James A. Rhodes State College

Basic Financial Statements

June 30, 2018

PLATTENBURG
Certified Public Accountants

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 Plattenburg & Associates, Inc., for the audit period July 1, 2017 through June 30, 2018. 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

December 31, 2018

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James A. Rhodes State College
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PLATTENBURG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the James A. Rhodes State College (the College), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 the College, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matters

As discussed in Note 2 to the financial statements, during the year ended June 30, 2018, the College adopted the provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of pension information and other postemployment benefit information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 19, 2018

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2018
(Unaudited)

James A. Rhodes State College (the "College") Management's Discussion and Analysis (MD&A) presents an overview of its financial condition and assists the reader in focusing on significant financial issues for the year ended June 30, 2018. 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 2018 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 2017. The College still remains the most affordable option for higher education in our region.

Total state appropriations remained relative flat, $10.4 million in both fiscal years 2018 and 2017. 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 $17.5 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 an approximately 50,000 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 one year of changes in operations and financial position due to the implementation of Governmental Accounting Standards Board (GASB) Statement number 75. There was not sufficient prior year audited information from the state retirement systems for the College to be able to restate expenses in the changes in operations for the prior year. 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)

	2018	2017*
ASSETS		
Current Assets	$16,262	$15,136
Noncurrent Assets	29,925	29,943
Total Assets	46,187	45,079
DEFERRED OUTFLOWS	5,143	5,771
LIABILITIES		
Current Liabilities	1,500	1,503
Noncurrent Liabilities	25,409	38,669
Total Liabilities	26,909	40,172
DEFERRED INFLOWS	7,241	2,293
NET POSITION		
Net Investment in Capital Assets	26,576	26,371
Unrestricted (Deficit)	(9,396)	(17,986)
Total Net Position	$17,180	$8,385

*Has been restated for comparison purposes; see Note 16

The net pension liability (NPL) is the largest single liability reported by the College at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the College adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the College's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal 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 notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan 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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the College's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows. As a result of implementing GASB 75, the College is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $14,647,539 to $8,384,718.

As of June 30, 2018, the College's total assets were $46.2 million compared to $45.1 million in fiscal year 2017. This difference in total assets is primarily the result of an increase in cash and cash equivalents and a decrease in Accounts Receivable. Capital assets, net of accumulated depreciation, are the college's largest asset and represent 64.8% and 66.4% of total assets for fiscal years 2018 and 2017, respectively. Cash and cash equivalents are the second largest asset category at $10.9 million and $9.7 million for fiscal years 2018 and 2017, respectively. This represents 23.6% and 21.5% of the total assets for fiscal years 2018 and 2017, respectively.

Capital Assets

The total cost of capital assets was $56.4 million and $54.4 million for fiscal years 2018 and 2017, respectively. The accumulated depreciation was $26.5 million and $24.5 million for fiscal years 2018 and 2017, respectively. Depreciation expense for the fiscal years ended June 30, 2018 and 2017 were $1.9 million and $2.0 million, respectively.

Liabilities

As of June 30, 2018, the College's liabilities were $26.9 million compared to $40.2 million in fiscal year 2017. Net Pension Liability represents the largest portion of the liabilities, with $16.7 million in fiscal year 2018 and $28.2 million in fiscal year 2017. Net OPEB Liability represents $4.5 million in fiscal year 2018 and $6.3 million in fiscal year 2017. Bonds payable, net, $3.3 million, compared to $3.5 million for fiscal years 2018 and 2017, respectively. Bonds payable represents approximately 12.4% and 10.4% of total liabilities for fiscal years 2018 and 2017, respectively.

Net Position

Net position as of June 30, 2018, was $17.2 million compared to $8.4 million as of June 30, 2017, as restated.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

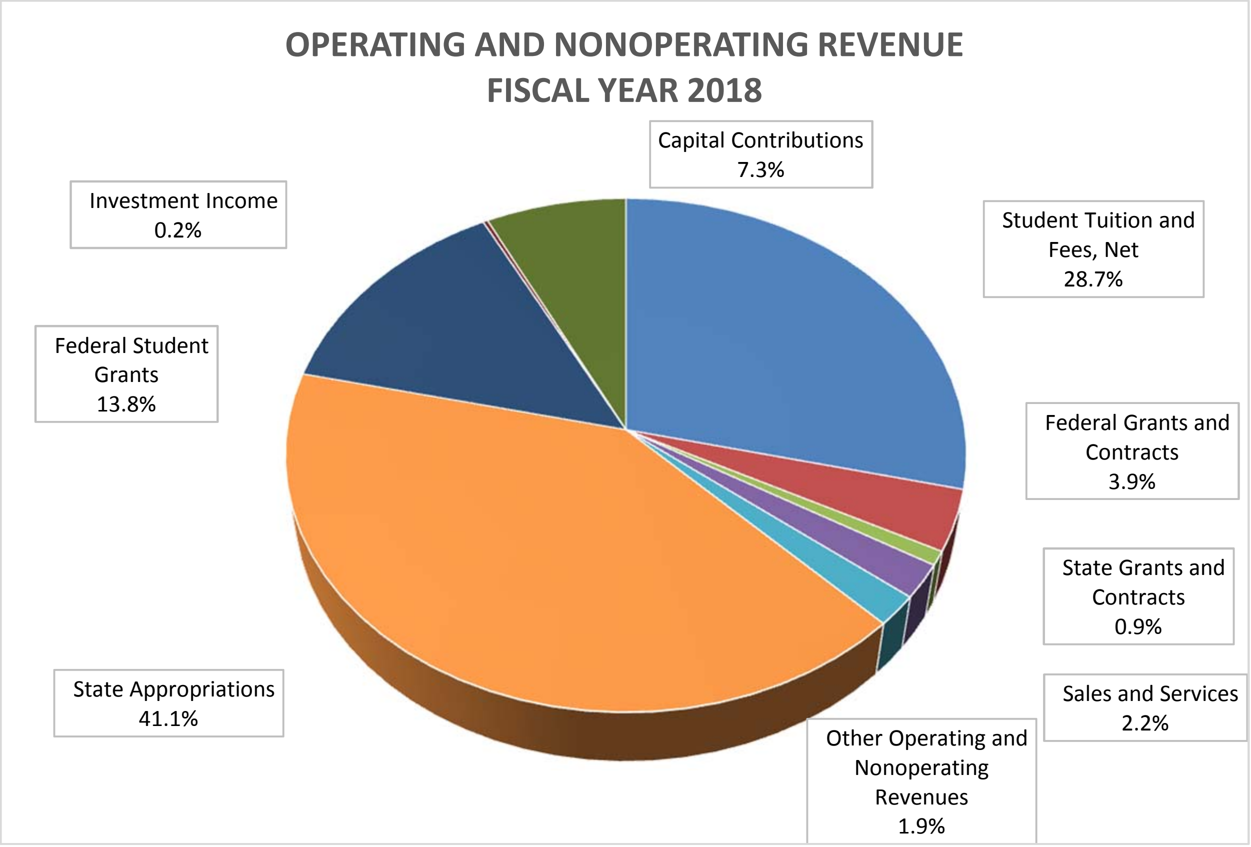
James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2018
(Unaudited)

CONDENSED FINANCIAL INFORMATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
WITH COMPARATIVE INFORMATION FOR 2017
(thousands)

	2018	2017 *
OPERATING REVENUES		
Student Tuition and Fees, Net	$7,252	$7,624
Federal Grants and Contracts	977	779
State Grants and Contracts	225	335
Sales and Services	544	487
Other Operating Revenues	488	170
Total Operating Revenues	9,486	9,395
OPERATING EXPENSES		
Educational and General	14,458	23,316
Depreciation	1,942	1,956
Total Operating Expenses	16,400	25,272
Operating Loss	(6,914)	(15,877)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	10,382	10,433
Federal Student Grants	3,494	3,818
Gifts	12	-
Investment Income	61	32
Other Nonoperating Revenue (Expenses)	7	-
Interest on Capital Asset-Related Debt	(102)	(125)
Net Non-Operating Revenues (Expenses)	13,854	14,158
OTHER REVENUE		
Capital contributions – donated assets	537	-
Capital contributions- capital appropriations	1,318	191
Increase (Decrease) in Net Position	8,795	(1,528)
Net Position, Beginning of Year *	8,385	N/A
Net Position, End of Year	**$17,180**	**$8,385**

* - Fiscal year 2018 beginning net position was restated for the implementation of GASB 75; however, the fiscal year 2017 column was not restated as sufficient audited information was not available from the state retirement systems to restate 2017 expenses.

