bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

JAMES A. RHODES STATE COLLEGE
ALLEN COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2017
Fiscal Year Audited Under GAGAS: 2017

One East Campus View Blvd. Suite 300 • Columbus, OH 43235 • (614) 389-5775 • FAX (614) 467-3920
PO Box 875 • 129 Pinckney Street • Circleville, OH 43113 • (740) 474-5210 • FAX (740) 474-7319
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www.bhmcpagroup.com

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 BHM CPA Group, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

January 11, 2018

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James A. Rhodes State College
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For the Fiscal Year Ended June 30, 2017

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Independent Auditor's Report

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of James A. Rhodes State College, Allen County, Ohio (the College), as of and for the year ended June 30, 2017, 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.

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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, 2017 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Awards Expenses presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017, 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.

BHM CPA Group

BHM CPA Group Inc.
Columbus, Ohio
December 22, 2017

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, 2017. 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 in March of 2019.

FINANCIAL AND OTHER COLLEGE HIGHLIGHTS

The tuition rate for 2017 for a full-time student was $4,806 for two semesters of 15 credit hours each, or $160.19 per semester credit hour, which remained unchanged from 2016. The College still remains the most affordable option for higher education in our region.

Total state appropriations decreased to $10.4 million in fiscal year 2017 compared to $10.5 million in fiscal year 2016. 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.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

STATEMENTS OF NET POSITION

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

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CONDENSED FINANCIAL INFORMATION
STATEMENTS OF NET POSITION
(thousands)

	2017	2016
ASSETS		
Current Assets	$15,136	$15,136
Noncurrent Assets	29,943	31,502
Total Assets	45,079	46,638
DEFERRED OUTFLOWS	5,753	3,809
LIABILITIES		
Current Liabilities	1,503	2,490
Noncurrent Liabilities	32,388	29,337
Total Liabilities	33,891	31,827
DEFERRED INFLOWS	2,293	2,444
NET POSITION		
Net Investment in Capital Assets	26,371	27,765
Restricted	-	836
Unrestricted (Deficit)	(11,723)	(12,425)
Total Net Position	14,648	$16,176

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

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

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

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

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

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

As of June 30, 2017, the College's total assets were $45.1 million compared to $46.6 million in fiscal year 2016. This difference in total assets is primarily the result of an increase in accumulated depreciation. Capital assets, net of accumulated depreciation, are the college's largest asset and represent 66.4% and 67.5% of total assets for fiscal years 2017 and 2016, respectively. Cash and cash equivalents are the second largest asset category at $9.7 million and $10.0 million for fiscal years 2017 and 2016, respectively. This represents 21.5% and 21.4% of the total assets for fiscal years 2017 and 2016, respectively.

Capital Assets

The total cost of capital assets was $54.4 million and $54.1 million for fiscal years 2017 and 2016, respectively. The accumulated depreciation was $24.5 million and $22.6 million for fiscal years 2017 and 2014, respectively. Depreciation expense for the fiscal years ended June 30, 2017 and 2016 were $2.0 million and $1.9 million, respectively.

Liabilities

As of June 30, 2017, the College's liabilities were $33.9 million compared to $31.8 million in fiscal year 2016. Net Pension Liability represents the largest portion of the liabilities, with $28.2 million in fiscal year 2017 and $25.0 million in fiscal year 2016. Bonds payable, net, $3.5 million, compared to $3.7 million for fiscal years 2017 and 2016, respectively. Bonds payable represents approximately 10.4% and 11.7% of total liabilities for fiscal years 2017 and 2016, respectively.

Net Position

Net position as of June 30, 2017, was $14.7 million compared to $16.2 million as of June 30, 2016.

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.

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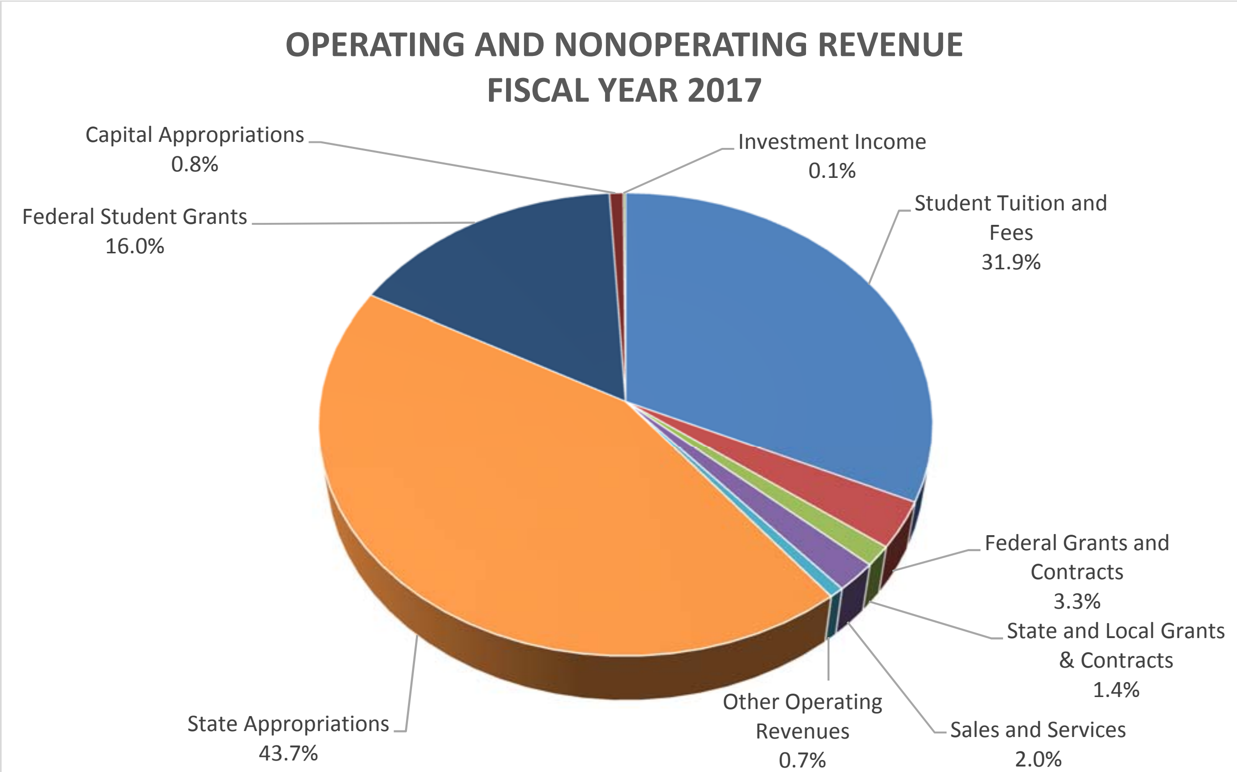
CONDENSED FINANCIAL INFORMATION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(thousands)

	2017	2016
OPERATING REVENUES		
Student Tuition and Fees, Net	7,624	$7,723
Federal Grants and Contracts	779	1,056
State Grants and Contracts	335	457
Sales and Services	487	450
Other Operating Revenues	170	218
Total Operating Revenues	9,395	9,904
OPERATING EXPENSES		
Educational and General	23,316	24,292
Depreciation	1,956	1,941
Total Operating Expenses	25,272	26,233
Operating Loss	(15,877)	(16,329)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	10,433	10,509
Federal Student Grants	3,818	4,264
Gifts	-	8
Investment Income	32	12
Interest on Capital Asset-Related Debt	(125)	(145)
Net Non-Operating Revenues (Expenses)	14,158	14,648
OTHER REVENUE		
Capital Appropriations	191	426
Decrease in Net Position	(1,528)	(1,255)
Net Position, Beginning of Year	16,176	17,431
Net Position, End of Year	**$14,648**	**$16,176**

The following is a graphic illustration of revenues by source for the years ended June 30, 2017 and 2016:



