

**JAMES A. RHODES STATE COLLEGE
ALLEN COUNTY**



SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2020

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

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, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Robert R. Hinkle".

Robert R. Hinkle, CPA, CGFM
Chief Deputy Auditor
Columbus, Ohio

January 21, 2021

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**JAMES A. RHODES STATE COLLEGE
ALLEN COUNTY
FOR THE YEAR ENDED JUNE 30, 2020**

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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, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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, 2020, 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.

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.

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2021, 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

January 18, 2021

**James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2020
(Unaudited)**

James A. Rhodes State College (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, 2020. 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 the year 2029.

FINANCIAL AND OTHER COLLEGE HIGHLIGHTS

The tuition rate for 2020 for a full-time student was \$5,406 for two semesters of 15 credit hours each, or \$180.19 per semester credit hour, which is an increase of \$10 per credit hour from 2019. The College still remains the most affordable option for higher education in our region.

Total state appropriations were \$10.6 million in fiscal year 2019 and \$10.2 million in fiscal year 2020. This decrease was due to decreased funding as a result of the coronavirus pandemic. This almost stable funding situation was the result of the State of Ohio's funding model change which awarded additional funding to institutions with higher course completion rates.

In 2014, the college requested and was successful in being awarded \$5 million through the Small Campus Targeted Workforce Expansion proposal to build a state of the art facility in downtown Lima. This incremental \$5 million (in addition to \$5 million previously awarded) will help fund a total expenditure of \$20.9 million for the facility and allow for the construction of the Borra Center for Health Sciences 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.

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2020
(Unaudited)

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 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.

CONDENSED FINANCIAL INFORMATION STATEMENTS OF NET POSITION (in thousands)

	<u>2020</u>	<u>2019</u>
Assets:		
Current Assets	\$17,082	\$17,585
Noncurrent Assets	<u>31,605</u>	<u>31,396</u>
Total Assets	<u>48,687</u>	<u>48,981</u>
Deferred Outflows of Resources	<u>3,148</u>	<u>4,859</u>
Liabilities:		
Current Liabilities	1,916	2,263
Noncurrent Liabilities	<u>20,779</u>	<u>22,979</u>
Total Liabilities	<u>22,695</u>	<u>25,242</u>
Deferred Inflows of Resources	<u>6,873</u>	<u>7,645</u>
Net Position:		
Net Investment in Capital Assets	27,313	26,557
Unrestricted	<u>(5,046)</u>	<u>(5,605)</u>
Total Net Position	<u><u>\$22,267</u></u>	<u><u>\$20,952</u></u>

As of June 30, 2020, the College's total assets were \$48.7 million compared to \$49.0 million in fiscal year 2019. This difference in total assets is primarily the result of a decrease in accounts receivable.

Capital assets, net of accumulated depreciation, are the college's largest asset and represent 63% and 62% of total assets for fiscal years 2020 and 2019, respectively. Cash and cash equivalents are the second largest asset category at \$13.0 million and \$12.6 million for fiscal years 2020 and 2019, respectively. This represents 27% and 26% of the total assets for fiscal years 2020 and 2019, respectively.

**James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2020
(Unaudited)**

Capital Assets

The total cost of capital assets was \$61.1 million and \$58.9 million for fiscal years 2020 and 2019, respectively. The accumulated depreciation was \$30.3 million and \$28.4 million for fiscal years 2020 and 2019, respectively. Depreciation expense for the fiscal years ended June 30, 2020 and 2019 were \$1.9 million and \$1.9 million, respectively.

Liabilities

As of June 30, 2020, the College's liabilities were \$22.7 million compared to \$25.2 million in fiscal year 2019. Net pension liability represents the largest portion of the liabilities, with \$14.7 million in fiscal year 2020 and \$17.0 million in fiscal year 2019. Net OPEB Liability represents \$2.7 million in fiscal year 2020 and \$2.6 million in fiscal year 2019. Bonds payable, net, \$3.1 million, compared to \$3.2 million for fiscal years 2020 and 2019, respectively. Bonds payable represents approximately 14% and 13% of total liabilities for fiscal years 2020 and 2019, respectively.

Net Position

Net position as of June 30, 2020, was \$22.3 million compared to \$21.0 million as of June 30, 2019.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

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James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2020
(Unaudited)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in thousands)

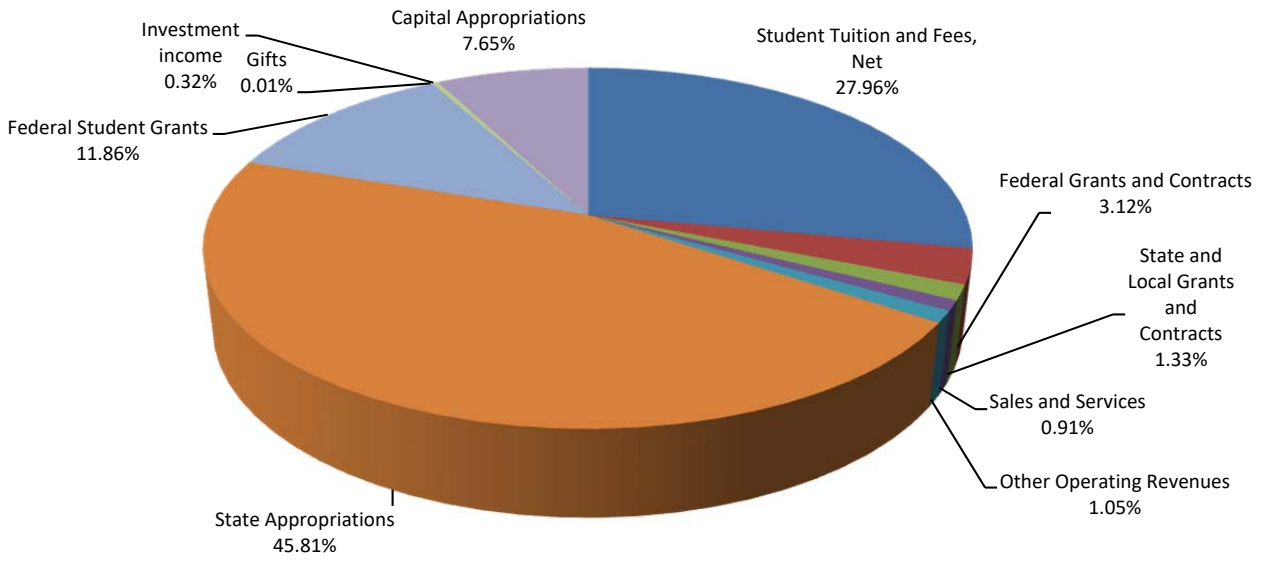
	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Student Tuition and Fees, Net	\$6,501	\$6,971
Federal Grants and Contracts	726	639
State Grants and Contracts	309	49
Sales and Services	211	137
Other Operating Revenues	<u>243</u>	<u>113</u>
Total Operating Revenues	<u>7,990</u>	<u>7,909</u>
Operating Expenses:		
Educational and General	19,828	17,020
Depreciation	<u>1,899</u>	<u>1,899</u>
Total Operating Expenses	<u>21,727</u>	<u>18,919</u>
Operating Loss	<u>(13,737)</u>	<u>(11,010)</u>
Nonoperating Revenues (Expenses):		
State Appropriations	10,652	10,865
Federal Student Grants	2,757	2,670
Gifts	3	8
Investment Income	74	103
Interest on Capital Asset-Related Debt	<u>(211)</u>	<u>(97)</u>
Total Nonoperating Revenues (Expenses)	<u>13,275</u>	<u>13,549</u>
Other Revenue:		
Capital Contributions	<u>1,777</u>	<u>1,233</u>
Increase (Decrease) in Net Position	1,315	3,772
Net Position - Beginning of Year	<u>20,952</u>	<u>17,180</u>
Net Position - End of Year	<u>\$22,267</u>	<u>\$20,952</u>