The following is a graphic illustration of revenues by source for the year ended June 30, 2018 with comparative information for 2017:



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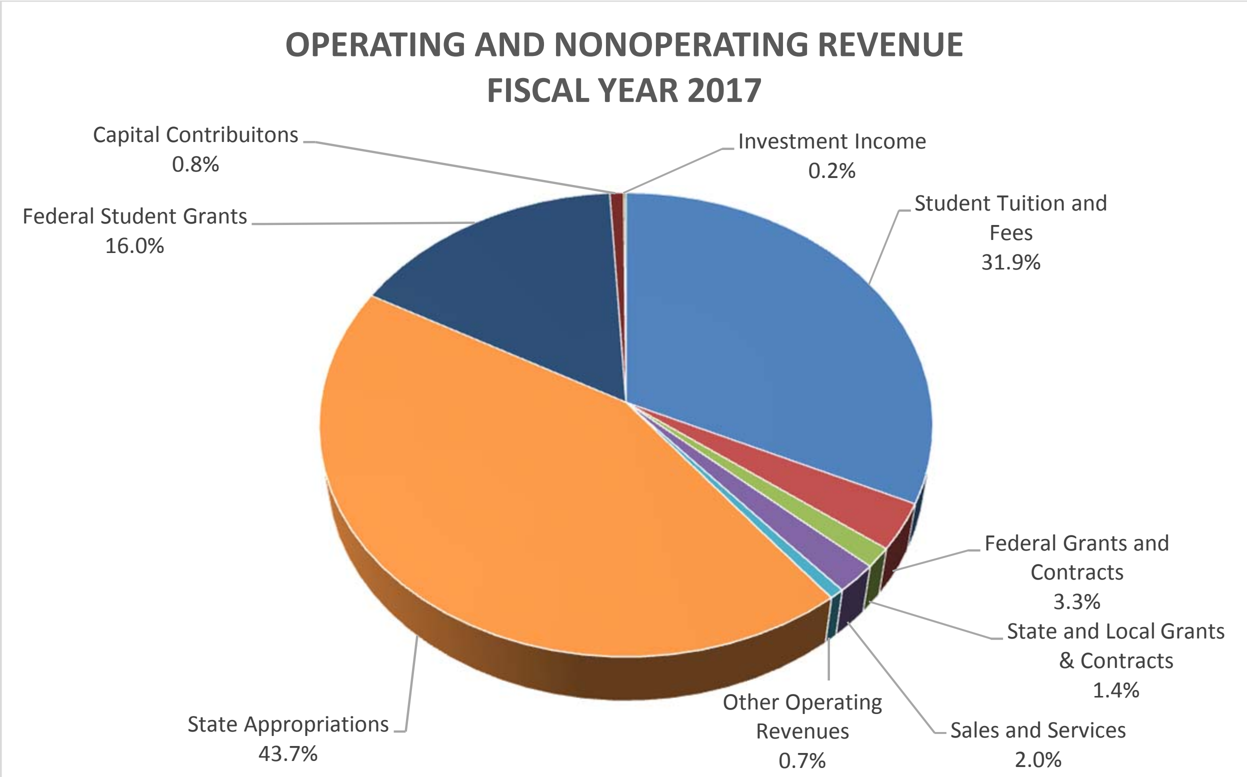

The College's largest sources of revenues are State appropriations at 41.1%, student tuition and fees (net of scholarship allowance) at 28.7%, and Federal student grants at 13.8% for fiscal year 2018. Total operating and non-operating revenues were $25.3 million for fiscal year 2018 and $23.9 million for 2017 (comparative information), respectively.

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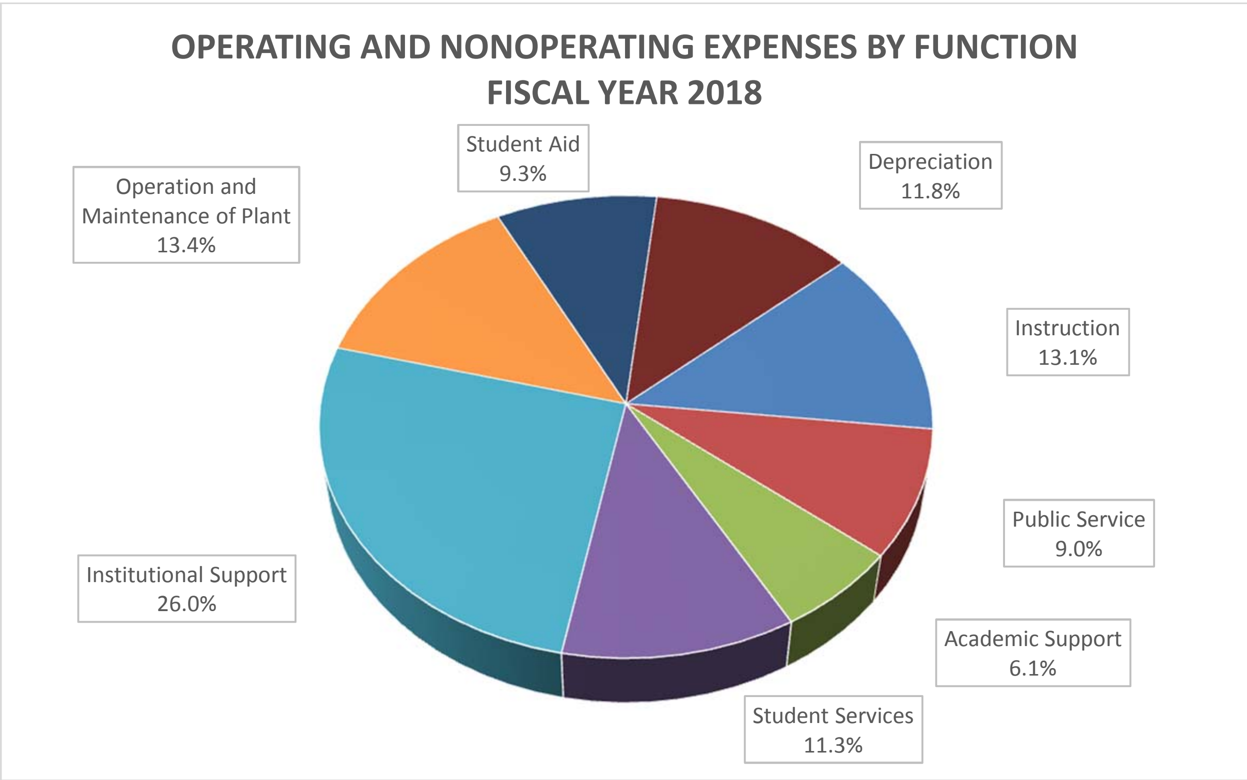
The following is a graphic illustration of expenses by function for the year ended June 30, 2018 with comparative information for 2017:



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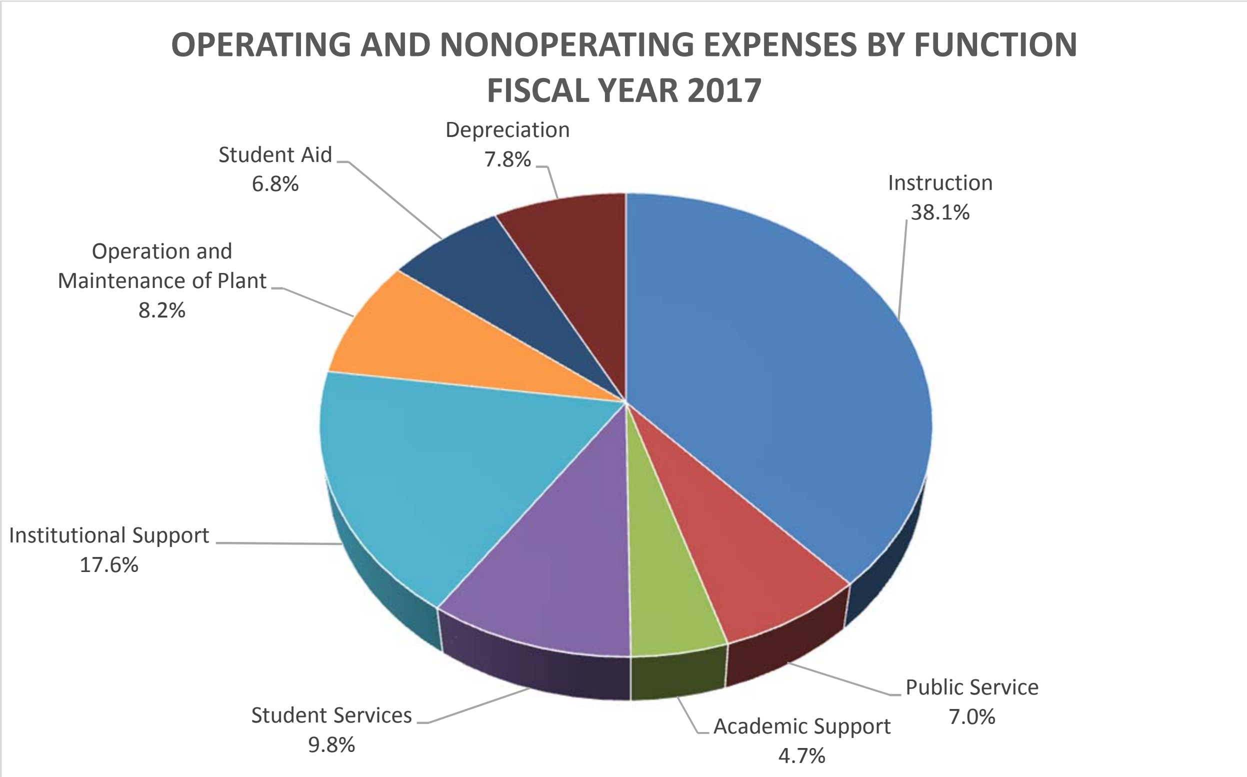

