	91%	91%
Contributions	\$ 149,736	\$ 114,319	\$ 80,844

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Contributions to the DC and Combined plans for fiscal year 2014 were \$83,852 made by the College and \$65,884 made by plan members. 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.

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.

B. 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, 2014 and 2013, 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, 2014 and 2013 was 14.0 percent. State statute sets a maximum contribution rate for the College of 14.0 percent.

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Pension Contributions for OPERS			
fiscal year ending June 30			
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Required Contributions	\$ 588,907	\$ 581,154	\$ 585,419
Funding %	100%	100%	100%

The College’s required contributions for pension obligations for the fiscal years ended June 30, 2014, 2013, and 2012 were \$588,907, \$581,154, \$585,419 respectively; 100 percent has been contributed for fiscal year 2014 and 100 percent has been contributed for fiscal years 2013 and 2012. Contributions to the Member-Directed and Combined plans for fiscal year 2014 were \$59,322 made by the College and \$42,373 made by the plan members. 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. Contribution to the Member-Directed and Combined plans for 2012 were \$47,416 made by the College and \$33,869 made by the plan.

C. 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, 2014 and 2013, 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, 2014 and 2013 were \$384,159 and \$301,204 respectively; 100 percent has been contributed for fiscal year 2014 and 100 percent has been contributed for fiscal year 2013.

**James A. Rhodes State College
Notes to the Financial Statements
June 30, 2014 and 2013**

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, 2014, 2013, and 2012. 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			
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Obligation	\$ 75,390	\$ 78,529	\$ 81,128
Funding %	96%	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.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2014 and 2013

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, 2014 and 2013 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 year 2014. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2014. 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 2014. 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			
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Obligation	\$ 30,034	\$ 29,639	\$ 24,192
Funding %	100%	100%	100%

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2014 and 2013

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 2014 and 2013 for specific types of insurance.

Insurance policies in place during fiscal year 2014 include the following:

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

Notes: (1) Auto deductibles are \$0 for Liability, \$500 for Physical Damage to owned, leased vehicles (Comp/Collision)

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 \$4,597,647 and \$4,311,441 for the fiscal years ended June 30, 2014, and 2013, respectively. The majority of the expenditures were incurred for plant operations. Based upon the various formulas, the College’s share was 66.89% and 66.98% of the total expenses, net of total shared income, for the fiscal years ending June 30, 2014 and June 30, 2013, respectively. At June 30, 2014, the College owed the University \$36,443 for the year ended June 30, 2014. The payable is included in accounts payable, net on the Statement of Net Position.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2014 and 2013

NOTE 13 – Operating Expenses by Natural Classification

The College's operating expenses by natural classification for the years ended June 30, 2014 and 2013 were as follows:

	2014	2013
Salaries and wages	\$ 13,964,252	\$ 13,944,696
Employee benefits	4,441,328	4,239,600
Supplies	1,917,146	1,658,172
Travel	395,670	399,683
Information and communication	993,361	714,708
Maintenance	1,558,567	1,491,606
Utilities	751,352	865,738
Student scholarships and financial aid	3,050,206	4,604,278
Other	172,976	393,505
Depreciation	1,778,164	1,773,340
Total operating expenses	\$ 29,023,022	\$ 30,085,326

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, 2014.

NOTE 15 – James A. Rhodes State College Foundation

Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets are available for the following purposes:

	2014	2013
Gifts and other donations available for:		
Schell Foundation Loan Fund	\$ 39,848	\$ 54,496
Instructional programs	268,133	146,295
Scholarships	644,974	444,133
Total gifts and other donations	\$ 952,955	\$ 644,924

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2014 and 2013

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

	2014	2013
Instructional Programs	\$ 59,975	\$ 29,058
Fundraising	5,309	5,240
Scholarships	96,230	61,791
Total	\$ 161,514	\$ 96,089

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:

	2014	2013
Scholarships	\$ 1,458,318	\$ 1,311,257
Total	\$ 1,458,318	\$ 1,311,257

NOTE 16 – 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, 2014 and 2013, 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, 2014, 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.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2014 and 2013

- 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, 2014 and 2013 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, 2014 and 2013.