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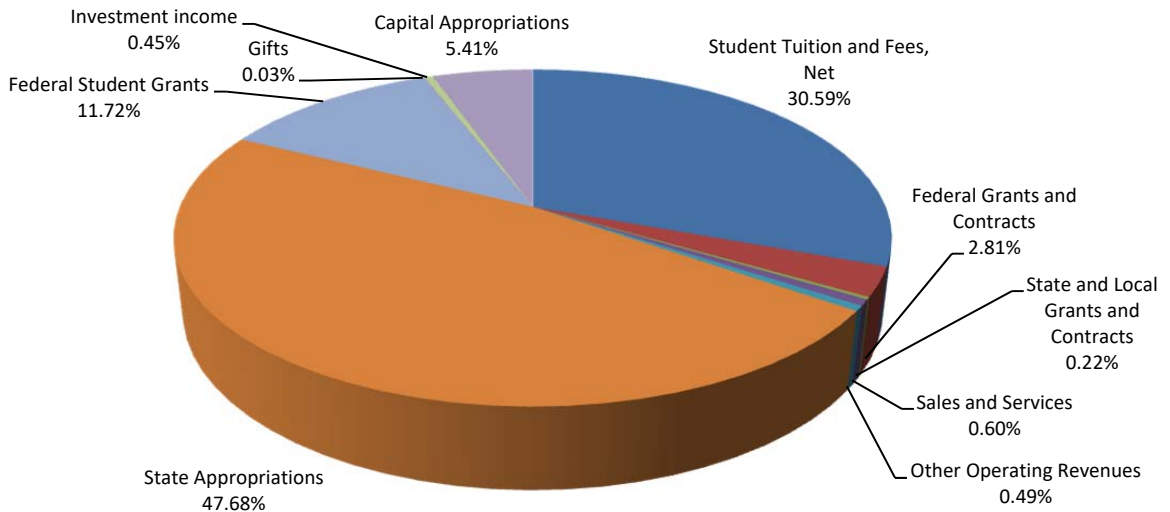
**James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2020
(Unaudited)**

The following is a graphic illustration of revenues by source for the year ended June 30, 2020 with comparative information for 2019:

Operating and Nonoperating Revenues Fiscal Year 2020



Operating and Nonoperating Revenues Fiscal Year 2019

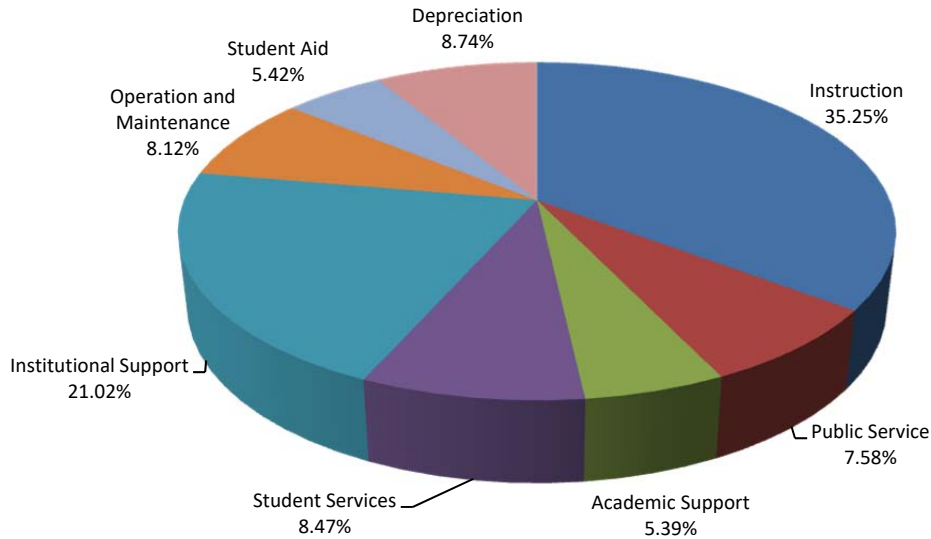


Some of the College's largest sources of revenues are State appropriations at 45.81%, student tuition and fees (net of scholarship allowance) at 27.96%, and Federal student grants at 11.86% for fiscal year 2020. Total operating and non-operating revenues were \$23.3 million for fiscal year 2020 and \$22.8 million for 2019 (comparative information), respectively.

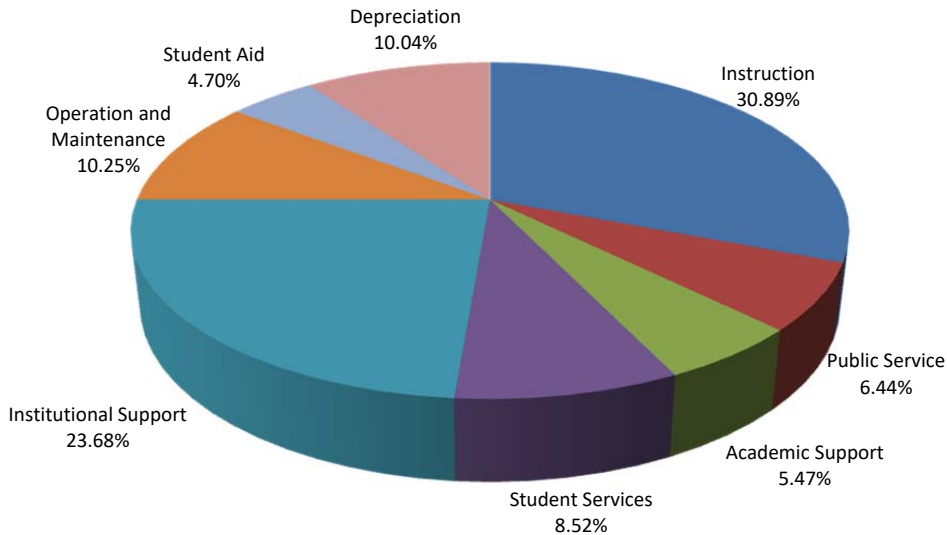
**James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2020
(Unaudited)**

The following is a graphic illustration of expenses by function for the year ended June 30, 2020 with comparative information for 2019:

Operating Expenses Fiscal Year 2020



Operating Expenses Fiscal Year 2019

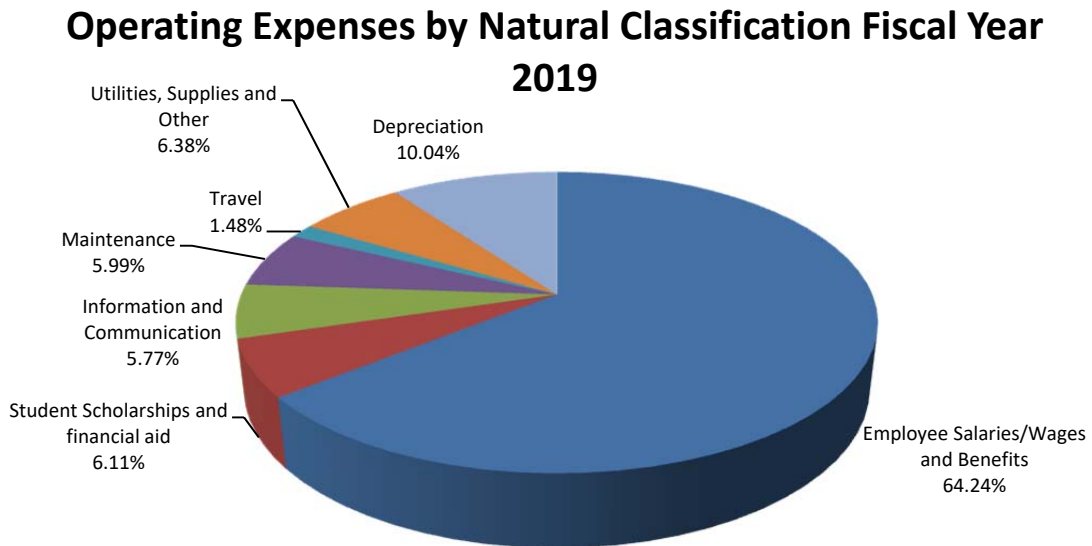
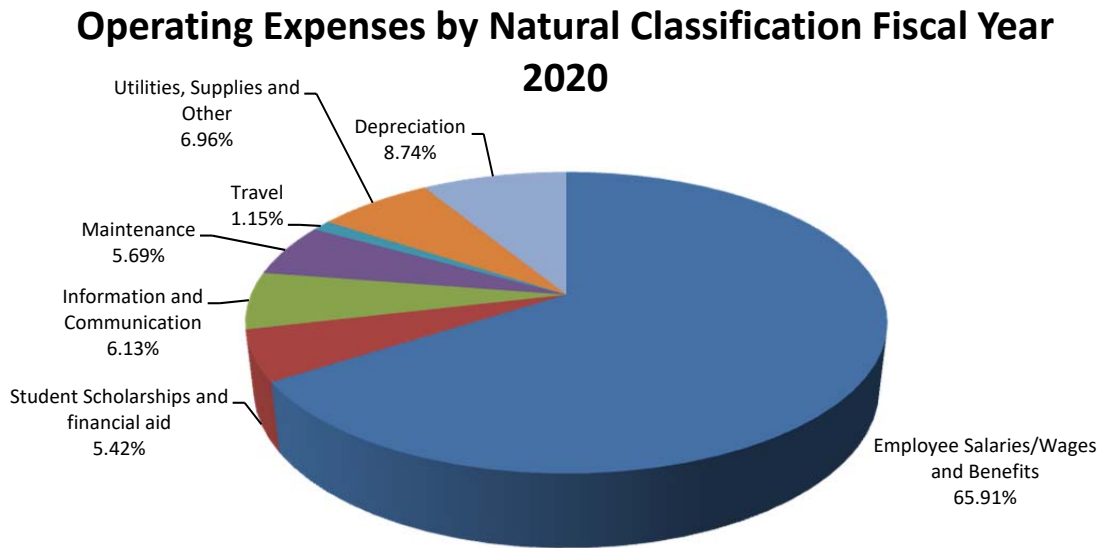