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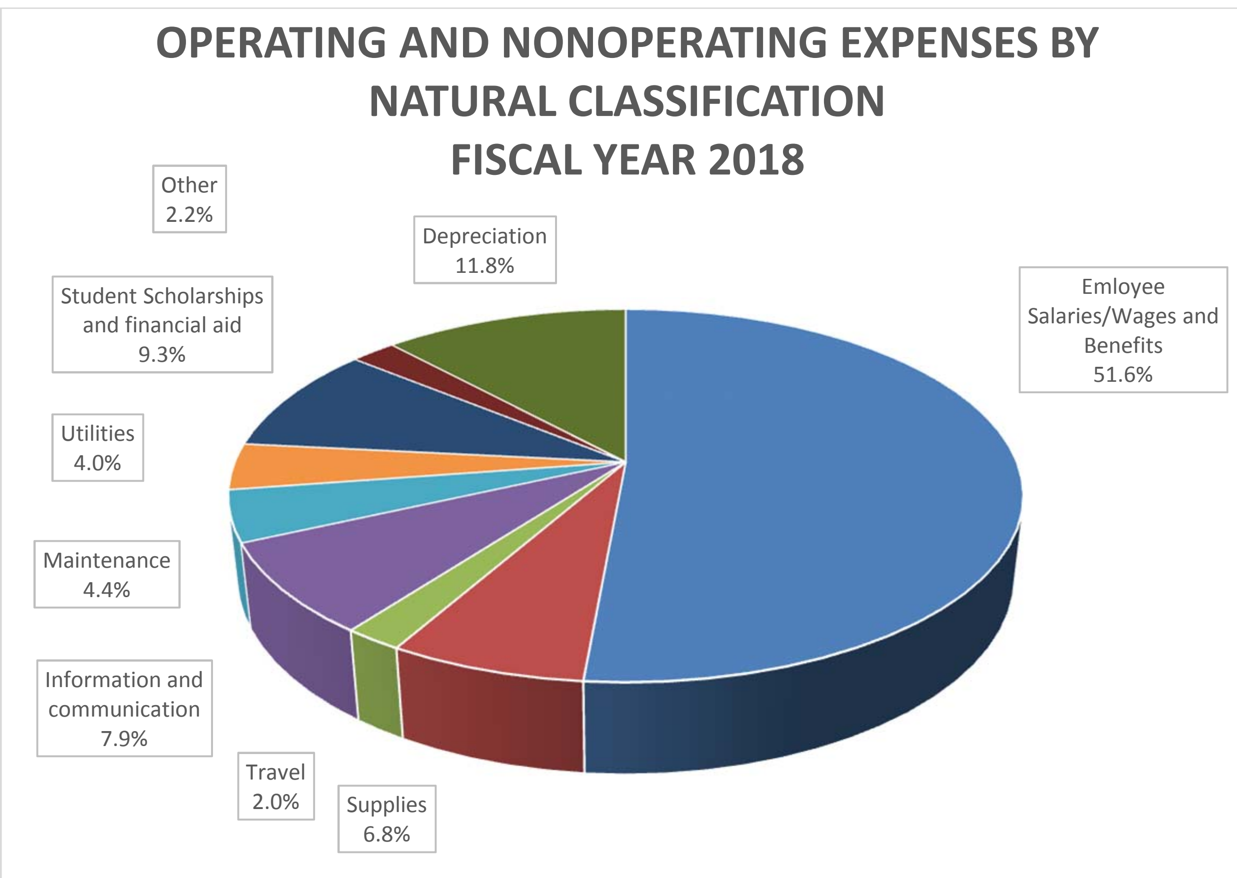
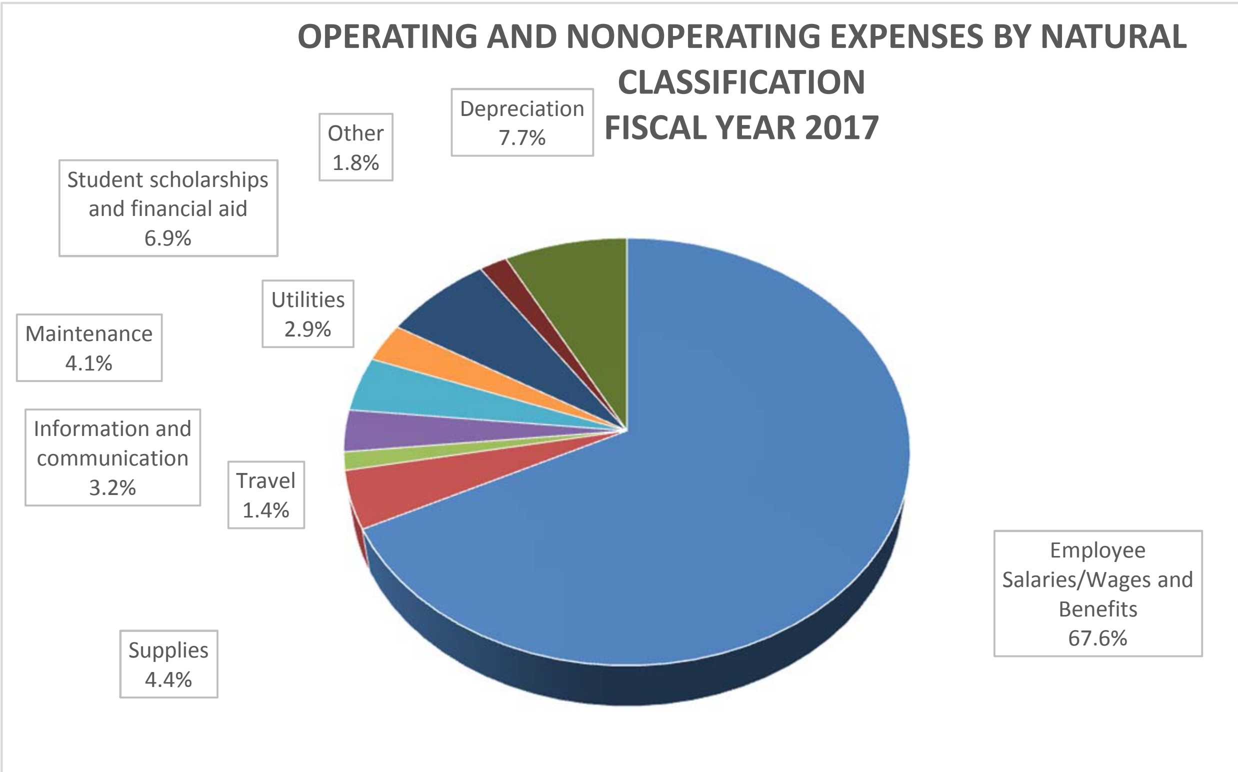
Institutional support expenditures are the largest expense for the College. Institutional support expenses were $4.3 million and $4.4 million for fiscal year 2018 and 2017 (comparative information), respectively. Instructional expenses were $2.1 million and $9.6 million for fiscal years 2018 and 2017 (comparative information), respectively. Public service expenses were $1.5 million and $1.8 million for fiscal years 2018 and 2017 (comparative information), respectively. Academic support expenses were $995 thousand and $1.2 million for fiscal years 2018 and 2017 (comparative information), respectively. Student services expenses were $1.8 million and $2.5 million for fiscal years 2018 and 2017 (comparative information), respectively. Operation and maintenance of plant expenses were $2.2 million and $2.1 million for fiscal years 2018 and 2017 (comparative information), respectively. Student aid expenses were $1.5 million and $1.7 million for fiscal years 2018 and 2017 (comparative information), respectively. Total operating and non-operating expenses were $16.5 million and $25.4 million for fiscal years 2018 and 2017 (comparative information), respectively. The primary reasons for the significant decrease in operating expenses were due to the changes in net pension and net OPEB liabilities and related deferred outflows and inflows as well as the implementation of GASB 75.