Fair Value Measurements at June 30, 2014

Description	Level 1	Level 2	Total
Common Stock Types:			
Basic Materials	\$ 72,530	\$ -	\$ 72,530
Communications	186,304	-	186,304
Consumer	256,795	-	256,795
Energy	27,421	-	27,421
Financial	161,719	-	161,719
Health Care	36,928	-	36,928
Industrial	64,781	-	64,781
Technology	91,246	-	91,246
Total-Common Stock Types	\$ 897,724	\$ -	\$ 897,724
Equity Fund Types:			
Real Estate Investment Trust	\$ -	\$ 59,872	\$ 59,872
Small Cap Funds	-	26,460	26,460
Index Funds	-	385,098	385,098
Total-Equity Fund Types	\$ -	\$ 471,430	\$ 471,430
Bond Fund Types:			
Other Bond Funds	\$ -	\$ 781,975	\$ 781,975
Total-Bond Fund Types	\$ -	\$ 781,975	\$ 781,975
Total - Investments	\$ 897,724	\$ 1,253,405	\$ 2,151,129

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2014 and 2013

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	<u>\$ 647,297</u>	<u>\$ -</u>	<u>\$ 647,297</u>
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	<u>\$ -</u>	<u>\$ 377,788</u>	<u>\$ 377,788</u>
Bond Fund Types:			
Other Bond Funds	<u>\$ -</u>	<u>\$ 840,019</u>	<u>\$ 840,019</u>
Total-Bond Fund Types	<u>\$ -</u>	<u>\$ 840,019</u>	<u>\$ 840,019</u>
Total - Investments	<u>\$ 647,297</u>	<u>\$ 1,217,807</u>	<u>\$ 1,865,104</u>

NOTE 17 – 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.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2014 and 2013

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 June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 679,865	\$ 1,458,318	\$ 2,138,183
Total Funds	\$ -	\$ 679,865	\$ 1,458,318	\$ 2,138,183

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2014 and 2013

Changes in Endowment Net Assets for Fiscal Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, beginning of year	\$ (326)	\$ 432,430	\$ 1,311,257	\$ 1,743,361
Contributions, net of allowance	-	700	147,061	147,761
Investment Income	326	52,541	-	52,867
Realized and unrealized gains and losses	-	282,404	-	282,404
Investment Expenses	-	(11,726)	-	(11,726)
Appropriation of endowment assets for expenditures	-	(76,484)	-	(76,484)
Net Assets, end of year	\$ -	\$ 679,865	\$ 1,458,318	\$ 2,138,183

Endowment Net asset Composition by Type of Fund as 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

Changes in Endowment Net Assets for Fiscal Year Ended 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

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2014 and 2013

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. There were no deficiencies at June 30, 2014 and \$326 at June 30, 2013, 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.

**James A. Rhodes State College
Notes to the Financial Statements
June 30, 2014 and 2013**

NOTE 18 – 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 \$11,937 and \$7,707 in student repayments in fiscal years 2014 and 2013, respectively. The Foundation does not pursue collections on these loans.

NOTE 19 – 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:

	<u>2014</u>	<u>2013</u>
John J. and Martha M. Hudson Scholarship Fund	\$ 8,745	\$ 7,743
James J. Countryman Scholarship Fund	\$ 40,910	\$ 36,970
Thomas R. and Gloria P. Leech Scholarship Fund	\$ 16,491	\$ 14,722

Scholarship awards made from each of these funds for the fiscal years 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
James J. Countryman Scholarship Fund	\$ 1,450	\$ 1,500
Thomas R. and Gloria P. Leech Scholarship Fund	\$ 550	\$ 550

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
Notes to the Financial Statements
June 30, 2014 and 2013

NOTE 20 – James A. Rhodes State College Foundation

Rhodes State College Foundation Lima, LLC

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

James A. Rhodes State College
Allen County, Ohio
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2014