Institutional support expenses were \$4.6 million and \$4.5 million for fiscal year 2020 and 2019 (comparative information), respectively. Instructional expenses were \$7.7 million and \$5.8 million for fiscal years 2020 and 2019 (comparative information), respectively. Public service expenses were \$1.6 million and \$1.2 million for fiscal years 2020 and 2019 (comparative information), respectively. Academic support expenses were \$1.2 million and \$1.0 million for fiscal years 2020 and 2019 (comparative information), respectively. Student services expenses were \$1.8 million and \$1.6 million for fiscal years 2020 and 2019 (comparative information), respectively. Operation and maintenance

**James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2020
(Unaudited)**

expenses were \$1.8 million and \$1.9 million for fiscal years 2020 and 2019 (comparative information), respectively. Student aid expenses were \$1.2 million and \$900 thousand for fiscal years 2020 and 2019 (comparative information), respectively. Total operating and non-operating expenses were \$21.9 million and \$19.0 million for fiscal years 2020 and 2019 (comparative information), respectively. The primary reasons for the increases in operating expenses were due to the changes in net pension and OPEB liabilities/asset and related deferred outflows and inflows for GASB 68 and well as GASB 75.

The following is a graphic illustration of expenses by natural classification for the year ended June 30, 2020 with comparative information for 2019:



James A. Rhodes State College
Management's Discussion and Analysis
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(Unaudited)

Employee salaries/wages and benefits were the largest expense for the College at 65.9% and 64.2% of the College's total expenses for fiscal years 2020 and 2019 (comparative information), respectively. The next largest expense was depreciation, which accounted for 8.7% and 10.0% of total College expenses for fiscal years 2020 and 2019 (comparative information), respectively. Total operating expenses were \$21.7 million and \$18.9 million for fiscal years 2020 and 2019 (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 STATEMENT OF CASH FLOWS (in thousands)

	2020	2019
Net Cash & Cash Equivalents Provided (Used) By:		
Operating Activities	(\$12,523)	(\$11,298)
Non-Capital Financing Activities	13,413	13,543
Capital Financing Activities	(618)	(613)
Investing Activities	74	103
Net Increase (Decrease) in Cash and Cash Equivalents	346	1,735
Cash and Cash Equivalents - Beginning of Year	12,630	10,895
Cash and Cash Equivalents - End of Year	\$12,976	\$12,630

Major sources of cash included in the operating activities were tuition and fees, and grants and contracts. Tuition and fees generated cash of \$7.3 million and \$7.5 million in fiscal years 2020 and 2019 (comparative information), respectively. Grants and contracts generated cash of \$1.0 million in fiscal year 2020 and \$688 thousand in fiscal year 2019 (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 and benefits amounted to \$15.4 million and \$15.4 million in fiscal years 2020 and 2019 (comparative information), respectively. Payments to suppliers and utilities amounted to \$4.9 million and \$3.4 million in fiscal years 2020 and 2019 (comparative information), respectively. Payments for student aid amounted to \$913 thousand and \$890 thousand in fiscal years 2020 and 2019 (comparative information), respectively.

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

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 \$2.8 million and \$2.7 million in federal student grants in fiscal years 2020 and 2019 (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 had \$1.8 million for capital appropriation in fiscal year 2020 and \$1.2 million for capital appropriation in fiscal year 2019 (comparative information). Major uses of cash included in the capital financing activities were payments for purchases of capital assets.

CAPITAL ASSETS AND DEBT

Capital Assets

The total cost of capital assets was \$61.1 million and \$58.9 million for fiscal years 2020 and 2019, respectively. The accumulated depreciation was \$30.3 million and \$28.4 million for fiscal years 2020 and 2019, respectively. Depreciation expense for the fiscal years ended June 30, 2020 and 2019 were \$1.9 million and \$1.9 million, respectively. A summary of net capital assets for the years ended June 30 is as follows:

	2020	2019
Land	\$1,605,981	\$1,475,033
Construction in Progress	1,620,033	464,002
Land Improvements	946,978	1,034,506
Infrastructure	46,620	53,593
Buildings and Improvements	22,857,029	23,555,168
Moveable Equipment	3,464,605	3,720,958
Library	253,862	262,065
Total Capital Assets, Net	<u>\$30,795,108</u>	<u>\$30,565,325</u>

During fiscal year 2020, the College had an increase in overall capital assets since current year additions being greater than current year depreciation expense. For more information on capital assets, see Note 5 to the financial statements.

Debt

Following is a discussion of the components of debt and the activity for the years ended June 30, 2020 and 2019:

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.

James A. Rhodes State College
Management's Discussion and Analysis
June 30, 2020
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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 Borra Center for Health Sciences located in downtown Lima. This facility represents a collaborative effort between the College, the City of Lima, along with other businesses and organizations. The Center 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:

Russell M. Litke

Vice President of Finance and Business
4240 Campus Drive Lima, Ohio 45804
419-995-8342

James A. Rhodes State College
Statement of Net Position
June 30, 2020

	<i>COLLEGE</i>	<i>FOUNDATION</i>
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$12,975,939	\$342,724
Investments	0	3,359,045
Accounts Receivable (net of allowance of \$2,814,276)	4,071,347	0
Pledges Receivable, Net	0	59,068
Loans Receivable, Net	0	16,555
Prepaid Expenses	35,180	0
TOTAL CURRENT ASSETS	17,082,466	3,777,392
NONCURRENT ASSETS:		
Capital Assets (net of accumulated depreciation)	30,795,108	0
Net OPEB Asset	809,372	0
TOTAL NONCURRENT ASSETS	31,604,480	0
TOTAL ASSETS	48,686,946	3,777,392
Deferred Outflows of Resources		
Pension	2,622,915	0
OPEB	524,964	0
Total Assets and Deferred Outflows of Resources	\$51,834,825	\$3,777,392
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts Payable, Net	\$560,202	\$60,640
Current Portion of Bonds Payable	303,142	0
Current Portion of Compensated Absences	57,380	0
Accrued Liabilities	295,444	417
Unearned Revenue	699,635	0
TOTAL CURRENT LIABILITIES	1,915,803	61,057
NONCURRENT LIABILITIES:		
Bonds Payable, Net	2,843,143	0
Compensated Absences	446,025	0
Net Pension Liability	14,744,983	0
Net OPEB Liability	2,744,977	0
TOTAL NONCURRENT LIABILITIES	20,779,128	0
TOTAL LIABILITIES	22,694,931	61,057
Deferred Inflows of Resources		
Intergovernmental	938,472	0
Pension	4,017,648	0
OPEB	1,916,549	0
Total Liabilities and Deferred Inflows of Resources	29,567,600	61,057
NET POSITION:		
Net Investment in Capital Assets	27,313,070	0
Restricted for:		
Nonexpendable scholarships	0	2,070,945
Expendable scholarships	0	1,530,734
Unrestricted	(5,045,845)	114,656
TOTAL NET POSITION	\$22,267,225	\$3,716,335

See accompanying notes to the financial statements.