The following is a graphic illustration of expenses by natural classification for the year ended June 30, 2018 with comparative information for 2017:





Salaries and wages were the largest expense for the College at 74.9% and 48.8% of the College's total expenses for fiscal years 2018 and 2017 (comparative information), respectively. Wages and benefits accounted for 51.6% and 67.6% of the College's total expenses, respectively. The next largest expense was depreciation, which accounted for 11.9% and 7.7 % of total College expenses for fiscal years 2018 and 2017 (comparative information), respectively. Total operating expenses were $16.4 million and $25.3 million for fiscal years 2018 and 2017 (comparative information), respectively.

STATEMENTS OF CASH FLOWS

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

The statement of cash flows also helps financial statement readers assess:

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

CONDENSED FINANCIAL INFORMATION
STATEMENT OF CASH FLOWS
WITH COMPARATIVE INFORMATION FOR 2017
(thousands)

	2018	2017
Net Cash & Cash Equivalents Provided (Used) By:		
Operating Activities	$ (12,395)	$ (14,025)
Non-Capital Financing Activities	13,895	14,251
Capital Financing Activities	(353)	(539)
Investing Activities	61	32
Net Increase (Decrease) in Cash & Cash Equivalents	1,208	(281)
Cash & Cash Equivalents, Beginning of Year	9,687	9,968
Cash & Cash Equivalents, End of Year	$ 10,895	$ 9,687

Major sources of cash included in the operating activities were tuition and fees, and grants and contracts. Tuition and fees generated cash of $7.1 million and $7.9 million in fiscal years 2018 and 2017 (comparative information), respectively. Grants and contracts generated cash of $1.2 million in fiscal year 2018 and $1.6 million in fiscal year 2017 (comparative information),.

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 $12.1 million and $12.9 million in fiscal years 2018 and 2017 (comparative information), respectively. Payments to suppliers for goods and services amounted to $3.5 million and $3.9 million in fiscal years 2018 and 2017 (comparative information), respectively. Payments for student aid amounted to $1.5 million and $1.7 million in fiscal years 2018 and 2017 (comparative information), 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 $3.4 million and $3.8 million in federal student grants in fiscal years 2018 and 2017 (comparative information), 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 $1.3 million from capital appropriation grants in fiscal year 2018 and $190 thousand from capital appropriation grants in fiscal year 2017 (comparative information). Major uses of cash included in the capital financing activities were payments for purchases of capital assets. The College paid $1.4 million and $.4 million for purchases of capital assets in fiscal years 2018 and 2017 (comparative information), respectively.

CAPITAL ASSETS AND DEBT

Capital Assets

The total cost of capital assets was $56.4 million and $54.5 million for fiscal years 2018 and 2017, respectively. The accumulated depreciation was $26.5 million and $24.5 million for fiscal years 2018 and 2017, respectively. Depreciation expense for the fiscal years ended June 30, 2018 and 2017 were $1.9 million and $2.0 million, respectively. A summary of net capital assets for the years ended June 30 is as follows:

	2018	2017
Construction in Progress	$ 492,938	$ 481,808
Land Improvements	906,156	613,714
Infrastructure	55,573	62,353
Buildings and Improvements	23,821,858	24,980,982
Moveable Equipment	3,853,159	3,542,349
Library Books	249,565	248,948
Land	536,561	-
Total Capital Assets, Net	**$ 29,915,810**	**$ 29,930,154**

During fiscal year 2018, the College added $11,130 in construction in progress, $368,112 in land improvements, $960,625 of moveable equipment, and $51,382 of library books. In addition the College received $536,561 of land through a transfer from RSCF Lima, LLC which is included as part of the Foundation for reporting purposes.

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

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Debt

Following is a discussion of the components of debt and the activity for the years ended June 30, 2018 and 2017:

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, 2018

ASSETS		**2018**
CURRENT ASSETS:		
Cash and cash equivalents	$	10,895,098
Accounts receivable (net of allowance of $2,493,333 and $2,416,078 respectively)		5,195,936
Prepaid Expenses and other current assets		170,814
TOTAL CURRENT ASSETS		16,261,848
NONCURRENT ASSETS:		
Capital assets, net of accumulated depreciation		29,915,810
Net pension asset		9,497
TOTAL NONCURRENT ASSETS		29,925,307
TOTAL ASSETS		**46,187,155**
DEFERRED OUTFLOWS OF RESOURCES		
Pension		4,825,352
OPEB		317,926
DEFERRED OUTFLOWS OF RESOURCES		**5,143,278**
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable, net		509,388
Current portion of bonds payable		172,219
Current portion of compensated absences		95,667
Accrued liabilities		216,347
Unearned Revenue		506,160
TOTAL CURRENT LIABILITIES		1,499,781
NONCURRENT LIABILITIES:		
Bonds payable, net		3,167,670
Compensated absences		1,043,231
Net pension liability		16,657,809
Net OPEB liability		4,540,694
TOTAL NONCURRENT LIABILITIES		25,409,404
TOTAL LIABILITIES		**26,909,185**
DEFERRED INFLOWS OF RESOURCES		
Pension		5,947,131
OPEB		1,294,486
TOTAL DEFERRED INFLOWS OF RESOURCES		**7,241,617**
NET POSITION:		
Net investment in capital assets		26,575,921
Unrestricted		(9,396,290)
TOTAL NET POSITION	**$**	**17,179,631**

See accompanying notes to the financial statements

James A. Rhodes State College Foundation
Consolidated Statement of Financial Position
June 30, 2018

		2018
ASSETS		
Current Assets:		
Cash and cash equivalents	$	641,884
Investments		2,931,776
Pledges receivable - Net		76,368
Loans receivable - Net		19,403
Total Current Assets:		3,669,431
Noncurrent Assets:		
Property held for College		125,700
TOTAL ASSETS	**$**	**3,795,131**
LIABILITIES		
Accounts payable and related accrued liabilities		114,750
Due to James A Rhodes State College		300,000
Line of Credit		114,690
TOTAL LIABILITIES		529,440
NET ASSETS		
Unrestricted		81,431
Temporarily restricted		1,309,552
Permanently restricted		1,874,708
TOTAL NET ASSETS		3,265,691
TOTAL LIABILITIES AND NET ASSETS	**$**	**3,795,131**

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, 2018

		2018
REVENUES		
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of $2,197,315)	$	7,252,040
Federal grants and contracts		977,495
State and local grants and contracts		225,414
Sales and services		543,779
Other operating revenues		487,606
Total operating revenues		9,486,334
EXPENSES		
Operating Expenses:		
Educational and general:		
Instruction		2,153,069
Public Service		1,470,311
Academic Support		994,734
Student Services		1,850,692
Institutional Support		4,259,901
Operation and Maintenance of Plant		2,201,787
Student Aid		1,527,453
Depreciation		1,942,154
Total operating expenses		16,400,101
Operating (loss)		(6,913,767)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations		10,382,192
Federal student grants		3,493,977
Gifts		11,631
Investment income (net of investment expense)		60,923
Interest on capital asset-related debt		(101,561)
Other nonoperating revenues (expenses)		7,219
Net Nonoperating Revenues (Expenses)		13,854,381
Income (Loss) Before Other Revenues		6,940,614
OTHER REVENUES, EXPENSES, GAINS AND LOSSES		
Capital contributions - donated land from Foundation		536,561
Capital contributions - capital appropriations		1,317,738
Total other revenues		1,854,299
Increase (decrease) in net position		**8,794,913**
NET POSITION		
Net Position, Beginning of Year - As Restated		8,384,718
Net Position, June 30	**$**	**17,179,631**

See accompanying notes to the financial statements

James A. Rhodes State College Foundation
Consolidated Statement of Activities
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions, net of bad debt and loss on pledge receivable	$ 272,077	$ 38,777	$ 103,848	$ 414,702
Interest and dividends	6,195	65,031	-	71,226
Realized and unrealized gain on investments	6,577	310,172	-	316,749
Total Revenues	284,849	413,980	103,848	802,677
Net assets released from restrictions	151,285	(151,285)	-	-
Total Revenues, Gains and Other Support	436,134	262,695	103,848	802,677
EXPENSES				
Academic Programs	35,636	-	-	35,636
Scholarships/Grants	134,465	-	-	134,465
Management and General	196,466	-	-	196,466
Fundraising	30,339	-	-	30,339
Total Expenses	396,906	-	-	396,906
Changes in net assets before transfer of assets	39,228	262,695	103,848	405,771
Transfer of assets to College	(536,561)	-	-	(536,561)
Changes in net assets	(497,333)	262,695	103,848	(130,790)
NET ASSETS				
Net Assets - Beginning of Year	578,764	1,046,857	1,770,860	3,396,481
Net Assets - End of Year	$ 81,431	$ 1,309,552	$ 1,874,708	$ 3,265,691

See accompanying notes to the financial statements

James A. Rhodes State College
Statement of Cash Flows
For the Year Ended June 30, 2018