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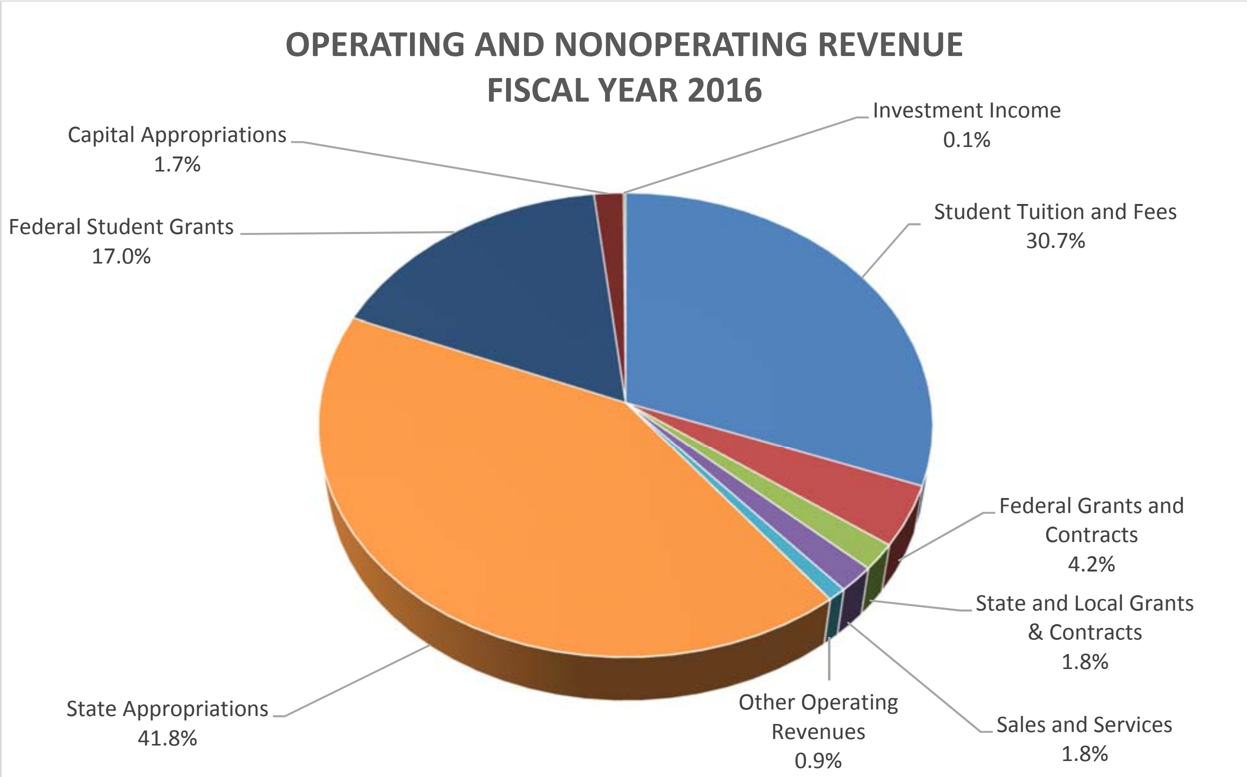

The College's largest sources of revenues are State appropriations at 43.7%, student tuition and fees (net of scholarship allowance) at 31.9%, and Federal student grants at 16.0% for fiscal year 2017. Total operating and non-operating revenues were $23.9 million and $25.1 million for fiscal years 2017 and 2016, respectively.

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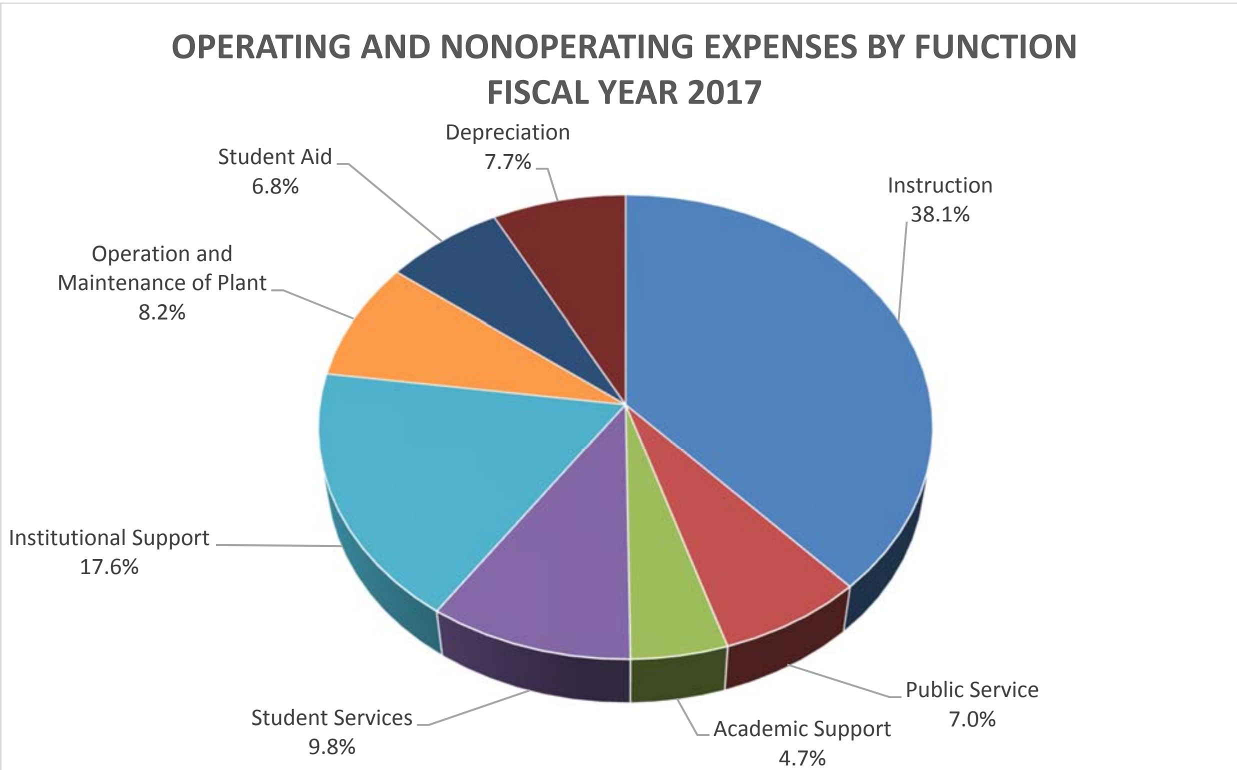
The following is a graphic illustration of expenses by function for the years ended June 30, 2017 and 2016:



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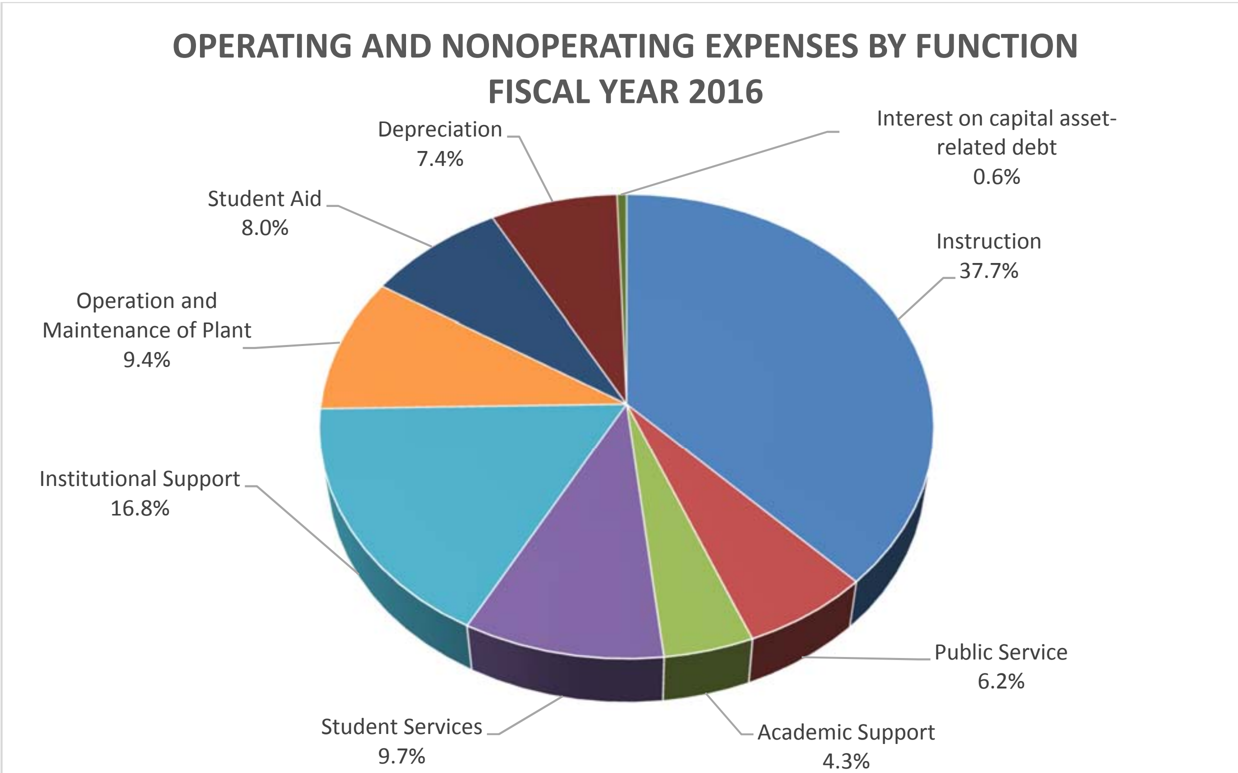