James A. Rhodes State College
Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ending June 30, 2020

	<u>COLLEGE</u>	<u>FOUNDATION</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees		
(net of scholarship allowance of \$1,775,417)	\$6,501,265	\$0
Federal Grants and Contracts	725,482	0
State and Local Grants and Contracts	309,371	0
Private grants and contracts	0	320,408
Sales and Services	210,680	0
Other Operating Revenues	243,371	19,679
Total operating revenues	<u>7,990,169</u>	<u>340,087</u>
EXPENSES		
Operating Expenses:		
Educational and General:		
Instruction	7,659,233	0
Public Service	1,647,006	0
Academic Support	1,170,920	27,970
Student Services	1,840,994	0
Institutional Support	4,567,945	254,878
Operation and Maintenance	1,763,969	0
Student Aid	1,178,354	15,144
Depreciation	1,899,278	0
Total operating expenses	<u>21,727,699</u>	<u>297,992</u>
Operating (loss)	<u>(13,737,530)</u>	<u>42,095</u>
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	10,652,165	0
Federal Student Grants	2,757,804	0
Gifts	3,049	0
Investment income (net of investment expense)	74,048	227,538
Interest on capital asset-related debt	(211,971)	0
Net Nonoperating Revenues (Expenses)	<u>13,275,095</u>	<u>227,538</u>
Income (Loss) Before Other Revenues	<u>(462,435)</u>	<u>269,633</u>
OTHER REVENUES, EXPENSES, GAINS AND LOSSES		
Capital Appropriations	1,777,973	0
Total other revenues	<u>1,777,973</u>	<u>0</u>
Increase (decrease) in net position	1,315,538	269,633
NET POSITION		
Net Position, Beginning of Year	20,951,687	3,446,702
Net Position, End of Year	<u>\$22,267,225</u>	<u>\$3,716,335</u>

See accompanying notes to the financial statements.

James A. Rhodes State College
Statement of Cash Flows
For the Year Ended June 30, 2020

	<u>COLLEGE</u>	<u>FOUNDATION</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$7,334,929	\$0
Grants and contracts	1,034,853	121,166
Payments to suppliers and utilities	(4,993,524)	(41,250)
Payments to employees and benefits	(15,440,993)	0
Payments for student aid	(912,664)	(78,598)
Sales and services	210,680	0
Other receipts	243,371	2,060
Net cash provided (used) by operating activities	<u>(12,523,348)</u>	<u>3,378</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	10,652,165	0
Federal student grants	2,757,804	0
Gifts and grants for other than capital purposes	3,049	0
Repayment to College	0	(300,000)
Repayment - Line of Credit	0	(124,690)
Student loan receipts	2,747,702	0
Student loan disbursements	<u>(2,747,702)</u>	<u>0</u>
Net cash provided (used) by noncapital financing activities	13,413,018	(424,690)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital appropriations	1,777,973	0
Principal paid on bonds payable	(47,845)	0
Interest paid on bonds payable	(219,188)	0
Purchases of capital assets	<u>(2,129,061)</u>	<u>0</u>
Net cash provided (used) by capital financing activities	(618,121)	0
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of land held for College	0	145,379
Net (purchase)/sale of investments	0	(265,690)
Interest on investments	<u>74,048</u>	<u>50,055</u>
Net cash provided (used) by investing activities	<u>74,048</u>	<u>(70,256)</u>
NET INCREASE (DECREASE) IN CASH	345,597	(491,568)
Cash and cash equivalents - beginning of year	<u>12,630,342</u>	<u>834,292</u>
Cash and cash equivalents - end of year	<u><u>\$12,975,939</u></u>	<u><u>\$342,724</u></u>
RECONCILIATION OF NET OPERATING INCOME (LOSS)		
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	(\$13,737,530)	\$42,095
Adjustments to reconcile net operating income (loss)		
to net cash used by operating activities:		
Depreciation expense	1,899,278	0
Gain on the sale of property held for Collegen	0	(19,679)
Increase (decrease) in assets and deferred outflows,		
and liabilities and deferred inflows:		
(Increase) Decrease in accounts receivable, net	764,310	0
(Increase) Decrease in pledges receivable, net	0	14,386
(Increase) Decrease in loans receivable, net	0	2,060
(Increase) Decrease in prepaid expenses	83,355	0
(Increase) Decrease in net OPEB asset	21,661	0
(Increase) Decrease in deferred outflows of resources	1,710,631	0
Increase (Decrease) in accounts payable	(480,887)	(35,484)
Increase (Decrease) in accrued liabilities	26,845	0
Increase (Decrease) in unearned revenues	69,354	0
Increase (Decrease) in compensated absences	52,741	0
Increase (Decrease) in deferred inflows of resources	(772,960)	0
Increase (Decrease) in net pension liability	(2,257,310)	0
Increase (Decrease) in net OPEB liability	<u>97,164</u>	<u>0</u>
Net cash provided (used) by operating activities	<u><u>(\$12,523,348)</u></u>	<u><u>\$3,378</u></u>

See accompanying notes to the financial statements.

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2020

NOTE 1 – Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

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

The College’s financial statements include the financial data of its component unit, the James A. Rhodes State College Foundation (the “Foundation”). The Foundation is a legally separate, not-for-profit organization incorporated and operated exclusively for the benefit of the College. It is presented as a discrete component unit in the accompanying financial statements in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an Amendment of GASB Statement No. 14*. The Foundation reports under FASB standards and as such certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. The Foundation is the sole member of a not-for-profit LLC, the Rhodes State College Foundation Lima, LLC (RSCF Lima LLC), an entity formed to purchase, sell or lease real estate for the College. It was formed in November, 2013. The RSCF LLC is consolidated in the financial statements of the Foundation. During the fiscal year ended June 30, 2020, the Foundation distributed \$15,465 for scholarships and \$27,970 for College academic programs. Complete financial statements for the Foundation may be obtained from the Office of Institutional Advancement at 4240 Campus Drive, Lima, OH 45804.

B. Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) as prescribed by the GASB. The College follows the “business-type activities” reporting requirements of GASB Statement No. 35 (as amended). The financial

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2020

statement presentation required by GASB Statement No. 35 is intended to provide a comprehensive, entity-wide perspective of the College's assets, deferred outflows of resources, liabilities, net position, revenues, expenses, changes in net position, and cash flows.

C. Basis of Accounting

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

D. Cash and Cash Equivalents

Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents represent cash held in safe, cash on deposit in banks, and cash invested in STAR Ohio.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The College measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

As of June 30, 2020, STAR Ohio held federal agency debentures and discount notes, commercial paper, bank deposits, and money market funds. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on the balance sheet date.

E. Investments

The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position. The College had no assets characterized as investment as of June 30, 2020.

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

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2020

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, 2020.

H. Capital Assets

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

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

I. Unearned Tuition and Fees

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

J. Compensated Absences

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

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

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

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2020

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, OPEB and intergovernmental. Deferred inflows of resources related to pension, OPEB and intergovernmental are reported on the Statement of Net Position. The deferred inflows of resources related to pension/OPEB are explained in Notes 10 and 11.

L. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

M. Net Position Classification

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

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

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

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2020

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 \$1,777,973 in revenues for capital financing activities for the fiscal years ended June 30, 2020, respectively.

O. Scholarship Allowances

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

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

P. Budgetary Process

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

Q. Use of Estimates

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

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2020

NOTE 2 – GASB Pronouncements

In fiscal year 2020, the College was in the process of evaluating implementation of the following Governmental Accounting Standards issued by the Governmental Accounting Standards Board (GASB): GASB Statement No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 84, *Fiduciary Activities*, GASB Statement No. 87, *Leases*, and GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. On May 8, 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The Statement is intended to provide relief to governments and other stakeholders in light of the COVID-19 pandemic.

NOTE 3 – Cash, Cash Equivalents, And Investments

State statutes classify monies held by the College into three categories.

Active deposits are public deposits necessary to meet current demand on the treasury. Such monies must be maintained either as cash in the College treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Trustees has identified as not required for use within the current period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing no more than one year from the date of deposit or by savings accounts including passbook accounts.