		2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$	7,103,795
Grants and contracts		1,202,909
Payments to suppliers		(3,547,434)
Payments for utilities		(659,618)
Payments to employees		(12,133,779)
Payments for benefits		(3,864,621)
Payments for student aid		(1,527,453)
Sales and services		543,779
Other receipts		487,606
Net cash (used) in operating activities		(12,394,816)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations		10,382,192
Federal student grants		3,493,977
Gifts and grants for other than capital purposes		11,631
Other nonoperating receipts		7,219
Student loan receipts		(4,191,414)
Student loan disbursements		4,191,414
Net cash provided by noncapital financing activities		13,895,019
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital appropriations		1,317,738
Principal paid on bonds payable		(177,647)
Interest Paid on Bonds Payable		(101,561)
Purchase of capital assets		(1,391,249)
Net cash (used) in capital financing activities		(352,719)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments		60,923
Net cash provided by investing activities		60,923
NET INCREASE (DECREASE) IN CASH		1,208,407
CASH AND CASH EQUIVALENTS, Beginning of Year		9,686,691
CASH AND CASH EQUIVALENTS, End of Year	$	10,895,098
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating (loss)		(6,913,767)
Adjustments to reconcile net operating loss to net cash (used) in operating activities:		
Depreciation expense		1,942,154
Changes in assets and deferred outflows of resources and liabilities and deferred inflows of resources:		
Accounts receivable, net		107,877
Prepaid expenses		(25,937)
Net pension asset		3,711
Deferred outflows of resources		627,632
Accounts payable, net		100,655
Accrued liabilities		(94,858)
Unearned revenue		(40,368)
Compensated absences		247,039
Net pension liability		(11,557,757)
Net OPEB liability		(1,740,004)
Deferred inflows of resources		4,948,807
Net cash (used) in operating activities	$	(12,394,816)
Noncash transactions:		
Asset addition from Foundation	$	536,561
Donated capital contribution from Foundation	$	536,561

See accompanying notes to the financial statements

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2018

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 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, 2018, the Foundation distributed $134,465 for scholarships and $35,636 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.

NOTE 1 – Summary of Significant Accounting Policies (continued)

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, 2018, 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, 2018.

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.

NOTE 1 – Summary of Significant Accounting Policies (continued)

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, 2018.

H. Capital Assets
Capital assets are stated at cost at the date of acquisition or, in the case of gifts, at acquisition 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

NOTE 1 – Summary of Significant Accounting Policies (continued)

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 and other postemployment benefits (OPEB). The deferred outflows of resources related to pension/OPEB are explained in Notes 10 and 11.

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 and OPEB. Deferred inflows of resources related to pension and OPEB are reported on the Statement of Net Position.

L. Pensions/ OPEB

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB and pension/OPEB expense, information about the fiduciary net position of the defined benefit retirement plans discussed in Notes 10 and 11 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:

NOTE 1 – Summary of Significant Accounting Policies (continued)

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 $1,317,738 in capital appropriation revenues for capital financing activities for the fiscal year ended June 30, 2018.

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.

NOTE 1 – Summary of Significant Accounting Policies (continued)

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.

NOTE 1 – Summary of Significant Accounting Policies (continued)

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 year 2018:

For the fiscal year ended June 30, 2018, the College has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, Statement No. 82, Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73, and GASB Statement No. 85, Omnibus 2017.

GASB Statement No. 75 (GASB 75) establishes accounting and financial reporting requirements for governmental employers who have other post-employment benefits (OPEB) plans. The implementation of GASB Statement No. 75 had an effect on the financial statements of the College and certain additional disclosures have been made in the notes to the basic financial statements. The restatement of net position is described in Note 16.

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. GASB Statement No. 82 did not have an effect on the financial statements of the College.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB Statement No. 85 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, 2018, the College had $3,112 of 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	2018
General Checking	$ 2,267,114
Payroll Checking	4,284,550
Flex Spend Account	7,465
HRA Account	15,760
Operating Cash	-
Cash on Hand	3,112
Total Cash	$ 6,578,001

NOTE 3 –Deposits and Investments (continued)

The following summarizes the value of investments at June 30:

Investments Accounts	2018
STAR Ohio	$ 4,226,312
Huntington Bank	90,786
Total Cash	$ 4,317,098

The following table represents the custodial risks of the College's deposits and the deposits of the component unit as of June 30, 2018:

	2018	
	College	Component Unit
Amounts insured by FDIC	$ 500,000	$ 427,694
Amounts collateralized by the pledged securities held by the financial instituions' trust department or agent in the name of the entity	6,074,889	50,352
Total Bank Balance	6,574,889	478,046

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, 2018. 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, 2018, the College had 97.9% of its investments in STAR Ohio and 2.1% 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.

NOTE 3 –Deposits and Investments (continued)

James A. Rhodes State College Foundation
At June 30, 2018, the Foundation had a carrying cash balance of $641,884.

Investments at June 30, 2018, by major security type, were as follows:

Description		Fair Value
Common Stock	$	1,649,288
Equity Funds		664,843
Bond Funds		617,645
Total Investments	**$**	**2,931,776**

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:

		2018
Tuition and fees		5,485,823
Less allowance for uncollectible accounts		(2,493,333)
Net tuition and fees		$2,992,490
Governmental Entities		1,046,866
Other		1,156,580
Accounts Receivable, net	$	5,195,936

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

NOTE 5 – Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	July 1, 2017	Additions	Sales/Other Dispositions	June 30, 2018
Non-depreciable capital assets:				
Construction in progress	$ 481,808	11,130	-	$ 492,938
Land	-	536,561	-	536,561
Total non-depreciable assets	481,808	547,691	-	1,029,499
Depreciable capital assets:				
Land Improvements	1,383,793	386,112	-	1,751,905
Infrastructure	187,833	-	-	187,833
Buildings & Improvements	40,751,635	-	-	40,751,635
Moveable Equipment	10,223,926	960,625	-	11,184,551
Library Books	1,436,883	51,382	-	1,488,265
Total depreciable assets	53,984,070	1,380,119	-	55,364,189
Less Accumulated Depreciation:				
Land Improvements	770,079	75,670	-	845,749
Infrastructure	125,480	6,780	-	132,260
Buildings & Improvements	15,770,653	1,159,124	-	16,929,777
Moveable Equipment	6,681,577	649,815	-	7,331,392
Library Books	1,187,935	50,765	-	1,238,700
Total accumulated depreciation	24,535,724	1,942,154	-	26,477,878
Total depreciable assets, net	29,448,346	(562,035)		28,886,311
Total capital assets, net	**$ 29,930,154**	**(14,344)**	**-**	**$ 29,915,810**

NOTE 5 – Capital Assets (continued)

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

The College receives funding for projects and renovations through state appropriations. These appropriations are not reflected on the Statement of Revenues, Expenses and Changes in Net Position as non-operating revenues until released. Release of these funds for spending requires the approval of the Board of Regents and the State Controlling Board. As of June 30, 2018, the College had released $1,926,065 which has been applied to current projects and $12,049,580 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	284,867	49,133
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	907,739	52,000
Road and Parking Resurfacing	596,000	588,459	7,541
Completion Plan Outcome	100,000	-0-	100,000
Boiler Replacement-Countryman	120,000	105,000	15,000
Campus Safety Upgrades	195,000	40,000	155,000
	$13,975,645	**$1,926,065**	**$12,049,580**

NOTE 6 – Accrued Liabilities

Accrued liabilities consist of the following as of June 30:

		2018
Accrued wages	$	317,441
Accrued benefits payable		(101,094)
Total	**$**	**216,347**

NOTE 7 – Long-Term Obligations

Changes in long-term obligations of the College during fiscal year 2018 was as follows:

	Restated Balance June 30, 2017 *	Additions	Reductions	Ending Balance June 30, 2018	Amounts Due in One Year
Special Obligation Bonds:					
Series 2013 Variable					
Rate Bonds 3.375-3.75%	$ 3,400,429	$ -	$170,429	$ 3,230,000	$165,000
Premium on Bonds	117,107	-	7,218	109,889	7,219
Total Special Obligation Bonds	3,517,536	-	177,647	3,339,889	172,219
Other Long-Term Obligations:					
Compensated Absences	891,859	247,039	-	1,138,899	95,667
Net Pension Liability	28,215,566	-	11,557,757	16,657,809	-
Net OPEB Liability	6,280,698	-	1,740,004	4,540,694	-
Total Long-Term Obligations	$38,905,659	$247,039	$13,475,409	$25,677,290	$266,218

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.

NOTE 7 – Long-Term Obligations (continued)

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
2019	$ 165,000	$ 118,575	$ 283,575
2020	170,000	111,875	281,875
2021	180,000	104,875	284,875
2022	180,000	97,675	277,675
2023	190,000	90,275	280,275
2024-2028	1,065,000	334,600	1,399,600
2029-2033	1,280,000	124,125	1,404,125
Total	$ 3,230,000	$ 982,000	$ 4,212,000

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 $47,831 due in 2019.