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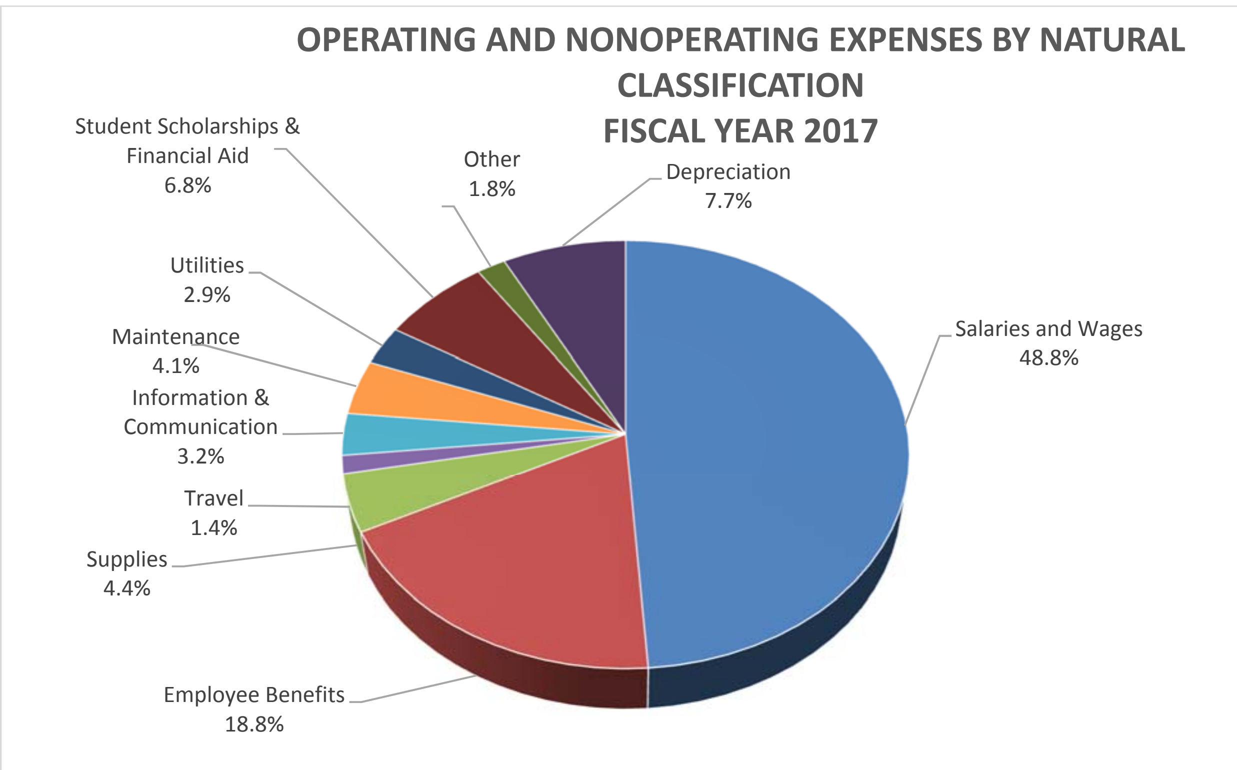
Instructional expenditures are the largest expense for the College. Instructional expenses were $9.4 million and $9.9 million for fiscal years 2017 and 2016, respectively. Public service expenses were $1.8 million and $1.6 million for fiscal years 2017 and 2016, respectively. Academic support expenses were $1.2 million and $1.1 million for fiscal years 2017 and 2016, respectively. Student services expenses were $2.5 million and $2.5 million for fiscal years 2017 and 2016, respectively. Institutional support expenses were $4.4 million and $4.4 million for fiscal years 2017 and 2016, respectively. Operation and maintenance of plant expenses were $2.1 million and $2.5 million for fiscal years 2017 and 2016, respectively. Student aid expenses were $1.7 million and $2.1 million for fiscal years 2017 and 2016, respectively. Total operating and non-operating expenses were $25.4 million and $26.3 million for fiscal years 2017 and 2016, respectively.

The following is a graphic illustration of expenses by natural classification for the years ended June 30, 2017 and 2016:



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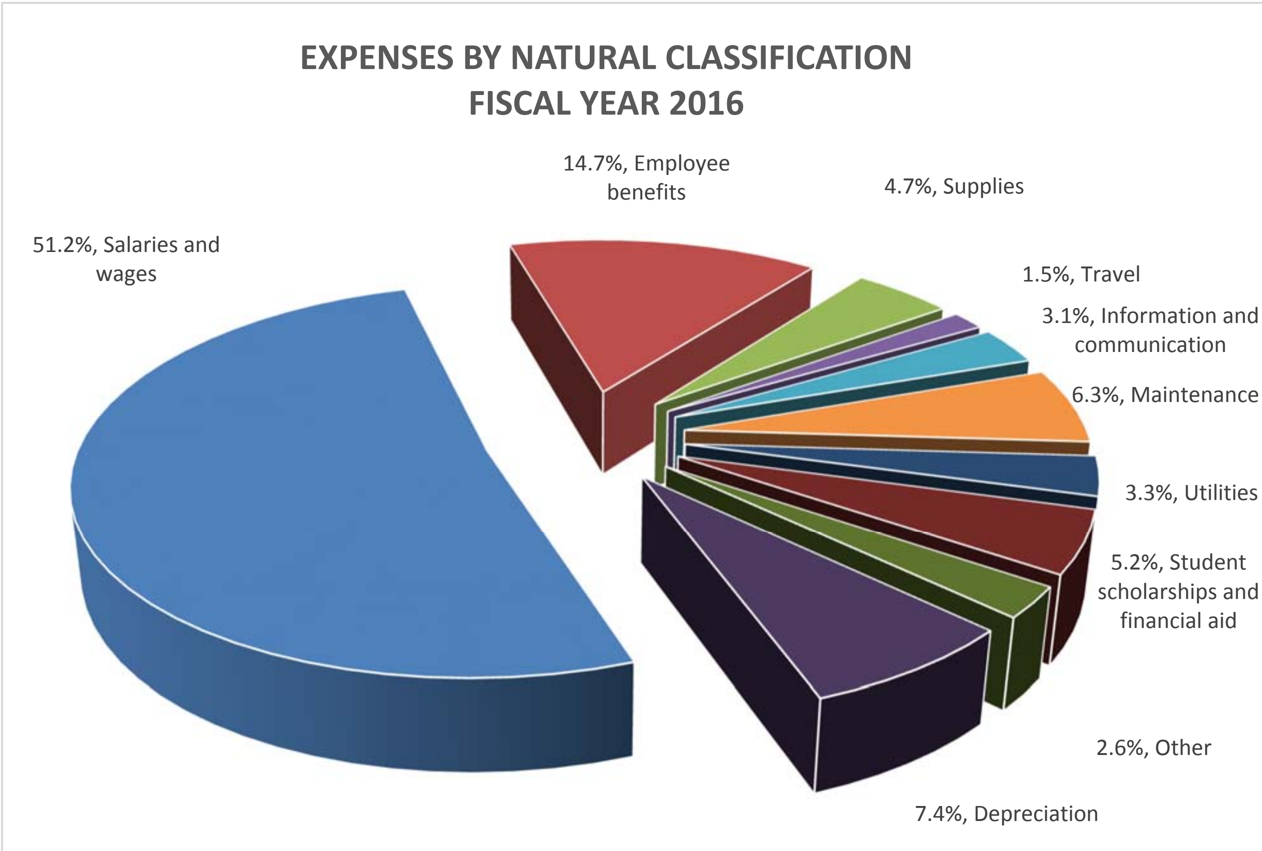

Salaries and wages were the largest expense for the College at 48.9% and 51.2% of the College's total expenses for fiscal years 2017 and 2016, respectively. Wages and benefits accounted for 67.7% and 66.0% of the College's total expenses, respectively. The next largest expense was depreciation, which accounted for 7.7% and 7.4% of total College expenses for fiscal years 2017 and 2016, respectively. Total operating expenses were $25.3 million and $26.2 million for fiscal years 2017 and 2016, respectively.

GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense for the College represents its proportionate share of the service cost for the year as well as the interest on the net pension liability at the beginning of the year and the amortization of smoothing investment income and changes in actuarial experience. The remainder of these items represent deferred inflows or outflows. In addition the College records a deferred outflow for employer contributions after the measurement date.

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
STATEMENT OF CASH FLOWS
(thousands)

	2017	2016
Net Cash & Cash Equivalents Provided (Used) By:		
Operating Activities	$ (14,025)	$ (14,108)
Non-Capital Financing Activities	14,251	14,781
Capital Financing Activities	(539)	(354)
Investing Activities	32	12
Net Increase (Decrease) in Cash & Cash Equivalents	(281)	331
Cash & Cash Equivalents, Beginning of Year	9,968	9,637
Cash & Cash Equivalents, End of Year	$ 9,687	$ 9,968

Major sources of cash included in the operating activities were tuition and fees, and grants and contracts. Tuition and fees generated cash of $7.9 million and $7.6 million in fiscal years 2017 and 2016, respectively. Grants and contracts generated cash of $1.6 million in fiscal year 2017 and $2.6 million in fiscal year 2016.

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 $12.9 million and $13.5 million in fiscal years 2017 and 2016, respectively. Payments to suppliers for goods and services amounted to $3.9 million and $4.8 million in fiscal years 2017 and 2016, respectively. Payments for student aid amounted to $1.7 million and $1.4 million in fiscal years 2017 and 2016, respectively.

Federal student grants are the primary source of cash for non-capital financing activities and are used by students to finance the cost of tuition, books, and cost of living. The College received $3.8 million and $4.3 million in federal student grants in fiscal years 2017 and 2016, 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.

The College received $191 thousand from capital grants in fiscal year 2017 and $426 thousand from capital grants in fiscal year 2016. Major uses of cash included in the capital financing activities were payments for purchases of capital assets. The College paid $.4 million and $.5 million for purchases of capital assets in fiscal years 2017 and 2016, respectively.