Protection of the College's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the College can be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2020

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio and STAR Plus); and
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the College, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Fair Value Measurements

Statement No. 72 of the Government Accounting Standards Board ("GASB") Fair Value Measurements and Application, set forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets and liabilities in active markets that the College has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2020

- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the College's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the College's own data.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of what constitutes observable requires judgment by the College's management. College management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment with the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to College management's perceived risk of that investment.

Cash on Hand

At June 30, 2020, the College had \$300 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 summarizes the value of investments at June 30:

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2020

Investments			
Accounts	2020	Fair Value Hierarchy	Weighted Average Maturity (Years)
STAR Ohio	\$4,399,543	N/A	0.11
Huntington Bank *	94,586	N/A	0.11
Total Cash	<u>\$4,494,129</u>		
Portfolio Weighted Average Maturity			0.11

*-Invested in STAR Ohio through Huntington Bank

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. Inputs to the valuation techniques used in fair the measurement for Level 2 include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs are significant unobservable inputs. The above table identifies the College's recurring fair value measurements as of June 30, 2020. STAR Ohio is reported at its share price (Net Asset value per share).

Custodial 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, 2020, the College had 100% of its investments in STAR Ohio.

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

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the College will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2020, \$9,839,791 of the College's bank balance of \$10,339,791 was exposed to custodial credit risk because it was uninsured and collateralized. The College's financial institution was approved for a reduced collateral rate through the Ohio Pooled Collateral System.

The College has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2020

Eligible securities pledged to the College and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

NOTE 4 – Accounts Receivable

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

	2020
Tuition and fees	5,847,628
Less allowance for uncollectible accounts	(2,814,276)
Net tuition and fees	3,033,352
Governmental Entities	136,983
Other	901,012
Accounts Receivable, net	4,071,347

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

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James A. Rhodes State College
Notes to the Financial Statements
June 30, 2020

NOTE 5 – Capital Assets

Capital asset activity for the years ended June 30, 2020 was as follows:

	July 1, 2019	Additions	Sales/Other Dispositions	June 30, 2020
Non-depreciable capital assets:				
Construction in progress	464,002	1,141,979	0	1,605,981
Land	1,475,033	145,000	0	1,620,033
Total non-depreciable assets	<u>1,939,035</u>	<u>1,286,979</u>	<u>0</u>	<u>3,226,014</u>
Depreciable capital assets:				
Land Improvements	1,947,114	20,194	0	1,967,308
Infrastructure	192,633	0	0	192,633
Buildings & Improvements	41,621,067	259,677	0	41,880,744
Moveable Equipment	11,698,000	521,262	0	12,219,262
Library Books	1,544,604	40,949	0	1,585,553
Total depreciable assets	<u>57,003,418</u>	<u>842,082</u>	<u>0</u>	<u>57,845,500</u>
Less Accumulated Depreciation:				
Land Improvements	912,608	107,722	0	1,020,330
Infrastructure	139,040	6,973	0	146,013
Buildings & Improvements	18,065,899	957,816	0	19,023,715
Moveable Equipment	7,977,042	777,615	0	8,754,657
Library Books	1,282,539	49,152	0	1,331,691
Total accumulated depreciation	<u>28,377,128</u>	<u>1,899,278</u>	<u>0</u>	<u>30,276,406</u>
Total depreciable assets, net	<u>28,626,290</u>	<u>-1,057,197</u>	<u>0</u>	<u>27,569,094</u>
Total capital assets, net	<u>30,565,325</u>	<u>229,782</u>	<u>0</u>	<u>30,795,108</u>

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, 2020, the College had released \$12,119,056 which has been applied to current projects and \$ 1,820,931 available for future projects as follows:

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Appropriation Line Item Description	Appropriation	Allotted (Released)	Remaining (Unreleased)
Basic Renovations	\$462,301	\$267,131	\$195,170
Workforce Based Training and Equipment	327,262	202,413	124,849
Cook Hall Renovations	49,133	0	49,133
Center for Health Science Education and Innv.	10,935,258	10,885,258	50,000
IT Infrastructure	1,875,128	635,889	1,239,239
Road and Parking Resurfacing	35,905	28,364	7,541
Completion Plan Outcome	100,000	100,000	0
Campus Safety Upgrades	155,000	0	155,000
Total	\$13,939,987	\$12,119,055	\$1,820,932

NOTE 6 – Accrued Liabilities

Accrued liabilities consist of the following as of June 30:

	2020
Accrued wages	\$441,331
Accrued benefits payable	(145,886)
Total	\$295,445

NOTE 7 – Long-Term Obligations

Changes in long-term obligations of the College during fiscal years 2020 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Special Obligation Bonds:					
Series 2013 Variable Rate Bonds 3.375-3.75%	\$3,098,678	\$0	(\$47,845)	\$3,050,833	\$303,142
Premium on Bonds	102,669	0	(7,217)	95,452	0
Total Special Obligation Bonds	3,201,347	0	(55,062)	3,146,285	303,142
Other Long-Term Obligations:					
Compensated absences	450,664	90,822	(38,081)	503,405	57,380
Net Pension Liability					
STRS	11,371,326	0	(564,457)	10,806,869	0
OPERS	5,630,967	0	(1,692,853)	3,938,114	0
Net OPEB Liability					
STRS (a)					
OPERS	2,647,813	97,164	0	2,744,977	0
Total long-term liabilities	\$23,302,117	\$187,986	(\$2,350,453)	\$21,139,650	\$360,522

(a)-OPEB for STRS has a Net OPEB asset in the amount of \$809,372 as of June 30, 2020

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

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

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

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

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

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

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2021	\$303,142	\$118,576
2022	180,000	111,876
2023	180,000	104,876
2024	190,000	97,676
2025	200,000	90,276
2026-2030	1,100,000	334,602
2031-3033	<u>897,691</u>	<u>124,126</u>
Total	<u><u>\$3,050,833</u></u>	<u><u>\$982,008</u></u>

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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 \$58,536 due in 2021.

Operating lease expenditures for the years ending June 30, 2020 and 2019 were \$58,744 and \$47,831 respectively.

NOTE 9 - State Support

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

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

The College facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of the State of Ohio. If sufficient monies are not available from this fund, the Ohio Board of Regents may assess a special fee uniformly applicable in state-assisted institutions of higher education throughout the state. There were no fees assessed in 2020.

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 as expenses of the College.

NOTE 10 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions and 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 pensions and OPEB are a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability (asset) represent the College's proportionate share of each pension and OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension and OPEB plan's fiduciary net position. The net pension/OPEB liability

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(asset) 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 pensions and OPEB are financed; however, the College does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB Statements No. 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability (asset) on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description

The College's employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. College employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension 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 includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting www.opers.org/financial/reports.shtml, by writing

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to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

<u>Group A</u> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<u>Group B</u> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<u>Group C</u> Members not in other Groups and members hired on or after January 7, 2013
<u>State and Local</u>	<u>State and Local</u>	<u>State and Local</u>
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
Traditional Plan 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	Traditional Plan 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	Traditional Plan 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

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 traditional plan 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. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. 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 (ORC) provides statutory authority for member and employer contributions as follows:

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	State and Local
Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
Actual Contribution Rates	
Employer:	
Pension	14.00 %
Post-employment Health Care Benefits	0.00
Total Employer	14.00 %
Employee	10.00 %

The College’s contractually required contribution for OPERS was \$249,670 for fiscal year 2020.

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 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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients’ base benefit and past cost-of living increases are not affected by this change. Effective Aug. 1, 2017 through July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective Aug. 1, 2019–July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will be phased in until August 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.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

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The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent 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 at age fifty and after termination of employment.

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

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

Funding Policy

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The College's contractually required contribution to STRS was \$805,442 for fiscal year 2020.