Operating lease expenditures for the year ended June 30, 2018 was $50,001.

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 2018.

NOTE 9 - State Support (continued)

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.

NOTE 10 – Defined Benefit Pension Plans (continued)

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 was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until Aug. 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% 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, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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 Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer. 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 10 years of qualifying service credit to apply for disability

NOTE 10 – Defined Benefit Pension Plans (continued)

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 Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll effective 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 2018 contribution rates were equal to the statutory maximum rates. The College's contractually required contribution to STRS Ohio was $794,214 for fiscal year 2018. 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. 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. Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343:

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to 01/01/13 or eligible to retire ten years after 01/01/13	**Group C** Members not in other Groups and members hired on or after 01/01/13
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

NOTE 10 – Defined Benefit Pension Plans (continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the fiscal year ended June 30, 2018, 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, 2018 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 $207,013 for fiscal year 2018. 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, 2018 was measured as of June 30, 2017 for STRS and December 31, 2017 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)	$ 13,087,206	$ 3,570,603	$ (9,497)	$ 16,648,312
Proportion of the Net Pension Liability/Asset - Prior Year	0.06546499%	0.027754%	0.023731%	
Proportion of the Net Pension Liability/Asset - Current Year	0.05509193%	0.022760%	0.006976%	
Change in Proportion	-0.01037306%	-0.004994%	-0.016755%	
Pension Expense (Gain)	$ (6,255,497)	$ 285,741	$ 1,061	$ (5,968,695)

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2018

NOTE 10 – Defined Benefit Pension Plans (continued)

At June 30, 2018, 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	$ 505,367	$ 3,646	$ -	$ 509,013
Changes of assumptions	2,862,316	426,711	2,823	3,291,850
Changes in proportion	-	14,036	9,226	23,262
College contributions subsequent to the measurement date	794,214	202,270	4,743	1,001,227
Total	$ 4,161,897	$ 646,663	$ 16,792	$ 4,825,352

Deferred Inflows of Resources	**STRS**	**OPERS Traditional**	**OPERS Combined**	**Total**
Differences between expected and actual economic experience	$ 105,478	$ 70,365	$ 2,829	$ 178,672
Differences between projected and actual investment earnings	431,893	766,561	1,498	1,199,952
Changes in proportion	3,923,843	639,682	4,982	4,568,507
Total	$ 4,461,214	$ 1,476,608	$ 9,309	$ 5,947,131

$1,001,227 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, 2018. 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:				
2019	$ (579,601)	$ 3,971	$ (186)	$ (575,816)
2020	14,665	(379,376)	(228)	(364,939)
2021	(148,502)	(341,818)	(564)	(490,884)
2022	(380,093)	(314,992)	(528)	(695,613)
2023	0	0	626	626
Thereafter	0	0	3,620	3,620
Total	$ (1,093,531)	$ (1,032,215)	$ 2,740	$ (2,123,006)

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2018

NOTE 10 – Defined Benefit Pension Plans (continued)

Actuarial Assumptions – STRS

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	0% effective July 1, 2017
Payroll Increases	3.00%

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP- 2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55 %
Alternatives	17.00	7.09 %
Fixed Income	21.00	3.00 %
Real Estate	10.00	6.00 %
Liquidity Reserves	1.00	2.25 %
Total	100.00 %	

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

NOTE 10 – Defined Benefit Pension Plans (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the College's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of the net pension liability	$18,760,065	$13,087,206	$8,308,673

Actuarial Assumptions – OPERS

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67:

Measurement and Valuation Date	December 31, 2017
Experience Study	5-Year Period Ended December 31, 2015
Actuarial Cost Method	Individual Entry Age
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

NOTE 10 – Defined Benefit Pension Plans (continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

Discount Rate

The discount rate used to measure the total pension liability was 7.5% 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 2017 and the long-term expected real rates of return.

Asset Class	Target Allocation For 2017	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	100.00 %	5.66%

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

NOTE 10 – Defined Benefit Pension Plans (continued)

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82% for 2017.

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	$6,340,481	$3,570,603	$1,261,359
OPERS Combined	($5,162)	($9,497)	($12,487)

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). This is to consider these differences on a pooled basis, rather than an individual basis, to reflect the expected remaining service life of the entire pool of employees with the understanding that inactive employees have no remaining service period. As of December 31, 2017, the average of the expected remaining service lives of all employees calculated by external actuaries for the Traditional Pension Plan was 2.9546 years, for the Combined Plan was 9.3216 years, and for the Member-Directed Plan was 10.1908 years.

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

NOTE 10 – Defined Benefit Pension Plans (continued)

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 year ended June 30, 2018, 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 year ended June 30, 2018 was $544,912; 100 percent has been contributed for fiscal year 2018.

NOTE 11 – Defined Benefit OPEB Plans

Net Other Postemployment Benefits (OPEB) Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. OPEB 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 obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the College's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates 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 OPEB are financed; however, the College does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting.

NOTE 11 – Defined Benefit OPEB Plans (continued)

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 partial 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 to offer the Plan and gives the Retirement Board discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2017 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.

NOTE 11 – Defined Benefit OPEB Plans (continued)

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 2018, 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 2018, the portion of employer contributions allocated to health care was 0.0% 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, 2018, 2017 and 2016 were approximately $17,904, $34,712, and $39,641 respectively. The full amount has been contributed for fiscal years 2018, 2017 and 2016.

Net Other Post Employment Benefit (OPEB) Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability

The net OPEB liability reported as of June 30, 2018 was measured as of June 30, 2017 for STRS and December 31, 2017 for OPERS and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability was based on the College's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	PERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.02752000%	0.06546499%	
Proportion of the Net OPEB Liability Current Measurement Date	0.02202000%	0.05509193%	
Change in Proportionate Share	-0.00550000%	-0.01037306%	
Proportionate Share of the Net OPEB Liability	$2,391,210	$2,149,484	$4,540,694
OPEB Expense (Gain)	($10,410)	($735,157)	($745,567)

NOTE 11 – Defined Benefit OPEB Plans (continued)

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	**PERS**	**STRS**	**Total**
Differences between expected and actual economic experience	$1,863	$124,081	$125,944
Changes of assumptions	174,105	0	174,105
Total	$175,968	$124,081	$300,049

Deferred Inflows of Resources	**PERS**	**STRS**	**Total**
Differences between projected and actual investment earnings	$178,129	$91,874	$270,003
Changes of assumptions	0	173,148	173,148
Difference from a change in proportion and differences between College contributions and proportionate share of contributions	375,832	475,503	851,335
Total	$553,961	$740,525	$1,294,486

There were no deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date since none were made subsequent to the measurement date.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	PERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($140,087)	($110,397)	($250,484)
2020	(140,087)	(110,397)	(250,484)
2021	(53,286)	(110,397)	(163,683)
2022	(44,533)	(110,399)	(154,932)
2023	0	(87,429)	(87,429)
Thereafter	0	(87,425)	(87,425)
Total	($377,993)	($616,444)	($994,437)

Actuarial Assumptions - PERS

The net OPEB liability and total OPEB liability were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year. Refer to the following table for the balances as of December 31, 2017. Additional information on the changes in net OPEB liability and contribution information can be found in the Required Supplementary Information of the Financial Section in OPERS 2017 CAFR.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts

NOTE 11 – Defined Benefit OPEB Plans (continued)

are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017.

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Actuarial Valuation Date	December 31, 2016
Rolled-Forward Measurement Date	December 31, 2017
Experience Study	5-Year Period Ended December 31, 2015
Actuarial Assumptions	
Single Discount Rate	3.85%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Wage Inflation	3.25%
Projected Salary Increases	3.25% - 10.75% (includes wage inflation at 3.25%)
Health Care Cost Trend Rate	7.5% initial, 3.25% ultimate in 2028

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

NOTE 11 – Defined Benefit OPEB Plans (continued)

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
REITs	6.00	5.91
International Equities	22.00	7.88
Other Investments	17.00	5.39
Total	100.00 %	4.98%

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2% for 2017.

Discount Rate A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50% and a municipal bond rate of 3.31%. The projection of cash flows used to determine this single discount rate

NOTE 11 – Defined Benefit OPEB Plans (continued)

assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the OPEB liability calculated using the single discount rate of 3.85%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
College's proportionate share of the net OPEB liability	$3,176,825	$2,391,210	$1,755,655

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
College's proportionate share of the net OPEB liability	$2,287,878	$2,391,210	$2,497,949

NOTE 11 – Defined Benefit OPEB Plans (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

NOTE 11 – Defined Benefit OPEB Plans (continued)

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

NOTE 11 – Defined Benefit OPEB Plans (continued)

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
College's proportionate share of the net OPEB liability	$2,885,648	$2,149,484	$1,567,674

	1% Decrease	Current Trend Rate	1% Increase
College's proportionate share of the net OPEB liability	$1,493,369	$2,149,484	$3,013,007

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 2018 for specific types of insurance.