CAPITAL ASSETS AND DEBT

Capital Assets

The total cost of capital assets was $54.5 million and $54.1 million for fiscal years 2017 and 2016, respectively. The accumulated depreciation was $24.5 million and $22.6 million for fiscal years 2017 and 2016, respectively. Depreciation expense for the fiscal years ended June 30, 2017 and 2016 were $2.0 million and $1.9 million, respectively. A summary of net capital assets for the years ended June 30 is as follows:

	2017	**2016**
Construction in Progress	$ 481,808	$ 481,808
Land Improvements	613,714	501,322
Infrastructure	62,353	69,133
Buildings and Improvements	24,980,982	26,083,579
Moveable Equipment	3,542,349	4,105,355
Library Books	248,948	243,213
Total Capital Assets, Net	**$ 29,930,154**	**$31,484,410**

During fiscal year 2017, the College purchased $195,547 in land improvements, $47,802 of moveable equipment, $105,297 in new construction, and $53,044 of library books.

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

Debt

Following is a discussion of the components of debt and the activity for the years ended June 30, 2017 and 2016:

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, 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.

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

CONCLUDING THOUGHTS

James A. Rhodes State College is well positioned to meet the needs of the people and communities we serve. With employment recovering in the region, the College is able to grow our Workforce and Economic Development services, supporting state initiatives, and making West Central Ohio an increasingly attractive place to live, learn, and do business. We continue to develop the Center for Health, Science Education and Innovation located in downtown Lima. This facility represents a collaborative effort between the College, the City of Lima, along with other businesses and organizations. It will drive community revitalization; enhance business development and innovation; and provide access to healthcare to the area's residents.

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 Finance & Business	Russell M. Litke	4240 Campus Drive Lima, Ohio 45804	419-995-8342

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James A. Rhodes State College
Statement of Net Position
June 30, 2017 and 2016

ASSETS	2017	2016
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,686,691	$ 9,967,679
Accounts receivable (net of allowance of $2,416,078 and $1,919,812 respectively)	5,303,813	5,023,208
Prepaid Expenses and other current assets	144,877	145,060
TOTAL CURRENT ASSETS	15,135,381	15,135,947
NONCURRENT ASSETS:		
Capital assets, net of accumulated depreciation	29,930,154	31,484,410
Net pension asset	13,208	17,854
TOTAL NONCURRENT ASSETS	29,943,362	31,502,264
TOTAL ASSETS	**45,078,743**	**46,638,211**
DEFERRED OUTFLOWS OF RESOURCES		
Pension	5,753,033	3,808,572
DEFERRED OUTFLOWS OF RESOURCES	**5,753,033**	**3,808,572**
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable, net	408,733	1,208,342
Current portion of bonds payable	167,219	160,552
Current portion of compensated absences	69,112	69,112
Accrued liabilities	311,205	518,389
Unearned Revenue	546,528	533,234
TOTAL CURRENT LIABILITIES	1,502,797	2,489,629
NONCURRENT LIABILITIES:		
Bonds payable, net	3,350,317	3,559,076
Compensated absences	822,747	822,747
Net pension liability	28,215,566	24,955,415
TOTAL NONCURRENT LIABILITIES	32,388,630	29,337,238
TOTAL LIABILITIES	**33,891,427**	**31,826,867**
DEFERRED INFLOWS OF RESOURCES		
Pension	2,292,810	2,443,513
TOTAL DEFERRED INFLOWS OF RESOURCES	**2,292,810**	**2,443,513**
NET POSITION:		
Net investment in capital assets	26,371,078	27,764,782
Restricted, Expendable	-	836,041
Unrestricted	(11,723,539)	(12,424,420)
TOTAL NET POSITION	**$ 14,647,539**	**$ 16,176,403**

See accompanying notes to the financial statements

James A. Rhodes State College Foundation
Consolidated Statement of Financial Position
June 30, 2017 and 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 569,956	$ 516,585
Investments	2,681,196	2,429,966
Pledges receivable - Net	86,799	102,447
Loans receivable - Net	16,163	17,304
Total Current Assets:	3,354,114	3,066,302
Noncurrent Assets:		
Property held for College	593,361	593,361
TOTAL ASSETS	**$ 3,947,475**	**$ 3,659,663**
LIABILITIES		
Accounts payable and related accrued liabilities	146,304	131,142
Due to James A Rhodes State College	300,000	300,000
Line of Credit	104,690	104,690
TOTAL LIABILITIES	550,994	535,832
NET ASSETS		
Unrestricted	578,764	581,135
Temporarily restricted	1,046,857	886,693
Permanently restricted	1,770,860	1,656,003
TOTAL NET ASSETS	3,396,481	3,123,831
TOTAL LIABILITIES AND NET ASSETS	**$ 3,947,475**	**$ 3,659,663**

See accompanying notes to the financial statements

James A. Rhodes State College
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2017 and 2016

	2017	2016
REVENUES		
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of $2,305,433 and $3,665,418 respectively)	$ 7,623,957	$ 7,723,107
Federal grants and contracts	778,706	1,056,066
State and local grants and contracts	335,014	456,975
Sales and services	486,692	450,223
Other operating revenues	170,214	218,201
Total operating revenues	9,394,583	9,904,572
EXPENSES		
Operating Expenses:		
Educational and general:		
Instruction	9,626,507	9,948,886
Public Service	1,773,013	1,631,637
Academic Support	1,178,834	1,144,495
Student Services	2,482,697	2,549,116
Institutional Support	4,441,688	4,428,461
Operation and Maintenance of Plant	2,084,528	2,468,385
Student Aid	1,728,308	2,121,072
Depreciation	1,955,946	1,941,445
Total operating expenses	25,271,521	26,233,497
Operating (loss)	(15,876,938)	(16,328,925)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	10,433,110	10,509,209
Federal student grants	3,818,226	4,264,046
Gifts	-	8,234
Investment income (net of investment expense)	31,797	12,369
Interest on capital asset-related debt	(125,606)	(145,759)
Other nonoperating revenues (expenses)	-	-
Net Nonoperating Revenues (Expenses)	14,157,527	14,648,099
Income (Loss) Before Other Revenues	(1,719,411)	(1,680,826)
OTHER REVENUES, EXPENSES, GAINS AND LOSSES		
Capital appropriations	190,547	426,030
Total other revenues	190,547	426,030
Increase (decrease) in net position	**(1,528,864)**	**(1,254,796)**
NET POSITION		
Net Position, Beginning of Year	16,176,403	17,431,199
Net Position, June 30	**$ 14,647,539**	**$ 16,176,403**
	$ -	

See accompanying notes to the financial statements

James A. Rhodes State College Foundation
Consolidated Statement of Activities
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions, net of bad debt and loss on pledge receivable	$ 193,009	$ 72,205	$ 114,857	$ 380,071
Interest and dividends	8,141	56,230	-	64,371
Realized and unrealized gain on investments	2,606	160,765	-	163,371
Miscellaneous income	8,500	-	-	8,500
Total Revenues	212,256	289,200	114,857	616,313
Net assets released from restrictions	129,036	(129,036)	-	-
Total Revenues, Gains and Other Support	341,292	160,164	114,857	616,313
EXPENSES				
Academic Programs	19,984	-	-	19,984
Scholarships/Grants	95,902	-	-	95,902
Management and General	214,627	-	-	214,627
Fundraising	13,150	-	-	13,150
Total Expenses	343,663	-	-	343,663
Changes in net assets	(2,371)	160,164	114,857	272,650
NET ASSETS				
Net Assets - Beginning of Year	581,135	886,693	1,656,003	3,123,831
Net Assets - End of Year	$ 578,764	$ 1,046,857	$ 1,770,860	$ 3,396,481

See accompanying notes to the financial statements

For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions, net of bad debt and loss on pledge receivable	$ 51,776	$ 21,207	$ 92,373	$ 165,356
Interest and dividends	7,495	53,248	-	60,743
Realized and unrealized gain on investments	(3,163)	(52,056)	-	(55,219)
Total Revenues	56,108	22,399	92,373	170,880
Net Assets Released from Restrictions	168,514	(168,514)	-	-
Total Revenues, Gains and Other Support	224,622	(146,115)	92,373	170,880
EXPENSES				
Academic Programs	8,152	-	-	8,152
Scholarships/Grants	154,272	-	-	154,272
Management and General	22,870	-	-	22,870
Fundraising	6,090	-	-	6,090
Total Expenses	191,384	-	-	191,384
Changes in net assets	33,238	(146,115)	92,373	(20,504)
NET ASSETS				
Net Assets - Beginning of Year	547,897	1,032,808	1,563,630	3,144,335
Net Assets - End of Year	$ 581,135	$ 886,693	$ 1,656,003	$ 3,123,831