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

The net pension liability was measured as of June 30, 2019, 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 contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	STRS	OPERS	Total
Proportionate Share of the Net Pension Liability	\$10,806,869	\$3,938,114	\$14,744,983
Proportion of the Net Pension Liability:			
Current Measurement Date	0.04886802%	0.01992400%	
Prior Measurement Date	0.05171663%	0.02056000%	
Change in Proportionate Share	-0.00284861%	-0.00063600%	
Pension Expense	\$132,013	\$277,000	\$409,013

At June 30, 2020, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	STRS	OPERS	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$87,987	\$0	\$87,987
Changes of assumptions	1,269,475	210,341	1,479,816
Contributions subsequent to the measurement date	805,442	249,670	1,055,112
Total Deferred Outflows of Resources	\$2,162,904	\$460,011	\$2,622,915
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$46,781	\$49,792	\$96,573
Net difference between projected and actual earnings on pension plan investments	528,181	785,565	1,313,746
Changes in employer proportionate share of net pension liability	2,404,760	202,569	2,607,329
Total Deferred Inflows of Resources	\$2,979,722	\$1,037,926	\$4,017,648

\$1,055,112 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year			
Ending June 30:	STRS	OPERS	Total
2021	(\$552,575)	(\$264,563)	(\$817,138)
2022	(715,535)	(283,631)	(999,166)
2023	(309,613)	32,530	(277,083)
2024	(44,537)	(311,921)	(356,458)
Total	(\$1,622,260)	(\$827,585)	(\$2,449,845)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include

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assumptions about future employment, mortality, and cost trends. Actuarially determined amounts 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 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, 2019, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2019, are presented below.

OPERS Traditional Plan

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation COLA or Ad Hoc COLA:	3.25 to 10.75 percent including wage inflation at 3.25 percent
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	1.4 percent, simple through 2020 then 2.15 percent, simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

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. Postretirement 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. Postretirement 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.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term 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.

During 2019, 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 of 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,

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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 17.2% for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees 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 table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	25.00%	1.83%
Domestic Equities	19.00%	5.75%
Real Estate	10.00%	5.20%
Private Equity	12.00%	10.70%
International Equities	21.00%	7.66%
Other investments	<u>13.00%</u>	4.98%
Total	<u>100.00%</u>	5.61%

Discount Rate

The discount rate used to measure the total pension liability was 7.2% 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.

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

The following table presents the net pension liability or asset calculated using the discount rate of 7.2%, and the expected net pension liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

	<u>1% Decrease (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Proportionate share of the net pension liability	\$6,495,224	\$3,938,114	\$1,639,347

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Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, are presented below:

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

Post-retirement mortality rates for healthy retirees 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, 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 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 July 1, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long-Term Expected Rate of Return **</u>
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	<u>100.00%</u>	

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**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' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate

The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer

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contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the 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%
Proportionate share of the net pension liability	\$15,793,035	\$10,806,869	\$6,585,824

Assumption and Benefit Changes since the Prior Measurement Date

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

Note 11 – Defined Benefit Other Postemployment Benefits (OPEB) Plans

See note 10 for a description of the net OPEB liability (asset).

Ohio Public Employees Retirement System (OPERS)

Plan Description

The Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 75. See OPERS' CAFR referenced below for additional information.

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

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Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. For 2020, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2019 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The College's contractually required contribution was \$0 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered 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. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. 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. All benefit recipients 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 fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

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OPEB Liabilities (Assets), OPEB Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability (asset) 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:

	<u>STRS</u>	<u>OPERS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$0	\$2,744,977	\$2,744,977
Proportionate Share of the Net OPEB (Asset)	(809,372)	0	(809,372)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.04886802%	0.01987300%	
Prior Measurement Date	<u>0.05171663%</u>	<u>0.02030900%</u>	
Change in Proportionate Share	<u>-0.00284861%</u>	<u>-0.00043600%</u>	
OPEB Expense	(\$350,859)	\$45,817	(\$305,042)

At June 30, 2020, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>STRS</u>	<u>OPERS</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$73,376	\$74	\$73,450
Changes of assumptions	17,013	434,501	451,514
Total Deferred Outflows of Resources	<u>\$90,389</u>	<u>\$434,575</u>	<u>\$524,964</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$41,178	\$251,041	\$292,219
Changes of assumptions	887,382	0	887,382
Net difference between projected and actual earnings on OPEB plan investments	50,834	139,774	190,608
Changes in employer proportionate share of net OPEB liability	<u>433,646</u>	<u>112,694</u>	<u>546,340</u>
Total Deferred Inflows of Resources	<u>\$1,413,040</u>	<u>\$503,509</u>	<u>\$1,916,549</u>

None is reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Fiscal Year Ending June 30:	STRS	OPERS	Total
2021	(\$296,265)	(\$26,965)	(\$323,230)
2022	(296,265)	17,646	(278,619)
2023	(275,891)	111	(275,780)
2024	(268,744)	(59,726)	(328,470)
2025	(185,078)	0	(185,078)
Thereafter	(408)	0	(408)
Total	<u>(\$1,322,651)</u>	<u>(\$68,934)</u>	<u>(\$1,391,585)</u>

Actuarial Assumptions - OPERS

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 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 (the plan as understood by the employers and plan members) 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, 2018, rolled forward to the measurement date of December 31, 2019.

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

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent includes wage inflation at 3.25 percent
Single Discount Rate	3.16 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	2.75 percent
Health Care Cost Trend Rate	10.5 percent initial, 3.5 percent ultimate in 2030
Actuarial Cost Method	Individual Entry Age Normal

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. Postretirement 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. Postretirement 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

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determined by applying the MP-2015 mortality improvement scale to all of the above described tables. The most recent experience study was completed for the five year period ended December 31, 2015.

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 2019, 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, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. 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 was 19.7% for 2019.

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 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 rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00%	1.53%
Domestic Equities	21.00%	5.75%
Real Estate Investment Trust	6.00%	5.69%
International Equities	23.00%	7.66%
Other investments	14.00%	4.90%
Total	<u>100.00%</u>	4.55%

Discount Rate

A single discount rate of 3.16% was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present

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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) a 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 the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.75%. The projection of cash flows used to determine this single discount rate 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 the year 2034. As a result, the actuarial assumed 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 The following table presents the net OPEB liability calculated using the single discount rate of 3.16%, 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 (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Proportionate share of the Net OPEB Liability	\$3,592,243	\$2,744,977	\$2,066,593

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

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 with changes over several years built into that assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50%. 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 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 3.50% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Proportionate share of the Net OPEB Liability	\$2,663,976	\$2,744,977	\$2,824,947

Changes between Measurement Date and Report Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and

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pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3.00%
Discount Rate of Return	7.45%
Health Care Cost Trends:	
Medical	
Pre-Medicare	5.87% initial, 4% ultimate
Medicare	4.93% initial, 4% ultimate
Prescription Drug	
Pre-Medicare	7.73% initial, 4% ultimate
Medicare	9.62% initial, 4% 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, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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:

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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	<u>100.00%</u>	

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**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' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019 and June 30, 2018. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019 and June 30, 2018.

Sensitivity of the Proportionate Share of the Net OPEB (Asset) to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset 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 assumption. Also shown is the net OPEB asset 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 (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Proportionate share of the net OPEB (asset)	(\$690,638)	(\$809,372)	(\$909,199)
	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$917,790)	(\$809,372)	(\$676,585)

Assumption and Benefit Changes since the Prior Measurement Date

There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June

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30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

There were changes in assumptions, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

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 the current fiscal year for specific types of insurance.

Insurance policies in place during fiscal year 2020 include the following:

Description of Coverage	Insurance Carrier	Liability
“All Risk” Property	Zurich American Insurance Company/MHEC	\$1,000,000,000
General Liability	Markel Insurance Company (Wright Specialty)	1,000,000
Limited Professional Liability	Markel Insurance Company (Wright Specialty)	1,000,000
Automobile	Markel Insurance Company (Wright Specialty)	1,000,000
Educators Legal Liability	Markel Insurance Company (Wright Specialty)	1,000,000
Crime	Markel Insurance Company (Wright Specialty)	1,000,000
1st Excess Liability	United Educators	15,000,000 excess 1,000,000 15,000,000 excess
1st Excess Educators Legal Liability	United Educators	1,000,000
Cyber Liability Breach Response	Llyod's via CFC	1,000,000

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 \$1,825,875 for the fiscal years ended June 30, 2020. The majority of the expenditures were incurred for plant operations. Based upon the various formulas, the College’s share was 59% of the total expenses, net of total shared income, for the fiscal years ending June 30, 2020.