Federal Grantor/ Pass Through Grantor/ Program Title	Agency or Pass Through Entity Number	Federal CFDA Number	Disbursements
United States Department of Education			
<i>Direct from the Federal Agency</i>			
<i>Student Financial Aid Cluster:</i>			
Federal Work-Study Program	N/A	84.033	101,394
Federal Supplemental Educational Opportunity Grants (FSEOG)	N/A	84.007	84,775
Federal Pell Grant Program	N/A	84.063	6,116,455
Federal Direct Student Loans	N/A	84.268	9,228,599
<i>Total Student Financial Aid Cluster</i>			<u>15,531,223</u>
<i>Passed through the Ohio Department of Education</i>			
Career and Technical Education - Basic Grants to States	CDP-P	84.048	154,966
<i>Total Passed through the Ohio Department of Education</i>			<u>154,966</u>
Total United States Department of Education			<u>15,686,189</u>
National Science Foundation			
<i>Direct from the Federal Agency</i>			
Education and Human Resources - STEM	N/A	47.076	105,109
Education and Human Resources - ATE	N/A	47.076	180,374
Total National Science Foundation			<u>285,483</u>
Department of Justice			
<i>Direct from the Federal Agency</i>			
Edward Byrne Memorial Competitive Grant Program	N/A	16.751	109,312
Total Department of Justice			<u>109,312</u>
United States Department of Labor			
<i>Passed through the Ohio Department of Job and Family Services</i>			
WIA Dislocated Workers	N	17.260	35,236
<i>Passed through Henry Ford Community College</i>			
Trade Adjustment Assistance Community College and Career Training (TAACCT)	TC-23767-12-60-A-26	17.282	437,151
Total United States Department of Labor			<u>472,387</u>
United States Department of Health and Human Services			
<i>Passed through the Ohio Dept of Job and Family Services</i>			
Child Care and Development Block Grant	N	93.575	9,500
Total United States Department of Health and Human Services			<u>9,500</u>
United States Department of Housing and Urban Development			
<i>Passed through the City of Lima, Ohio</i>			
Community Development Block Grant	N	14.218	8,359
Total United States Department of Housing and Urban Development			<u>8,359</u>
United States Department of Agriculture			
<i>Passed through Ohio Department of Education:</i>			
Child and Adult Care Food Program	N	10.558	17,294
Total United States Department of Agriculture			<u>17,294</u>
United States Department of Commerce			
<i>Passed through ODSA \ CIFT</i>			
Manufacturing Extension Partnership	13-069	11.611	106,412
Total United States Department of Commerce			<u>106,412</u>
Small Business Administration			
<i>Passed through Ohio Department of Development</i>			
Small Business Development Centers	DEVFR036	59.037	112,837
Small Business Development Centers-RSC	DEVFRSC13	59.037	33,400
Small Business Development Centers-Jobs Bill	DEVFN979	59.037	9,000
Total Small Business Administration			<u>155,237</u>
Total Federal Financial Assistance			<u>\$ 16,850,173</u>

N/A - Direct from the federal government

N - Pass through number was not provided to the College

See accompanying notes to the schedule of federal awards expenditures

James A. Rhodes State College
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2014

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, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

NOTE 2 – Summary of Significant Accounting Policies

A. Basis of Presentation

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

B. Pass-through Entities

Pass-through entity identifying numbers are presented where available.

NOTE 3 – Student Financial Aid Cluster

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



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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and the discretely presented component unit of James A. Rhodes State College, Allen County, (the College), as of and for the years ended June 30, 2014 and 2013, 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 19, 2014.

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 19, 2014



Balestra, Harr & Scherer, CPAs, Inc.

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

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

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

To the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited James A. Rhodes State College's (the College) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect James A. Rhodes State College's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the College's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the College's compliance for each of the College's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the College's major programs. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the James A. Rhodes State College complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

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 19, 2014

James A. Rhodes State College
Schedule of Findings
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF AUDITOR' S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material internal control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant internal control deficiencies reported at the financial statement level (GAGAS)?	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 Educational Opportunity Grants (FSEOG), CFDA# 84.007 Federal Direct Student Loans, CFDA# 84.268 Trade Adjustment Assistance Community College and Career Training (TAACCCT), CFDA #17.282
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

James A. Rhodes State College
Schedule of Findings
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2014

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

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

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



Dave Yost • Auditor of State

JAMES A RHODES STATE COLLEGE

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 3, 2015**