See accompanying notes to the finanical statements

James A. Rhodes State College
Statement of Cash Flows
For the Year Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	7,917,856	7,578,187
Grants and contracts	1,600,412	2,606,448
Payments to suppliers	(3,900,034)	(4,787,206)
Payments for utilities	(770,272)	(856,922)
Payments to employees	(12,850,010)	(13,474,821)
Payments for benefits	(4,951,830)	(4,237,356)
Payments for student aid	(1,728,308)	(1,367,033)
Sales and services	486,692	480,636
Other receipts	170,214	(49,939)
Net cash (used) in operating activities	(14,025,280)	(14,108,006)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	10,433,110	10,509,209
Federal student grants	3,818,226	4,264,046
Gifts and grants for other than capital purposes	-	7,236
Student loan receipts	5,397,129	6,279,521
Student loan disbursements	(5,397,129)	(6,279,521)
Net cash provided by noncapital financing activities	14,251,336	14,780,491
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital appropriations	190,547	426,031
Principal paid on bonds payable	(202,092)	(148,031)
Interest Paid on Bonds Payable	(125,606)	(152,237)
Purchases of capital assets	(401,690)	(480,218)
Net cash (used) in capital financing activities	(538,841)	(354,455)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	31,797	12,370
Net cash provided by investing activities	31,797	12,370
NET INCREASE (DECREASE) IN CASH	(280,988)	330,400
CASH AND CASH EQUIVALENTS, Beginning of Year	9,967,679	9,637,279
CASH AND CASH EQUIVALENTS, End of Year	$ 9,686,691	$ 9,967,679
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating (loss)	(15,876,938)	(16,328,926)
Adjustments to reconcile net operating loss to net cash (used) in operating activities:		
Depreciation expense	1,955,946	1,941,444
Changes in assets and deferred outflows of resources and liabilities and deferred inflows of resources:		
Accounts receivable, net	(280,605)	890,713
Prepaid expenses	183	(122,040)
Net pension asset	4,646	2,747
Deferred outflows of resources	(1,944,461)	(2,099,331)
Accounts payable, net	(799,609)	111,732
Accrued liabilities	(207,184)	(32,621)
Unearned revenue	13,294	(179,951)
Compensated absences	-	-
Net pension liability	3,260,151	3,090,730
Deferred inflows of resources	(150,703)	(1,382,503)
Net cash (used) in operating activities	$ (14,025,280)	$ (14,108,006)

See accompanying notes to the financial statements

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, 2017 and 2016, the Foundation distributed $95,902 and $154,272 respectively for scholarships and $19,984 and $8,152 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.

B. Basis of Presentation

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

C. Basis of Accounting

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

D. Cash and Cash Equivalents

Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents represent cash held in safe, cash on deposit in banks, and cash invested in STAR Ohio. STAR Ohio is an investment pool created pursuant to Ohio statues and managed by the Treasurer of the State of Ohio. The investment objectives of STAR Ohio are the preservation of capital, the maintenance of liquidity, and providing current income. STAR Ohio is similar in concept to a registered investment company investing in redeemable securities, commonly called a "money market mutual fund." STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. As of June 30, 2017, 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 investments as of June 30, 2017 or 2016.

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

F. Accounts Receivable

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

G. Appropriations Receivable

Appropriations receivable include amounts due from the State of Ohio for completed capital projects. The College had no appropriations receivable at June 30, 2017 or 2016.

H. Capital Assets

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

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

I. Unearned Tuition and Fees

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

J. Compensated Absences

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

1. The employees' rights to receive compensation are attributable to services already rendered.

2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

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

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

K. Deferred Outflows/Inflows of Resources

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

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

L. Pensions

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

M. Net Position Classification

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

> *Net Investment in Capital Assets* – comprised of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvements of those assets.
>
> *Restricted* – represents funds that the College is legally or contractually obligated to spend in accordance with externally imposed restrictions, such as student loans or sponsored projects.

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

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

N. Operating Revenues and Expenses
The College presents its revenues and expenses as operating or non-operating based on recognition definitions per GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trusts Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include all charges to customers, grants received for student financial assistance, and interest earned on loans. Pell grants received for student financial assistance are considered non-operating revenues because they are a source of funding for the college's students. Other grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the college. Revenues from non-exchange transactions and state appropriations that represent subsidies or gifts to the College, as well as investment income, are considered non-operating since these are investing, capital, or noncapital financial activities. Revenues received from the state as capital appropriations are included in Other Revenues, Expenses, Gains and Losses. The College received $190,457 and $426,030 in revenues for capital financing activities for the fiscal years ended June 30, 2017 and 2016, respectively.

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

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

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

Q. Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosure in the notes to the financial statements. Actual results could differ from those estimates.

R. Subsequent Events

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

S. 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 consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

NOTE 2 – GASB Pronouncements adopted:

The College adopted the following GASB Pronouncements in fiscal years 2017 and 2016:

As of June 30, 2016, the College retrospectively applied Governmental Accounting Standards Board (GASB) Statement 72, Fair Value Measurement and Application. GASB Statement 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. For fiscal year 2017, the College has implemented GASB Statement No. 77, Tax Abatement Disclosures, GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans, GASB Statement No. 80, "Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14 and GASB Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. There was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financials statements of the College.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as no-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financials statements of the College.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payment made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the College.

NOTE 3 –Deposits and Investments

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

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

Cash on Hand

At June 30, 2017 and 2016, the College had $260 and $670, 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*.

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

Cash and Cash Equivalents

Accounts	2017	2016
General Checking	$ 2,371,990	$ 2,381,991
Payroll Checking	3,008,093	3,348,124
Flex Spend Account	12,399	12,784
HRA Account	37,367	13,368
Operating Cash	14,044	-
Cash on Hand	260	670
Total Cash	$ 5,444,153	$ 5,756,937

The following summarizes the value of investments at June 30:

	Investments	
Accounts	**2017**	**2016**
STAR Ohio	$ 4,165,389	$ 4,133,592
Huntington Bank	77,150	77,150
Total Cash	$ 4,242,539	$ 4,210,742

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

	2017		**2016**	
	College	**Component Unit**	**College**	**Component Unit**
Amounts insured by FDIC	$ 500,000	$ 501,883	$ 500,000	$ 517,321
Amounts collateralized by the pledged securities held by the financial instituions' trust department or agent in the name of the entity	4,929,849	28,858	5,256,268	264,614
Total Bank Balance	5,429,849	530,741	5,756,268	781,935

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above tale identifies the College's recurring fair value measurements as June 30, 2017. All investments of the College are valued using quoted market prices (level 1 inputs).

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, 2017 and 2016, the College had 98.2% of its investments in STAR Ohio and 1.8% in a Huntington Bank money market fund.

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

James A. Rhodes State College Foundation
At June 30, 2017 and 2016, the Foundation had a carrying cash balance of $569,956 and $516,585.

Investments at June 30, 2017, by major security type, were as follows:

Description		Fair Value
Common Stock	$	1,439,780
Equity Funds		591,818
Bond Funds		649,598
Total Investments	**$**	**2,681,196**

Investments at June 30, 2016, by major security type, were as follows:

Description		Fair Value
Common Stock	$	1,368,296
Equity Funds		394,330
Bond Funds		667,340
Total Investments	**$**	**2,429,966**

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

NOTE 4 – Accounts Receivable

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

		2017		2016
Tuition and fees		5,956,830		5,918,794
Less allowance for uncollectible accounts		(2,416,078)		(2,370,820)
Net tuition and fees		$3,540,752	$	3,547,974
Governmental Entities		1,375,771	$	1,082,484
Other		387,290		392,750
Accounts Receivable, net	$	5,303,813	$	5,023,208

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
June 30, 2017 and 2016

NOTE 5 – Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	July 1, 2016	Additions	Sales/Other Dispositions	June 30, 2017
Non-depreciable capital assets:				
Construction in progress	$ 481,808	-	-	$ 481,808
Total non-depreciable assets	481,808	-		481,808
Depreciable capital assets:				
Land Improvements	1,188,246	195,547	-	1,383,793
Infrastructure	187,833	-	-	187,833
Buildings & Improvements	40,646,338	105,297	-	40,751,635
Moveable Equipment	10,176,124	47,802	-	10,223,926
Library Books	1,383,839	53,044	-	1,436,883
Total depreciable assets	53,582,380	401,690	-	53,984,070
Less Accumulated Depreciation:				
Land Improvements	686,924	83,154	-	770,079
Infrastructure	118,699	6,780	-	125,480
Buildings & Improvements	14,562,759	1,207,894	-	15,770,653
Moveable Equipment	6,070,769	610,808	-	6,681,577
Library Books	1,140,625	47,310	-	1,187,935
Total accumulated depreciation	22,579,776	1,955,946	-	24,535,724
Total depreciable assets, net	31,002,602	(1,554,256)		29,448,346
Total capital assets, net	**$ 31,484,410**	**(1,554,256)**	**-**	**$ 29,930,154**

Capital asset activity for the year ended June 30, 2016 was as follows:

	July 1, 2015	Additions	Sales/Other Dispositions	June 30, 2016
Non-depreciable capital assets:				
Construction in progress	$ 75,860	$ 405,948	$ 0	$ 481,808
Total non-depreciable assets	75,860	405,948	0	481,808
Depreciable capital assets:				
Land Improvements	1,188,246	0	0	1,188,246
Infrastructure	187,833	0	0	187,833
Buildings & Improvements	40,646,338	0	0	40,646,338
Moveable Equipment	10,156,041	20,083	0	10,176,124
Library Books	1,329,653	54,186	0	1,383,839
Total depreciable assets	53,508,111	74,269	0	53,582,380
Less Accumulated Depreciation:				
Land Improvements	620,065	66,859	0	686,924
Infrastructure	111,919	6,780	0	118,699
Buildings & Improvements	13,387,152	1,175,607	0	14,562,759
Moveable Equipment	5,425,120	645,649	0	6,070,769
Library Books	1,094,077	46,548	0	1,140,625
Total accumulated depreciation	20,638,333	1,941,445	0	22,579,776
Total depreciable assets, net	32,869,778	(1,867,176)	0	31,002,602
Total capital assets, net	**$ 32,945,638**	**$ (1,462,228)**	**$ 0**	**$ 31,484,410**

<u>State Appropriations not reflected in Statement of Revenues, Expenses and Changes in Net Position</u>

The College receives funding for projects and renovations through state appropriations. These appropriations are not reflected on the Statement of Revenues, Expenses and Changes in Net Position as non-operating revenues until released. Release of these funds for spending requires the approval of the Board of Regents and the State Controlling Board. As of June 30, 2017, the College had released $690,403 which has been applied to current projects and $13,285,242 available for future projects as follows:

Appropriation Line Item Description	Appropriation	Allotted (Released)	Remaining (Unreleased)
Basic Renovations	$213,901	$-0-	$213,901
Workforce Based Training and Equip	108,500	-0-	108,500
Design Plan Excellence Health Science	1,048,505	-0-	1,048,505
Cook Hall Renovations	334,000	267,403	66,597
Energy Efficiency Upgrades	300,000	-0-	300,000
Center for Health Science Ed & Innv	10,000,000	-0-	10,000,000
IT Infrastructure	959,739	52,000	907,739
Road and Parking Resurfacing	371,000	371,000	-0-
Completion Plan Outcome	100,000	-0-	100,000
Boiler Replacement-Countryman	120,000	-0-	120,000
Reed Hall Renovations	225,000	-0-	225,000
Campus Safety Upgrades	195,000	-0-	195,000
	$13,975,645	**$690,403**	**$13,285,242**

NOTE 6 – Accrued Liabilities

Accrued liabilities consist of the following as of June 30:

	2017	**2016**
Accrued wages	$ 328,383	$ 383,304
Accrued benefits payable	(17,178)	135,085
Total	**$ 311,205**	**$ 518,389**

NOTE 7 – Long-Term Obligations

Changes in long-term obligations of the College during fiscal years 2017 and 2016 was as follows:

	Balance June 30, 2016	**Additions**	**Reductions**	**Ending Balance June 30, 2017**	**Amounts Due in One Year**
Special Obligation Bonds:					
Series 2013 Variable					
Rate Bonds 3.375-3.75%	$ 3,595,302	$ -	$194,873	$ 3,400,429	$160,000
Premium on Bonds	124,326	-	7,219	117,107	7,219
Total Special Obligation Bonds	3,719,628	-	202,092	3,517,536	167,219
Other Long-Term Obligations:					
Compensated Absences	891,859	-	-	891,859	69,112
Net Pension Liability	24,955,415	3,260,151	-	28,215,566	-
Total Long-Term Obligations	$29,566,902	$3,260,151	$202,092	$32,555,849	$236,331

	Restated Balance June 30, 2015	Additions	Reductions	Ending Balance June 30, 2016	Amounts Due in One Year
Special Obligation Bonds:					
Series 2013 Variable					
Rate Bonds 3.375-3.75%	$ 3,743,334	$ -	$ 148,032	$ 3,595,302	$ 153,333
Premium on Bonds	131,544	-	7,218	124,326	7,219
Total Special Obligation Bonds	3,874,878	-	155,250	3,719,628	160,552
Other Long-Term Obligations:					
Compensated Absences	891,859	-	-	891,859	69,112
Net Pension Liability	21,864,685	3,090,730	-	24,955,415	-
Total Long-Term Obligations	$ 26,631,422	$ 3,090,730	$ 155,250	$29,566,902	$ 229,664

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

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

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

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

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

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

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

Fiscal Year	Principal	Interest	Total
2018	$ 160,000	$ 128,225	$ 288,225
2019	163,333	123,475	286,808
2020	168,333	117,475	285,808
2021	176,333	110,713	287,046
2022	180,000	103,663	283,663
2023-2027	1,016,667	405,071	1,421,738
2028-2032	1,210,000	207,413	1,417,413
2033-2034	325,763	17,313	343,076
Total	$ 3,400,429	$ 1,213,348	$ 4,613,777

NOTE 8 – Lease Commitments

The College has entered into leases for duplicating equipment on a monthly basis. Future minimum lease payments under these leases are $32,061 due in 2018.

Operating lease expenditures for the year ending June 30, 2017 and 2016 was $32,061 and $32,255, respectively.

NOTE 9 - State Support

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

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

The College facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of the State of Ohio. If sufficient monies are not available from this fund, the Ohio Board of Regents may assess a special fee uniformly applicable in state-assisted institutions of higher education throughout the state. There were no fees assessed in 2017 or 2016.

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

NOTE 10 – Defined Benefit Pension Plans

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

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature.

Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - State Teachers Retirement System - STRS

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

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

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year June 30, 2017, the employer rate was 14% and the member rate was 14% of covered payroll. The statutory employer rate for fiscal year 2016 and subsequent years is 14%. The statutory member contribution rate increased to 14% on July 1, 2016. The College was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS Ohio was $820,964 for fiscal year 2017. The entire contribution has been made.

Plan Description - Ohio Public Employees Retirement System

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

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, 2017 and 2016, the contribution rate for members in the state and local classification remained 10 percent.

The College's contribution rate for members in state and local classifications for the fiscal year ended June 30, 2017 was 14.0 percent. State statute sets a maximum contribution rate for the College of 14.0 percent.

The College's contractually required contribution to OPERS was $232,506 for fiscal year 2017. The entire contribution has been made.

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

The net pension liability reported as of June 30, 2017 was measured as of June 30, 2016 for STRS and December 31, 2016 for OPERS, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	STRS	OPERS Traditional	OPERS Combined	Total
Proportionate Share of the Net Pension Liability (Asset)	$ 21,913,105	$ 6,302,461	$ (13,208)	$ 28,202,358
Proportion of the Net Pension Liability/Asset - Prior Year	0.07209133%	0.029048%	0.036720%	
Proportion of the Net Pension Liability/Asset - Current Year	0.06546499%	0.027754%	0.023731%	
Change in Proportion	-0.00662634%	-0.00129400%	-0.01298900%	
Pension Expense	$ 1,132,435	$ 1,079,468	$ 11,200	$ 2,223,103

At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	STRS	OPERS Traditional	OPERS Combined	Total
Differences between expected and actual economic experience	$ 885,394	$ 8,542	$ -	$ 893,936
Differences between projected and actual investment earnings	1,819,376	938,582	3,223	2,761,181
Changes of assumptions	-	999,648	3,219	1,002,867
Changes in proportion and differences between College contributions and proportionate share of contributions	-	40,327	1,252	-
College contributions subsequent to the measurement date	820,964	229,041	3,465	1,053,470
Total	$ 3,525,734	$ 2,216,140	$ 11,159	$ 5,711,454

Deferred Inflows of Resources	STRS	OPERS Traditional	OPERS Combined	Total
Differences between expected and actual economic experience	$ -	$ 37,510	$ 7,087	$ 44,597
Changes in proportion and differences between College contributions and proportionate share of contributions	2,048,863	193,246	6,104	2,248,213
Total	$ 2,048,863	$ 230,756	$ 13,191	$ 2,292,810

$1,053,470 reported as deferred outflows of resources related to pension resulting from the College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS	OPERS Traditional	OPERS Combined	Total
Fiscal Year Ending June 30:				
2018	$ (131,653)	$ 687,478	$ (344)	$ 555,481
2019	(131,652)	766,998	(343)	635,003
2020	573,237	329,380	(483)	902,134
2021	345,975	(27,513)	(1,623)	316,839
2022	0	0	(1,504)	(1,504)
Thereafter	0	0	(1,200)	(1,200)
Total	$ 655,907	$ 1,756,343	$ (5,497)	$ 2,406,753

Actuarial Assumptions – STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above.

Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Asset Class	Target Allocation	10 Year Expected Nominal Rate of Return*
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

* Includes the real rate of return and inflation of 2.5% and does not include investment expenses.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	$29,120,737	$21,913,105	$15,833,044

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the College's NPL is expected to be significant.

Actuarial Assumptions – OPERS
The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Projected Salary increase	3.25 -10.75% (Traditional; 3.25% - 8.25% Combined)
Investment Rate of Return	7.50 percent
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3 percent simple Post-1/7/2013 Retirees: 3 percent simple through 2018, then 2.15% simple

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Discount Rate
The discount rate used to measure the total pension liability was 7.5%, post-experience study results, for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return.