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NOTE 14 – Operating Expenses by Natural Classification

The College’s operating expenses by natural classification for the years ended June 30, 2020 was as follows:

	2020
Salaries and wages	\$ 11,839,432
Employee benefits	2,480,333
Supplies	1,109,725
Travel	249,482
Information and communication	1,331,233
Maintenance	1,236,770
Utilities	480,300
Student scholarships and financial aid	1,178,354
Other	(77,208)
Depreciation	1,899,278
Total operating expenses	\$ 21,727,699

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, 2020.

Note 16 - Component Unit Disclosures

The James A. Rhode State College Foundation (Foundation) is a legally separate, tax-exempt component unit of James A. Rhodes State College (College).

The accompanying financial statements of the Foundation have been prepared in accordance with pronouncements of the Financial Accounting Standards Board. 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.

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The Foundation has adopted the provisions of FASB Accounting Standards Codification (ASC) No. 958 *Not-For-Profit Entities*. Under ASC No. 958 the Foundation is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

With Donor Restrictions

Net assets that are subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

When a donor restriction expires, that is, when a stipulated time restriction expires or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Contributions to the Foundation are recognized and reported as revenue at fair value upon the earlier of the period in which a pledge becomes unconditional or the period in which the contribution is received.

Net Assets with Donor Restrictions – time/purpose restricted are available for the following purposes:

Gifts and Other Donations Available for:	
Schell Foundation Loan Fund	\$35,008
Instructional Programs	467,839
Scholarships	<u>1,027,887</u>
Total Gifts and Other Donations	<u><u>\$1,530,734</u></u>

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

Instructional Programs	\$27,970
Other	11,896
Scholarships	<u>15,144</u>
Total Gifts and Other Donations	<u><u>\$55,010</u></u>

Donor-restricted funds of a permanent nature consist of endowment funds. In certain cases, the donors of these funds have restricted the use of the income from such funds for scholarships.

These endowment funds are available for the following purposes:

Scholarships	\$2,070,945
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Cash and Cash Equivalents

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

The Foundation maintains cash balances at one institution. The Federal Deposit Insurance Corporation (FDIC) insures cash deposits maintained in interest-bearing accounts at a bank up to \$250,000. At June 30, 2020, the cash balance of \$271,773 was maintained by the Foundation were fully insured. RSCF Lima, LLC maintains cash balances at two institutions. At June 30, 2020, RSCF Lima, LLC, maintained a cash balance of \$26,346. Management believes that its cash deposits are not subject to significant risk.

Investments

Investments are reported at fair value based on quoted market prices for identical assets that are actively traded (Level 1) and quoted market prices for similar assets or identical assets that are not actively traded, or priced based on other observable inputs (Level 2). At June 30, 2020, investments consisted of common stocks, and equity and bond mutual funds.

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, 2020, and the valuation techniques used by the Foundation to determine those fair values.

1. Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets.
2. 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, 2020 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.
3. 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, 2020.

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

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Fair Value Measurements at June 30, 2020

Description	Level 1	Level 2	Total
Common Stock Types:			
Retail/Wholesale	\$234,662	\$0	\$234,662
Transportation/Logistics	56,928	0	56,928
Media/Entertainment	138,698	0	138,698
Financial Services	288,867	0	288,867
Health Care/Life Sciences	405,644	0	405,644
Industrial Goods	280,844	0	280,844
Technology	775,752	0	775,752
Total Common Stock	2,181,395	0	2,181,395
Equity Fund Types:			
Real Estate Investment Trust	0	46,568	46,568
Small Cap Funds	0	40,805	40,805
Mid Cap Funds	0	90,477	90,477
Index Funds	0	236,972	236,972
Total Equity Fund	0	414,822	414,822
Bond Fund Types:			
Other Bond Funds	0	762,828	762,828
Total Equity Fund	0	762,828	762,828
Total Investments	\$2,181,395	\$1,177,650	\$3,359,045

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 perpetual in nature (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 as perpetual in nature is classified as donor 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:

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2020

1. General economic conditions
2. The possible effect of inflation and deflation
3. The tax consequences of investment decisions
4. The role each investment or course of action plays within the overall investment portfolio of the fund
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The need of the institution and of the fund to make distributions and to preserve capital
8. An asset's special relationship or special value, if any, to the charitable purposes of the institution

Endowment Net Asset Composition by Type of Fund as June 30, 2020:

Description	Time/Purpose Restriction	Perpetual Restriction	Total
Donor Restricted	\$1,530,734	\$2,070,945	\$3,601,679

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 donor amounts restricted as to time or purpose are reported in unrestricted net assets. The Foundation did not have a deficiency in the endowment fund as of June 30, 2020.

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

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2020

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.

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 \$2,060 in student repayments in fiscal year 2020. 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, 2020:

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	<u>18,349</u>
Total	<u><u>\$68,951</u></u>

Scholarship awards made from each of these funds were as follows on June 30, 2020:

James J. Countryman Scholarship Fund	\$1,496
Thomas R. and Gloria P. Leech Scholarship Fund	<u>638</u>
Total	<u><u>\$2,134</u></u>

James A. Rhodes State College
Notes to the Financial Statements
June 30, 2020

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.

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. Purchased properties are reflected in the Consolidated Statements of Financial Position as Property Held for College.

Note 17 – COVID-19

On March 10, 2020, the World Health Organization recognized the outbreak of COVID-19 disease as a pandemic. Governments worldwide continue to take actions to prevent the spread of the outbreak, including event cancellations and quarantines that have created widespread adverse impacts to the global economy as well as business interruptions. The full impact of COVID-19 and the scope of any continued impact on College finances and operations cannot be fully determined at this time. Adverse consequences of the COVID-19 pandemic may include but are not limited to decline in enrollment; additional decreases in financial support from the State; and reduction in funding support from donors or other external sources.

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 Seven Fiscal Years (1) (2)

Year	College's Proportion of the Net Pension Liability	College's Proportionate Share of the Net Pension Liability	College's Covered Payroll	College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.04886802%	\$10,806,869	\$5,700,271	189.59%	77.40%
2019	0.05171663%	11,371,326	5,672,957	200.45%	77.30%
2018	0.05509193%	13,087,206	5,864,029	223.18%	75.30%
2017	0.06546499%	21,913,105	7,521,521	291.34%	66.80%
2016	0.07209133%	19,923,935	7,487,107	266.11%	72.10%
2015	0.07483742%	18,203,050	7,646,315	238.06%	74.70%
2014	0.07483742%	21,683,355	7,291,992	297.36%	69.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

(2) Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

James A. Rhodes State College
 Required Supplementary Information
 Schedule of College's Contributions for Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

Year	College's Contractually Required Contribution	College's Contributions in Relation to the Contractually Required Contributions	College's Contribution Deficiency (Excess)	College's Covered Payroll	College's Contributions as a Percentage of Covered Payroll
2020	\$805,442	(\$805,442)	\$0	\$5,753,157	14.00%
2019	798,038	(798,038)	0	5,700,271	14.00%
2018	794,214	(794,214)	0	5,672,957	14.00%
2017	820,964	(820,964)	0	5,864,029	14.00%
2016	1,053,013	(1,053,013)	0	7,521,521	14.00%
2015	1,048,195	(1,048,195)	0	7,487,107	14.00%
2014	994,021	(994,021)	0	7,646,315	13.00%
2013	947,959	(947,959)	0	7,291,992	13.00%
2012	979,334	(979,334)	0	7,533,338	13.00%
2011	1,115,689	(1,115,689)	0	8,582,223	13.00%

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 Seven Fiscal Years (1) (2)

Year	College's Proportion of the Net Pension Liability	College's Proportionate Share of the Net Pension Liability	College's Covered Payroll	College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.01992400%	\$3,938,114	\$1,654,267	238.06%	82.17%
2019	0.02056000%	5,630,967	2,697,941	208.71%	74.70%
2018	0.02276000%	3,570,603	4,951,030	72.12%	84.66%
2017	0.02775400%	6,302,461	5,541,120	113.74%	77.25%
2016	0.02904800%	5,031,404	5,650,980	89.04%	81.08%
2015	0.03035900%	3,661,635	5,889,070	62.18%	86.45%
2014	0.03035900%	3,578,931	5,811,540	61.58%	86.36%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

(2) Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

James A. Rhodes State College
 Required Supplementary Information
 Schedule of College's Contributions for Net Pension Liability
 Ohio Public Employees Retirement System - Traditional Plan
 Last Ten Fiscal Years