Insurance policies in place during fiscal year 2018 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 $3,539,563 for the fiscal year ended June 30, 2018. The majority of the expenditures were incurred for plant operations. Based upon the various formulas, the College's share was 67% of the total expenses, net of total shared income, for the fiscal year ending June 30, 2018. At June 30, 2018, the College owed the University $343,978 for the year ending June 30, 2018 which is included in accounts payable, on the Statement of Net Position.

NOTE 14 – Operating Expenses by Natural Classification

The College's operating expenses by natural classification for the year ended June 30, 2018 were as follows:

		2018
Salaries and wages	$	12,285,960
Employee benefits		(3,852,990)
Supplies		1,117,737
Travel		335,020
Information and communication		1,294,832
Maintenance		727,779
Utilities		659,582
Student scholarships and financial aid		1,527,453
Other		362,574
Depreciation		1,942,154
Total operating expenses	**$**	**16,400,101**

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, 2018.

NOTE 16 – Restatement of Net Position

For the fiscal year ended June 30, 2018, the College implemented GASB Statement No. 75 which had the following effect on the financial statements of the College.

Net Position, July 1, 2017 – As Previously Stated	$14,647,539
College Share of Beginning Net OPEB Liability	(6,280,698)
College Share of 2017 Employer Contributions	17,877
Net Position, July 1, 2017 – As Restated	$8,384,718

NOTE 17– James A. Rhodes State College Foundation

Temporarily restricted net assets are available for the following purposes:

	2018
Gifts and other donations available for:	
Schell Foundation Loan Fund	42,048
Instructional programs	506,915
Scholarships	760,589
Total gifts and other donations	**1,309,552**

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

		2018
Instructional Programs	$	16,820
Scholarships		134,465
Total	**$**	**151,285**

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:

	2018
Scholarships	1,874,708
Total	**1,874,708**

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, 2018 and 2017, 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, 2018 and 2017 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, 2018 and 2017.

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

NOTE 17 – James A. Rhodes State College Foundation (continued)

Fair Value Measurements at June 30, 2018

Description	**Level 1**	**Level 2**	**Total**
Common Stock Types:			
Basic Materials	$ 96,652	$ -	$ 96,652
Communications	105,680	-	105,680
Consumer	266,905	-	266,905
Energy	72,103	-	72,103
Financial	234,641	-	234,641
Health Care	238,638	-	238,638
Industrial	263,223	-	263,223
Technology	327,039	-	327,039
Capital Goods	44,406	-	44,406
Total-Common Stock Types	$ 1,649,288	$ -	$ 1,649,288
Equity Fund Types:			
Real Estate Investment Trust	$ -	$ 87,966	$ 87,966
Small Cap Funds	-	28,233	28,233
Mid Cap Funds	-	148,498	148,498
Index Funds	-	400,146	400,146
Total-Equity Fund Types	$ -	$ 664,843	$ 664,843
Bond Fund Types:			
Other Bond Funds	$ -	$ 617,645	$ 617,645
Total-Bond Fund Types	$ -	$ 617,645	$ 617,645
Total - Investments	**$ 1,649,288**	**$ 1,282,488**	**$ 2,931,776**

NOTE 17 – James A. Rhodes State College Foundation (continued)

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

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

NOTE 17 – James A. Rhodes State College Foundation (continued)

Endowment Net Asset Composition by Type of Fund as June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$427	$997,064	$ 1,874,708	$ 2,872,199
Total Funds	**$427**	**$997,064**	**$ 1,874,708**	**$ 2,872,199**

Changes in Endowment Net Assets for Fiscal Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, beginning of year	$ (261)	$ 700,424	$ 1,770,860	$ 2,471,023
Contributions, net of allowance	-	42,473	103,848	146,321
Investment Income	169	61,437	-	61,606
Realized and unrealized gains and losses	871	306,258	-	307,129
Investment Expenses	(52)	(17,712)	-	(17,764)
Appropriation of endowment assets for expenditures	(300)	(95,816)	-	(96,116)
Net Assets, end of year	**$ 427**	**$ 997,064**	**$ 1,874,708**	**$ 2,872,199**

NOTE 17 – James A. Rhodes State College Foundation (continued)

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 Foundation did not have a deficiency in the endowment fund as of June 30, 2018.

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 17 – James A. Rhodes State College Foundation (continued)

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 $760 in student repayments in fiscal year 2018. 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.

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:

	2018
John J. and Martha M. Hudson Scholarship Fund	$ 10,007
James J. Countryman Scholarship Fund	40,595
Thomas R. and Gloria P. Leech Scholarship Fund	18,349

Scholarship awards made from each of these funds for fiscal year 2018 were as follows:

	2018
James J. Countryman Scholarship Fund	$ 1,496
Thomas R. and Gloria P. Leech Scholarship Fund	638

The Lima Community Foundation owns all three funds and manages them according to their investment policy. Since the donors contributed the amounts to the Community Foundation 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 17 – James A. Rhodes State College Foundation (continued)

RSCF 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. During fiscal year 2018 RSCF Lima, LLC transferred a portion of this land in the amount of $536,561 to the College. This donation of property has been recorded as a capital contribution in the accompanying financial statements of the College and as a nonoperating transfer of assets in the accompanying financial statements of the Foundation.

Required Supplementary Information

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 Five Years

	2017	2016	2015	2014	2013
Total plan pension liability	$ 96,126,440,462	$ 100,756,422,489	$99,014,653,744	$96,167,057,104	$94,366,693,720
Plan net position	72,371,226,119	67,283,408,184	71,377,578,736	71,843,596,331	65,392,746,348
Net pension liability	$ 23,755,214,343	$ 33,473,014,305	$27,637,075,008	$24,323,460,773	$28,973,947,372
College's proportion of the net pension liability	0.05509193%	0.06546499%	0.07209133%	0.07483742%	0.07483742%
College's proportionate share of the net pension liability	$ 13,087,206	$ 21,913,105	$ 19,923,935	$ 18,203,050	$ 21,683,355
College's covered-employee payroll	$ 5,864,029	$ 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	223.18%	291.34%	266.11%	238.06%	297.36%
Plan fiduciary net position as a percentage of the total pension liability	75.29%	66.78%	72.09%	74.71%	69.30%

Note: Information prior to 2013 not available.
Amounts presented as of the College's measurement date which is the prior fiscal year.

See accompanying Notes to the Required Supplementary Information.

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 Five Years

	2017	2016	2015	2014	2013
Total plan pension liability	$ 102,273,912,351	$99,817,932,954	$91,534,000,000	$89,017,348,266	$86,407,229,435
Plan net position	86,585,851,024	77,109,633,485	74,213,000,000	76,956,230,642	74,618,532,269
Net pension liability	$ 15,688,061,327	$22,708,299,469	$17,321,000,000	$12,061,117,624	$11,788,697,166
College's proportion of the net pension liability	0.022760%	0.027754%	0.029048%	0.030359%	0.030359%
College's proportionate share of the net pension liability	$ 3,570,603	$ 6,302,461	$ 5,031,404	$ 3,661,635	$ 3,578,931
College's covered-employee payroll	$ 4,951,030	$ 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	72.12%	113.74%	89.04%	62.18%	61.58%
Plan fiduciary net position as a percentage of the total pension liability	84.66%	77.25%	81.08%	86.45%	86.36%

Note: Information prior to 2013 not available.

See accompanying Notes to the Required Supplementary Information.

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 Five Years

	2017	2016	2015	2014	2013
Total plan pension liability	$ 886,285,667	$ 760,195,114	$ 652,292,331	$ 611,747,379	$ 549,119,897
Plan net position	1,022,418,029	815,852,017	700,914,409	650,249,727	559,612,889
Net pension asset	$ 136,132,362	$ 55,656,903	$ 48,622,078	$ 38,502,348	$ 10,492,992
College's proportion of the net pension asset	0.006976%	0.023731%	0.036720%	0.053505%	0.053505%
College's proportionate share of the net pension asset	$ 9,497	$ 13,208	$ 17,854	$ 20,601	$ 5,614
College's covered-employee payroll	$ 58,333	$ 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	16.28%	7.06%	6.91%	2.76%	0.79%
Plan fiduciary net position as a percentage of the total pension asset	115.36%	107.32%	107.45%	106.29%	101.91%

Note: Information prior to 2013 not available.

See accompanying Notes to the Required Supplementary Information.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 794,214	$ 820,964	$ 1,053,013	$ 1,048,195	$ 994,021	$ 947,959	$ 979,334	$ 1,115,689	$ 1,096,841	$ 996,829
Contributions in relation to the contractually required contribution	(794,214)	(820,964)	(1,053,013)	(1,048,195)	(994,021)	(947,959)	(979,334)	(1,115,689)	(1,096,841)	(996,829)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College covered-employee payroll	$ 5,672,957	$ 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
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying Notes to the Required Supplementary Information

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 364,222	$ 495,103	$ 554,112	$ 565,098	$ 588,907	$ 581,154	$ 585,419	$ 476,662	$ 361,727	$ 268,022
Contributions in relation to the contractually required contribution	(364,222)	(495,103)	(554,112)	(565,098)	(588,907)	(581,154)	(585,419)	(476,662)	(361,727)	(268,022)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 2,697,941	$ 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
Contributions as a percentage of covered employee payroll	13.50%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	9.25%	8.12%	6.50%

See accompanying Notes to the Required Supplementary Information.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 4,992	$ 7,000	$ 22,440	$ 34,075	$ 59,322	$ 56,569	$ 47,416	$ 50,381	$ 47,992
Contributions in relation to the contractually required contribution	(4,992)	(7,000)	(22,440)	(34,075)	(59,322)	(56,569)	(47,416)	(50,381)	(47,992)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 36,978	$ 58,333	$ 187,000	$ 258,536	$ 746,189	$ 711,560	$ 596,428	$ 633,723	$ 603,673
Contributions as a percentage of covered employee payroll	13.50%	12.00%	12.00%	13.18%	7.95%	7.95%	7.95%	7.95%	7.95%

Note: Information prior to 2010 not available.

See accompanying Notes to the Required Supplementary Information.

James A. Rhodes State College
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net OPEB Liability
State Teachers Retirement System of Ohio
Last Two Years (1)

	2017	2016
Total plan OPEB liability	$ 7,377,410,000	$ 8,533,654,000
Plan net position	3,475,779,000	3,185,628,000
Net OPEB liability	3,901,631,000	5,348,026,000
College's proportion of the net OPEB liability	0.05509193%	0.06546499%
College's proportionate share of the net OPEB liability	$ 2,149,484	$ 3,501,085
College's covered-employee payroll	$ 5,864,029	$ 7,521,521
College's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	36.66%	46.55%
Plan fiduciary net position as a percentage of the total OPEB liability	47.11%	37.33%

(1) Information prior to 2016 is not available.
Amounts presented as of the College's measurement
date which is the prior fiscal year.

See accompanying Notes to the Required Supplementary Information.

James A. Rhodes State College
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System
Last Two Years (1)

	2017	2016
Total plan OPEB liability	$ 23,678,097,060	$ 21,980,827,536
Plan net position	12,818,833,665	11,880,487,863
Net OPEB liability	10,859,263,395	10,100,339,673
College's proportion of the net OPEB liability	0.02202000%	0.02752000%
College's proportionate share of the net OPEB liability	$ 2,391,210	$ 2,779,613
College's covered-employee payroll	$ 5,009,363	$ 5,728,120
College's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	47.73%	48.53%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%	54.05%

(1) Information prior to 2016 is not available.
Amounts presented as of the College's measurement date which is the prior fiscal year.

See accompanying Notes to the Required Supplementary Information.

James A. Rhodes State College
Required Supplementary Information
Schedule of College OPEB Contributions
State Teachers Retirement System of Ohio
Last Three Years (1)

	2018	2017	2016
Contractually required contribution	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -
College's covered-employee payroll	$ 5,672,957	$ 5,864,029	$ 7,521,521
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%

(1) Information prior to 2016 is not available.

See accompanying Notes to the Required Supplementary Information.

James A. Rhodes State College
Required Supplementary Information
Schedule of College OPEB Contributions
Ohio Public Employees Retirement System
Last Three Years (1)

	2018	2017	2016
Contractually required contribution	$ 17,904	$ 34,712	$ 39,641
Contributions in relation to the contractually required contribution	(17,904)	(34,712)	(39,641)
Contribution deficiency (excess)	$ -	$ -	$ -
College covered-employee payroll	$ 2,734,919	$ 5,009,363	$ 5,728,120
Contributions as a percentage of covered-employee payroll	0.65%	0.69%	0.69%

(1) Information prior to 2016 is not available.

See accompanying Notes to the Required Supplementary Information.

Note 1 - STRS Change in Assumptions and Benefit Terms-Net Pension Liability

Changes in Assumptions

The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms

Effective July 1, 2017, the COLA was reduced to zero.

Note 2 - STRS Change in Assumptions-Net OPEB Liability

For fiscal year 2018, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Note 3 - OPERS Change in Assumptions and Benefit Terms-Net Pension Liability

Changes in Assumptions

There were no changes in assumptions since the prior measurement date.

Changes in Benefit Terms

There were no changes in benefit terms since the prior measurement date.

Note 4 - OPERS Change in Assumptions and Benefit Terms-Net OPEB Liability

Changes in Assumptions

There were no changes in assumptions since the prior measurement date.

Changes in Benefit Terms

There were no changes in benefit terms since the prior measurement date.

James A. Rhodes State College

Single Audit Reports

June 30, 2018

PLATTENBURG
Certified Public Accountants

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JAMES A. RHODES STATE COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

	Federal CFDA Number	Pass through Entity Identifying Number	Expenditures
U.S. Department of Education			
Direct Awards			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	$ 76,670
Federal Work Study Program	84.033	N/A	49,351
Federal Pell Grant Program	84.063	N/A	3,493,977
Federal Direct Student Loans	84.268	N/A	4,215,449
Total Student Financial Aid Cluster			7,835,447
Passed through the Ohio Department of Education			
Career and Technical Education - Basic Grants to States	84.048	3L90	119,781
Total U.S. Department of Education			7,955,228
U.S. Department of Defense			
Direct from Federal Agency			
Procurement Technical Assistance for Business Firms	12.002	N/A	64,950
U.S. Department of Agriculture			
Passed Through American Association of Community Colleges			
Rural Development Cooperative Agreement Program	10.890	RD-RB-16-29	5,900
Passed through the Ohio Department of Education			
Child and Adult Care Food Program	10.558	3L80	30,936
Total U.S. Department of Agriculture			36,836
U.S. Department of Commerce			
Passed Through ODSA/CIFT			
Manufacturing Extension Partnership	11.611	13-069	105,244
U.S. Department of Health and Human Services			
Passed Through the Substance Abuse and Mental Health Services Administration			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	SAMHSP-18	95,935
U.S. Department of Housing and Urban Development			
Passed Through the City of Lima, Ohio			
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218	CDBG-18	3,750
Total CDBG - Entitlement Grants Cluster			3,750
U.S. Department of Labor			
Passed Through Ohio Department of Job and Family Services			
Apprenticeship USA Grants	17.285	AP-30104-16-60-A-39	29,477
Passed Through Henry Ford Community College			
Trade Adjustment Assistance Community College and Career Training Grants	17.282	TC-23767-12-60-A-26	65,228
Passed Through Lorain County Community College			
Trade Adjustment Assistance Community College and Career Training Grants	17.282	TC-26435-14-60-A-39	259,970
Total U.S. Department of Labor			354,675
Small Business Administration			
Passed Through Ohio Department of Development			
Small Business Development Centers	59.037	OSBG-17-332 DEVFR036 DEVFRSC13	186,769
Total Federal Awards			$ 8,803,387

See accompanying notes to the schedule of expenditures of federal awards.

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented 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). Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the College's financial statements. The College did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 2 – Federal Direct Student Loan Program

The College is a direct lender for the Federal Direct Student Loan program. The following represents direct loans originated and disbursed during fiscal year 2018:

CFDA Number	Program Name	Amount
84.268	Federal Subsidized Loans	$ 1,777,008
84.268	Federal Unsubsidized Loans	$ 2,371,787
84.268	Federal Plus Loans	$ 66,654
	Total Federal Direct Student Loans	$ 4,215,449

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the James A. Rhodes State College (the College), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 19, 2018, wherein we noted the College adopted GASB No. 75 as disclosed in Note 2.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 19, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the James A. Rhodes State College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2018. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the discretely presented component unit of the College, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated December 19, 2018, which contained unmodified opinions on those financial statements, wherein we noted the College adopted GASB No. 75 as disclosed in Note 2. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 19, 2018

JAMES A. RHODES STATE COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant Deficiency(s) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant Deficiency(s) identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs:	
Student Financial Assistance Cluster	
Dollar threshold used to distinguish between Type A and Type B Programs	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Findings Related to the Financial Statements Required to be reported in Accordance with GAGAS

None

Section III – Federal Award Findings and Questioned Costs

None

JAMES A. RHODES STATE COLLEGE
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2018

Summary of Prior Audit Findings:

None Noted

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 10, 2019

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