Asset Class	Target Allocation For 2016	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	18.00	4.92
Total	100.00 %	5.66%

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

The following table presents the College proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what The College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net pension liability (asset):			
OPERS Traditional	$9,628,418	$6,302,461	$3,530,864
OPERS Combined	$949	($13,208)	($24,206)

Average Remaining Service Life

GASB 68 requires that changes arising from differences between expected and actual experience or from changes in actuarial assumptions be recognized in pension expense over the average remaining service life of all employees provided with benefits through the pension plan (active and inactive). As of December 31, 2015, the average of the expected remaining service lives of all employees calculated by our external actuaries for the Traditional Pension Plan was 3.0856 years and for the Combined Plan was 9.1304 years. These amounts were used when calculating elements of pension expense subject to amortization requirements as defined in GASB 68 and reported in the Schedule of Collective Pension Amounts.

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, 2017, 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, 2017 was $477,474; 100 percent has been contributed for fiscal year 2017.

NOTE 11 – Postemployment Benefits

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The College's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $0, $0, and $0, respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

<u>Ohio Public Employees Retirement System</u>

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2016 CAFR for details.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care.
The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0 percent during calendar year 2017. Effective, January, 2017, the portion of employer contributions allocated to health care was 1.0% for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their

surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The College's contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015 were approximately $34,712, $39,641, and $33,335 respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

NOTE 12 – Risk Management -Property and Liability

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of property; errors and omissions; injuries to third parties; automobile damage; and commercial crime. As a risk transfer technique, the College contracted with various insurance underwriters in fiscal year 2017 for specific types of insurance.

Insurance policies in place during fiscal year 2017 include the following:

Description of Coverage	Insurance Carrier	Limit of Liability
"All Risk" Property	Lexington Insurance Co. (AIG)	$1,000,000,000
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

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

NOTE 13 - Cost Share Agreement

According to the cost sharing agreement entered into as of July 1, 1971 between The Ohio State University-Lima Campus (the "University") and the College, the College reimburses the University for costs incurred in the following areas: academic instruction, library, student services, student activities, institutional support, plant operation and community educational services. The College and the University incur ongoing expenses that approximate each institution's share of the total expense. At the end of each quarter, both institutions complete summaries of their actual incurred expenses and a payment is made to the University or College based on estimated costs using formulas as prescribed in the cost sharing agreement. The total cost of shared services, net of shared income, was $3,833,128 and $3,797,613 for the fiscal years ended June 30, 2017 and June 30, 2016 respectively. The majority of the expenditures were incurred for plant operations. Based upon the various formulas, the College's share was 67.8% and 66.9% of the total expenses, net of total shared income, for the fiscal years ending June 30, 2017 and June 30, 2016 respectively. At June 30, 2017, the College owed the University $133,752 for the year ending June 30, 2017 which is included in accounts payable, on the Statement of Net Position.

NOTE 14 – Operating Expenses by Natural Classification

The College's operating expenses by natural classification for the years ended June 30, 2017 and 2016 were as follows:

	2017	2016
Salaries and wages	$ 12,344,019	$ 13,447,296
Employee benefits	4,756,843	3,843,904
Supplies	1,106,684	1,228,125
Travel	347,021	408,559
Information and communication	799,438	812,523
Maintenance	1,036,822	1,650,197
Utilities	739,941	856,922
Student scholarships and financial aid	1,728,308	1,367,033
Other	456,498	677,493
Depreciation	1,955,947	1,941,444
Total operating expenses	**$ 25,271,521**	**$ 26,233,497**

NOTE 15 – Contingencies

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

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, 2017.

NOTE 16 – James A. Rhodes State College Foundation

Restrictions and Limitations on Net Asset Balances
Temporarily restricted net assets are available for the following purposes:

	2017	2016
Gifts and other donations available for:		
Schell Foundation Loan Fund	$ 42,048	$ 39,098
Instructional programs	445,809	377,716
Scholarships	559,000	469,879
Total gifts and other donations	**$ 1,046,857**	**$ 886,693**

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

	2017	2016
Instructional Programs	$ 19,984	$ 8,152
Fundraising	13,150	6,090
Scholarships	95,902	154,272
Total	**$ 129,036**	**$ 168,514**

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

Permanently restricted net assets are available for the following purposes:

	2017	2016
Scholarships	$ 1,770,860	$ 1,656,003
Total	**$ 1,770,860**	**$ 1,656,003**

NOTE 17 – James A. Rhodes State College Foundation

Fair Value Measurements

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

The following table presents information about the Foundation's assets that are measured at fair value on a recurring basis at June 30, 2017 and 2016, and the valuation techniques used by the Foundation to determine those fair values.

- Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets.

- Fair values categorized as Level 2 inputs use other inputs that are observable, either directly or indirectly. The equity and bond funds included in Level 2 at June 30, 2017 and 2016 are valued using market techniques which include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

- Fair values categorized as Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset. There were no Level 3 investments at June 30, 2017 and 2016.

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

Fair Value Measurements at June 30, 2017

Description	Level 1	Level 2	Total
Common Stock Types:			
Basic Materials	$ 104,154	$ -	$ 104,154
Communications	105,268	-	$ 105,268
Consumer	364,296	-	364,296
Financial	243,207	-	243,207
Health Care	215,334	-	215,334
Industrial	140,964	-	140,964
Technology	228,583	-	228,583
Technology	37,976	-	37,976
Total-Common Stock Types	$ 1,439,780	$ -	$ 1,439,780
Equity Fund Types:			
Real Estate Investment Trust	$ -	$ 71,162	$ 71,162
Small Cap Funds	-	26,028	26,028
Mid Cap Funds	-	144,083	144,083
Index Funds	-	350,546	350,546
Total-Equity Fund Types	$ -	$ 591,818	$ 591,818
Bond Fund Types:			
Other Bond Funds	$ -	$ 649,598	$ 649,598
Total-Bond Fund Types	$ -	$ 649,598	$ 649,598
Total - Investments	**$ 1,439,780**	**$ 1,241,416**	**$ 2,681,196**

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2017 and 2016

Fair Value Measurements at June 30, 2016

Description		Level 1		Level 2		Total
Common Stock Types:						
Basic Materials	$	33,465	$	-	$	33,465
Communications		148,312		-		148,312
Consumer		506,117		-		506,117
Energy		37,776		-		37,776
Financial		145,444		-		145,444
Health Care		208,202		-		208,202
Industrial		144,353		-		144,353
Technology		106,752				106,752
Technology		37,875		-		37,875
Total-Common Stock Types	$	1,368,296	$	-	$	1,368,296
Equity Fund Types:						
Real Estate Investment Trust	$	-	$	75,813	$	75,813
Small Cap Funds		-		21,717		21,717
Index Funds		-		296,800		296,800
Total-Equity Fund Types	$	-	$	394,330	$	394,330
Bond Fund Types:						
Other Bond Funds	$	-	$	667,340	$	667,340
Total-Bond Fund Types	$	-	$	667,340	$	667,340
Total - Investments	**$**	**1,368,296**	**$**	**1,061,670**	**$**	**2,429,966**

NOTE 18 – James A. Rhodes State College Foundation

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

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

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

Endowment Net Asset Composition by Type of Fund as June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ (261)	$ 700,424	$ 1,770,860	$ 2,471,023
Total Funds	**$ (261)**	**$ 700,424**	**$ 1,770,860**	**$ 2,471,023**

Changes in Endowment Net Assets for Fiscal Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, beginning of year	$ (735)	$ 555,125	$ 1,656,003	$ 2,210,393
Contributions, net of allowance	-	-	114,857	114,857
Investment Income	163	57,024	-	57,187
Realized and unrealized gains and losses	556	200,718	-	201,274
Investment Expenses	(45)	(15,209)	-	(15,254)
Appropriation of endowment assets for expenditures	(200)	(97,234)	-	(97,434)
Net Assets, end of year	**$ (261)**	**$ 700,424**	**$ 1,770,860**	**$ 2,471,023**

Endowment Net asset Composition by Type of Fund as June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ (735)	$ 555,125	$ 1,656,003	$ 2,210,393
Total Funds	**$ (735)**	**$ 555,125**	**$ 1,656,003**	**$ 2,210,393**

Changes in Endowment Net Assets for Fiscal Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, beginning of year	$ (546)	$ 684,419	$ 1,563,630	$ 2,247,503
Contributions, net of allowance	-	-	92,373	92,373
Investment Income	110	50,647	-	50,757
Realized and unrealized gains and losses	(67)	(49,270)	-	(49,337)
Investment Expenses	(32)	(14,064)	-	(14,096)
Appropriation of endowment assets for expenditures	(200)	(116,607)	-	(116,807)
Net Assets, end of year	**$ (735)**	**$ 555,125**	**$ 1,656,003**	**$ 2,210,393**

Endowment Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. The deficiency was $261 at June 30, 2017. The deficiency resulted from unfavorable market fluctuations.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, approved by the Board of Directors, the endowment assets are invested to manage the contributions in a manner that will maximize the benefit intended by the donor, produce current income to support the programs of the College and donor objectives, and achieve growth of both principal value and income over time sufficient to preserve or increase the purchasing power of the assets, thus protecting the assets

against inflation. The long term annualized total net rate of return objective is inflation plus five percent. Investment objectives will be achieved by maximizing total return consistent with prudent risk limits. Actual returns in any given year may vary from this amount.
To satisfy its long term net rate of return objective, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and from current yield (interest and dividends).

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

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

NOTE 19 – James A. Rhodes State College Foundation

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

The minimum loan is $500 and the maximum loan is $2,500. Students are to repay these loans at no interest beginning six months after graduation. The Foundation collected $3,341 and $0 in student repayments in fiscal year 2017 and 2016. The Foundation does not pursue collections on these loans. Because these are programmatic investments the amounts are classified as operating in the statement of cash flows.

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

NOTE 20 – James A. Rhodes State College Foundation

Lima Community Foundation

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

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

	2017	2016
John J. and Martha M. Hudson Scholarship Fund	$ 9,515	$ 8,650
James J. Countryman Scholarship Fund	$ 43,181	$ 39,093
Thomas R. and Gloria P. Leech Scholarship Fund	$ 18,809	$ 16,638

Scholarship awards made from each of these funds for the fiscal years 2017 and 2016 was as follows:

	2017	2016
James J. Countryman Scholarship Fund	$ 1,590	$ 1,590
Thomas R. and Gloria P. Leech Scholarship Fund	$ 642	$ 642

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

NOTE 21 – James A. Rhodes State College Foundation

Rhodes State College Foundation Lima, LLC

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

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

	2016	2015	2014	2013
Total plan pension liability	$ 100,756,422,489	$99,014,653,744	$96,167,057,104	$94,366,693,720
Plan net position	67,283,408,184	71,377,578,736	71,843,596,331	65,392,746,348
Net pension liability	$ 33,473,014,305	$27,637,075,008	$24,323,460,773	$28,973,947,372
College's proportion of the net pension liability	0.06546499%	0.07209133%	0.07483742%	0.07483742%
College's proportionate share of the net pension liability	$ 21,913,105	$ 19,923,935	$ 18,203,050	$ 21,683,355
College's covered-employee payroll	$ 7,521,521	$ 7,487,107	$ 7,646,315	$ 7,291,992
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	291.30%	266.10%	238.10%	297.40%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2013 not available.

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

	2016	2015	2014	2013
Total plan pension liability	$99,817,932,954	$91,534,000,000	$89,017,348,266	$86,407,229,435
Plan net position	77,109,633,485	74,213,000,000	76,956,230,642	74,618,532,269
Net pension liability	$22,708,299,469	$17,321,000,000	$12,061,117,624	$11,788,697,166
College's proportion of the net pension liability	0.027754%	0.029048%	0.030359%	0.030359%
College's proportionate share of the net pension liability	$ 6,302,461	$ 5,031,404	$ 3,661,635	$ 3,578,931
College's covered-employee payroll	$ 5,541,120	$ 5,650,980	$ 5,889,070	$ 5,811,540
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	113.74%	89.04%	62.18%	61.58%
Plan fiduciary net position as a percentage of the total pension liability	77.25%	81.08%	86.45%	86.36%

Note: Information prior to 2013 not available.

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

	2016	2015	2014	2013
Net pension asset	$ 55,656,903	$ 48,622,078	$ 38,502,348	$ 10,492,992
College's proportion of the net pension asset	0.036720%	0.036720%	0.053505%	0.053505%
College's proportionate share of the net pension asset	$ 20,437	$ 17,854	$ 20,601	$ 5,614
College's covered-employee payroll	$ 187,000	$ 258,536	$ 746,189	$ 711,560
College's proportionate share of the net pension asset as a percentage of its covered-employee payroll	10.93%	6.91%	2.76%	0.79%
Plan fiduciary net position as a percentage of the total pension asset	116.55%	81.10%	71.70%	65.50%

Note: Information prior to 2013 not available.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 820,964	$ 1,053,013	$ 1,048,195	$ 994,021	$ 947,959	$ 979,334	$ 1,115,689	$ 1,096,841	$ 996,829	$ 1,001,404
Contributions in relation to the contractually required contribution	(820,964)	(1,053,013)	(1,048,195)	(994,021)	(947,959)	(979,334)	(1,115,689)	(1,096,841)	(996,829)	(1,001,404)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College covered-employee payroll	$ 5,864,029	$ 7,521,521	$ 7,487,107	$ 7,646,315	$ 7,291,992	$ 7,533,338	$ 8,582,223	$ 8,437,238	$ 7,667,915	$ 7,703,108
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 495,103	$ 554,112	$ 565,098	$ 588,907	$ 581,154	$ 585,419	$ 476,662	$ 361,727	$ 268,022	$ 296,115
Contributions in relation to the contractually required contribution	(495,103)	(554,112)	(565,098)	(588,907)	(581,154)	(585,419)	(476,662)	(361,727)	(268,022)	(296,115)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 4,951,030	$ 5,541,120	$ 5,650,980	$ 5,889,070	$ 5,811,540	$ 5,854,190	$ 5,153,103	$ 4,452,025	$ 4,123,415	$ 3,701,438
Contributions as a percentage of covered employee payroll	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	9.25%	8.12%	6.50%	8.00%

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

	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 7,000	$ 22,440	$ 34,075	$ 59,322	$ 56,569	$ 47,416	$ 50,381	$ 47,992
Contributions in relation to the contractually required contribution	(7,000)	(22,440)	(34,075)	(59,322)	(56,569)	(47,416)	(50,381)	(47,992)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 58,333	$ 187,000	$ 258,536	$ 746,189	$ 711,560	$ 596,428	$ 633,723	$ 603,673
Contributions as a percentage of covered employee payroll	12.00%	12.00%	13.18%	7.95%	7.95%	7.95%	7.95%	7.95%

Note: Information prior to 2010 not available.

James A. Rhodes State College
Allen County, Ohio
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2017

Federal Grantor/ Pass Through Grantor/ Program Title	Agency or Pass Through Entity Number	Federal CFDA Number	Pass Through Disbursements	Disbursements
United States Department of Education				
Direct from the Federal Agency				
Student Financial Aid Cluster:				
Federal Work-Study Program	N/A	84.033	$ -	$ 69,655
Federal Supplemental Educational Opportunity Grants (FSEOG)	N/A	84.007	-	72,068
Federal Pell Grant Program	N/A	84.063	-	3,818,226
Federal Direct Student Loans	N/A	84.268		5,409,403
Total Student Financial Aid Cluster			-	9,369,352
Passed through the Ohio Department of Education				
Career and Technical Education - Basic Grants to States	CDP-P	84.048	-	116,974
Total Passed through the Ohio Department of Education			-	116,974
Total United States Department of Education			-	9,486,326
National Science Foundation				
Direct from the Federal Agency				
Education and Human Resources - ATE	N/A	47.076	-	17,033
Total National Science Foundation			-	17,033
Department of Justice				
Direct from the Federal Agency				
Edward Byrne Memorial Competitive Grant Program	N/A	16.751	-	28,940
Total Department of Justice			-	28,940
United States Department of Labor				
Passed through Henry Ford Community College				
Trade Adjustment Assistance Community College and Career Training (TAACCCT)	TC-23767-12-60-A-26	17.282	-	34,989
Passed through Lorain County Community College				
Trade Adjustment Assistance Community College and Career Training (TAACCCT)	TC-26435-14-60-A-39	17.282	-	284,040
Total United States Department of Labor			-	319,029
United States Department of Health and Human Services				
Passed through the Substance Abuse and Mental Health Services Administration				
Campus Suicide Prevention Grant	N	93.240	-	70,598
Passed through the Ohio Dept of Job and Family Services				
Child Care and Development Block Grant	N	93.575	-	3,400
Total United States Department of Health and Human Services			-	73,998
United States Department of Housing and Urban Development				
Passed through the City of Lima, Ohio				
Community Development Block Grant	N	14.218	-	7,246
Total United States Department of Housing and Urban Development			-	7,246
United States Department of Commerce				
Passed through ODSA \ CIFT				
Manufacturing Extension Partnership	13-069	11.611	-	106,357
Total United States Department of Commerce			-	106,357
Small Business Administration				
Passed through Ohio Department of Development				
Small Business Development Centers	DEVFR036	59.037	-	141,942
Total Small Business Administration			-	141,942
Total Federal Financial Assistance			$ -	$ 10,180,871

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, 2017

NOTE 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of James A. Rhodes State College (the College) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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

NOTE 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The College has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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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CERTIFIED PUBLIC ACCOUNTANTS

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and the discretely presented component unit of James A. Rhodes State College, Allen County, (the College), as of and for the year ended June 30, 2017, 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 22, 2017.

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.

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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.

BHM CPA Group

BHM CPA Group Inc.
Columbus, Ohio
December 22, 2017

bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

To the Board of Trustees:

Report on Compliance for the 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) *Compliance Supplement* that could directly and materially affect James A. Rhodes State College's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the College's major federal program.

Management's Responsibility

The College's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the College's compliance for the College's major federal program 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 the audit requirements of Title 2 *U.S.* Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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.

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

Opinion on the Major Federal Program

In our opinion, the James A. Rhodes State College complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

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 the Uniform Guidance, 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 the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

BHM CPA Group

BHM CPA Group Inc.
Columbus, Ohio
December 22, 2017

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1. SUMMARY OF AUDITOR′ S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control 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 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Aid Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > $750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted

Dave Yost • Auditor of State

JAMES A RHODES STATE COLLEGE

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 23, 2018

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