Year	College's Contractually Required Contribution	College's Contributions in Relation to the Contractually Required Contributions	College's Contribution Deficiency (Excess)	College's Covered Payroll	College's Contributions as a Percentage of Covered Payroll
2020	\$249,670	(\$249,670)	\$0	\$1,783,357	14.00%
2019	223,326	(223,326)	0	1,654,267	13.50%
2018	364,222	(364,222)	0	2,697,941	13.50%
2017	495,103	(495,103)	0	4,951,030	10.00%
2016	554,112	(554,112)	0	5,541,120	10.00%
2015	565,098	(565,098)	0	5,650,980	10.00%
2014	588,907	(588,907)	0	5,889,070	10.00%
2013	581,154	(581,154)	0	5,811,540	10.00%
2012	585,419	(585,419)	0	5,854,190	10.00%
2011	476,662	(476,662)	0	5,153,103	9.25%

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 (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Four Fiscal Years (1) (2)

Year	College's Proportion of the Net OPEB Asset/Liability	College's Proportionate Share of the Net OPEB (Asset)/Liability	College's Covered Payroll	College's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset)/Liability
2020	0.04886802%	(\$809,372)	\$5,700,271	(14.20%)	174.74%
2019	0.05171663%	(831,033)	5,672,957	(14.65%)	176.00%
2018	0.05509193%	2,149,484	5,864,029	36.66%	47.10%
2017	0.06546499%	3,501,085	7,521,521	46.55%	37.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

(2) Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

James A. Rhodes State College
 Required Supplementary Information
 Schedule of College's Contributions for Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Five Fiscal Years (1)

Year	College's Contractually Required Contribution	College's Contributions in Relation to the Contractually Required Contributions	College's Contribution Deficiency (Excess)	College's Covered Payroll	College's Contributions as a Percentage of Covered Payroll
2020	\$0	\$0	\$0	\$5,753,157	0.00%
2019	0	0	0	5,700,271	0.00%
2018	0	0	0	5,672,957	0.00%
2017	0	0	0	5,864,029	0.00%
2016	0	0	0	7,521,521	0.00%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. 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 the College's Proportionate Share of the Net OPEB Liability
 Ohio Public Employees Retirement System
 Last Four Fiscal Years (1) (2)

Year	College's Proportion of the Net OPEB Liability	College's Proportionate Share of the Net OPEB Liability	College's Covered Payroll	College's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.01987300%	\$2,744,978	\$1,654,267	165.93%	47.80%
2019	0.02030900%	2,647,814	2,734,919	96.82%	46.33%
2018	0.02202000%	2,391,210	5,009,363	47.73%	54.14%
2017	0.02752000%	2,779,613	5,728,120	48.53%	54.05%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

(2) Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

James A. Rhodes State College
 Required Supplementary Information
 Schedule of College's Contributions for Net OPEB Liability
 Ohio Public Employees Retirement System
 Last Five Fiscal Years (1)

Year	College's Contractually Required Contribution	College's Contributions in Relation to the Contractually Required Contributions	College's Contribution Deficiency (Excess)	College's Covered Payroll	College's Contributions as a Percentage of Covered Payroll
2020	\$0	\$0	\$0	\$1,783,357	0.00%
2019	0	0	0	1,654,267	0.00%
2018	17,904	(17,904)	0	2,734,919	0.65%
2017	34,712	(34,712)	0	5,009,363	0.69%
2016	39,641	(39,641)	0	5,728,120	0.69%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

James A. Rhodes State College
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2020

Note 1 - Net Pension Liability

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2019-2020: There were no changes in benefit terms from the amounts reported for these fiscal years.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2019-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,
- (3) The payroll growth assumption was lowered to 3.00%,
- (4) 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,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

Ohio Public Employees Retirement System (OPERS)

Changes in Benefit Terms:

2020-2019: There were no changes in benefit terms from the amounts reported for these fiscal years.

2018: There were no changes in benefit terms since the prior measurement date.

Changes in Assumptions:

2020: There were no changes in assumptions from the amounts reported for this fiscal year.

2019: The investment rate of return decreased from 7.5 percent to 7.2 percent.

2018: There were no changes in assumptions since the prior measurement date.

Note 2 - Net OPEB (Asset)/Liability

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2020: There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy

James A. Rhodes State College
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2020

percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

2018: 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 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in Assumptions:

2020: There were changes in assumptions during the measurement year, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

2018: 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.

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

Ohio Public Employees Retirement System (OPERS)

Changes in Benefit Terms:

2020: *Changes between Measurement Date and Report Date:* On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

James A. Rhodes State College
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2020

2019: There were no changes in benefit terms from the amounts reported for this fiscal year.

2018: There were no changes in benefit terms since the prior measurement date.

Changes in Assumptions:

2020: There were no changes in assumptions from the amounts reported for this fiscal year.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate increased from 3.85 percent to 3.96 percent.
- The investment rate of return decreased from 6.5 percent to 6 percent.
- The municipal bond rate increased from 3.31 percent to 3.71 percent.
- The initial health care cost trend rate increased from 7.5 percent to 10 percent.

2018: There were no changes in assumptions since the prior measurement date.

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JAMES A. RHODES STATE COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

	Federal CFDA Number	Pass through Entity Identifying Number	Expenditures
<u>U.S. Department of Education</u>			
<i>Direct Awards</i>			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ 66,472
Federal Work Study Program	84.033	N/A	55,243
Federal Pell Grant Program	84.063	N/A	2,730,734
Federal Direct Student Loans	84.268	N/A	<u>2,747,702</u>
Total Student Financial Assistance Cluster			5,600,151
COVID 19 Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	84.425E	N/A	640,979
COVID 19 Higher Education Emergency Relief Fund (HEERF) Institutional Portion	84.425F	N/A	<u>18,162</u>
Total Education Stabilization Fund			659,141
<i>Passed through the Ohio Department of Education</i>			
Career and Technical Education - Basic Grants to States	84.048	3L90	<u>127,774</u>
Total U.S. Department of Education			6,387,066
<u>U.S. Department of Defense</u>			
<i>Direct Awards</i>			
Procurement Technical Assistance for Business Firms	12.002	N/A	<u>59,492</u>
Total U.S. Department of Defense			59,492
<u>U.S. Department of Commerce</u>			
<i>Passed Through ODSA/CIFT</i>			
Manufacturing Extension Partnership	11.611	13-069	<u>110,161</u>
Total U.S. Department of Commerce			110,161
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed Through the City of Lima, Ohio</i>			
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218	N/A	<u>4,786</u>
Total CDBG - Entitlement Grants Cluster			4,786
Total U.S. Department of Housing and Urban Development			4,786
<u>U.S. Department of Labor</u>			
<i>Passed Through Ohio Department of Job and Family Services</i>			
Apprenticeship USA Grants	17.285	AP-30104-16-60-A-39	<u>97,184</u>
Total U.S. Department of Labor			97,184
<u>Small Business Administration</u>			
<i>Passed Through Ohio Department of Development</i>			
Small Business Development Centers	59.037	DEVFR036	8,413
Small Business Development Centers	59.037	DEVFRSC13	<u>162,033</u>
Total Small Business Administration			170,446
Total Expenditures of Federal Awards			<u>\$ 6,829,135</u>

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

JAMES A. RHODES STATE COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

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 2020:

CFDA Number	Program Name	Amount
84.268	Federal Subsidized Loans	\$ 1,049,850
84.268	Federal Unsubsidized Loans	\$ 1,618,356
84.268	Federal Plus Loans	\$ 79,496
	Total Federal Direct Student Loans	<u>\$ 2,747,702</u>

**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, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated January 18, 2021.

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) as a basis for designing 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 financial statements. 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*.

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

January 18, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE 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, 2020. 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, 2020.

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.

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.

Plattenburg & Associates, Inc.
Plattenburg & Associates, Inc.
Cincinnati, Ohio
January 18, 2021

**JAMES A. RHODES STATE COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020**

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
Education Stabilization Fund 84.425

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
For The Year Ended June 30, 2020**

Summary of Prior Audit Findings:

None Noted

OHIO AUDITOR OF STATE KEITH FABER



JAMES A. RHODES STATE COLLEGE

ALLEN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/2/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov