

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**





# Dave Yost • Auditor of State

Board of Trustees  
Northwest State Community College  
22600 State Route 34  
Archbold, Ohio 43502

We have reviewed the *Independent Auditor's Report* of the Northwest State Community College, Henry County, prepared by Weber O'Brien Ltd., for the audit period July 1, 2015 through June 30, 2016. 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 Northwest State Community College is responsible for compliance with these laws and regulations.

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Dave Yost  
Auditor of State

December 19, 2016

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NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Northwest State Community College  
Henry County, Ohio  
22600 State Route 34  
Archbold, Ohio 43502

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Northwest State Community College (the "College"), a component unit of the State of Ohio, as of and for the year ended June 30, 2016, 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 Northwest State Community College, as of June 30, 2016, 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 on pages 4 - 11 and the supplemental pension disclosure information on pages 42 - 47 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of 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 basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016, on our consideration of Northwest State Community 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 Northwest State Community College's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Robert O'Brien". The signature is written in a cursive style with a large initial "R".

November 28, 2016



NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016

The following discussion and analysis reflects the financial health of Northwest State Community College and its Foundation. The management of the college has prepared this discussion and analysis and is responsible for the completeness and fairness of the information presented. This paper should be read in conjunction with the accompanying financial statements.

**Structure of the Annual Report**

This report consists of three financial statements and notes that accompany the statements. The three statements are: Statement of Net Position, Statement of Revenues, Expenditures and Changes in Net Position, and the Statement of Cash Flow. Together these statements provide information on the College as a whole. This report addresses all the programs and services generally associated with a College which includes but not limited to such things as instruction, public service and support services. The college Foundation activities are focused on fundraising to benefit the college's programs and students.

**Financial Highlights**

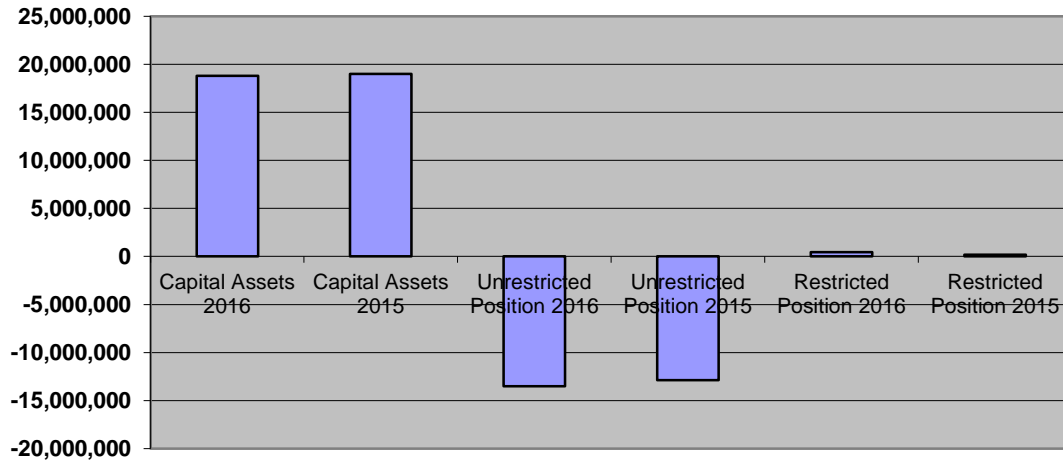
**The Statement of Net Position**

<b>Condensed Financial Information</b>		
<b>Statement of Net Position</b>		
	<u>2016</u>	<u>2015</u>
<b>Assets:</b>		
<b>Current &amp; Other Assets</b>	\$10,962,543	\$11,500,518
<b>Capital Assets</b>	<u>18,798,423</u>	<u>19,040,720</u>
<b>Total Assets</b>	29,760,966	30,541,238
 <b>Deferred Outflows of Resources</b>		
<b>Pension</b>	3,498,898	1,503,425
 <b>Liabilities</b>		
<b>Current Liabilities</b>	2,047,033	1,860,902
<b>Non-current Liabilities</b>	<u>22,589,597</u>	<u>20,407,685</u>
<b>Total Liabilities</b>	24,636,630	22,268,587
 <b>Deferred Inflows of Resources</b>		
<b>Pension</b>	2,890,450	3,473,738
 <b>Net Position</b>		
<b>Invested in Capital Assets, Net of Related Debt</b>	18,785,699	19,022,005
<b>Restricted</b>	462,839	169,487
<b>Unrestricted</b>	<u>(13,515,754)</u>	<u>(12,889,154)</u>
<b>Total Net Position</b>	\$5,732,784	\$ 6,302,338

NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016

This statement contains the College's assets, liabilities and net position for the fiscal years 2015 and 2016. The assets and the liabilities are reported using the accrual basis of accounting. The accrual basis allows the College to report the current year's revenues and expenses regardless of when the cash was received or paid out. This method of accounting is similar to the accounting methods used by the private business sector.

The net position of a governmental entity represents the entity's ownership in the assets. This graph presents the net position for the 2016 and 2015 fiscal years. From this presentation, the increases and decreases in the net position during the fiscal year of 2016 can be observed.



During fiscal year 2016 the College's net position in total decreased \$569,554 from \$6,302,338 to \$5,732,784 (9.04 percent). The net investment in capital assets decreased by \$236,306 (1.24 percent) to a total of \$18,785,699; the restricted net position increased by \$293,352 (173.08 percent) to a total of \$462,839; the unrestricted net position decreased by \$626,600 (4.86 percent) to a total of \$(13,515,754).

NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016

The assets in the Statement of Net Position of a governmental entity represent the book value of the items employed by the College in its operations. The current assets increased by \$1,458,655 (17.45 percent) for a total of \$9,817,613. Included in this total is a \$1,534,839 decrease in cash and cash equivalents, \$2,025,966 increase in investments, \$903,060 increase in accounts receivable, \$81,525 increase in inventories and \$17,057 decrease in prepaid expenses.

The non-current assets decreased by \$2,238,927 (10.09 percent) for a total of \$19,943,353. Included in this total is a \$1,996,630 (63.56 percent) decrease in investments, and \$242,297 (1.27 percent) decrease in capital assets. The decrease in non-current investments is countered by an equivalent increase in current investments.

As of June 30, 2016 the College's investment with Huntington National Bank was fully vested and carrying a \$3,986,702 investment in money markets and various other investments.

The liabilities in the Statement of Net Position of a governmental entity represent the difference between the assets and the net position. These amounts represent the obligations that the College owed to others. The College's total liabilities increased by \$2,368,043 (10.63 percent) to a total of \$24,636,630. Included in this total is a \$117,197 increase in accounts payable, \$131,130 increase in accrued liabilities, \$5,990 decrease in Capital Lease Obligation, \$116,227 (netted) increase in compensated absence, a \$122,141 decrease in unearned revenues and a \$2,131,620 increase in Net Pension Liability.

NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016

**The Statement of Revenues, Expenditures, and Changes in Net Position**

**Condensed Financial Information**  
**Statement of Revenues, Expenses and Changes in Net Position**

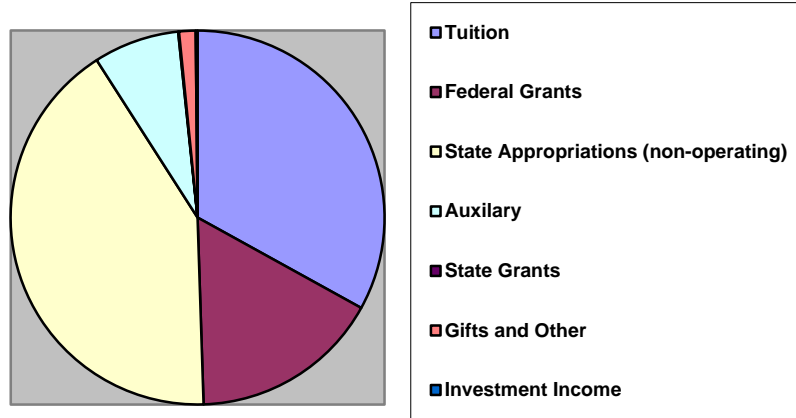
	<b>2016</b>	<b>2015</b>
<b>Total Operating Revenue</b>	<b>\$12,807,890</b>	<b>\$12,331,321</b>
<b>Total Operating Expense</b>	<b><u>27,949,932</u></b>	<b><u>27,113,228</u></b>
<b>Operating Loss</b>	<b>(15,142,042)</b>	<b>(14,781,907)</b>
 <b>Non-Operating</b>		
<b>Revenues/Expenses</b>	<b><u>13,622,150</u></b>	<b><u>13,973,026</u></b>
<b>Income Before Other</b>		
<b>Revenues, Gains and Losses</b>	<b>(1,519,892)</b>	<b>(808,881)</b>
<b>Total Other Revenue,</b>		
<b>Expenses, Gains or Losses</b>	<b><u>950,338</u></b>	<b><u>532,518</u></b>
<b>Change in Net Position</b>	<b>(569,554)</b>	<b>(276,363)</b>
<b>Net Position, Beginning of</b>		
<b>Year</b>	<b>\$ 6,302,338</b>	<b>\$ 6,578,701</b>
<b>Net Position, End of Year</b>	<b><u>\$ 5,732,784</u></b>	<b><u>\$ 6,302,338</u></b>

The statement reflects the various income and expense account balances for the 2015 and 2016 year.

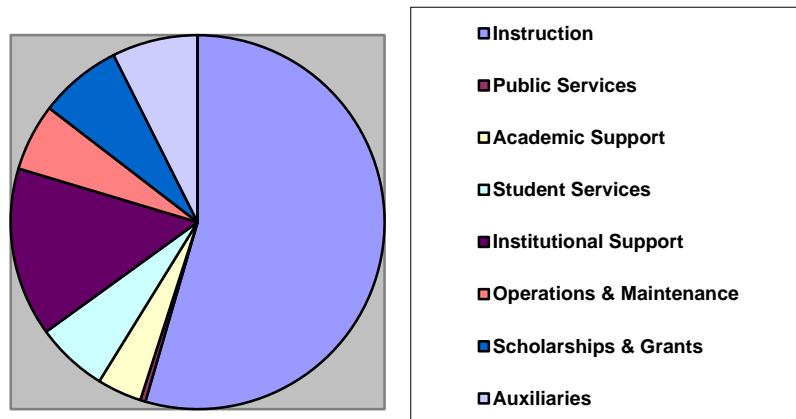
NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016

The following charts present a visual breakdown of the College's revenues and expenses divided into major categories. These graphs do not include the College's Foundation.

**Revenues:**



**Expenses:**



The significant changes in the revenues between fiscal years 2015 and 2016 are stated below along with the rationale for the changes. These changes include both the restricted and the unrestricted accounts:

\* Total operating revenues increased by \$476,569 (3.86 percent).

\* Tuition and fees (net of scholarships) decreased from \$9,054,929 to \$9,044,224 which represents a decrease of \$10,705, a decrease of .12 percent.

\*The investment income decreased by \$5,721 (11.54 percent). This number reflects lower returns in the Huntington Investment account due to a decline in the market conditions of the past year.

NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016

\*Federal grants and contracts decreased by \$386,924 (7.91 percent). This was due to the percentage of decrease in enrollment of financial aid eligible student and along with a 7.5% decline in FTE enrollment.

\*The state grants and contracts increased by \$6,578 (47.56 percent). This was the result of changes to the Ohio College Opportunity Grant (OCOG) program which added a third term to where full Pell eligibility was exhausted for Spring due to use of Pell in the prior Summer.

\*Contributions and fund raising decreased by \$13,382 (47.62 percent). This reflects a decrease in donations from the Northwest State Community College fundraising campaign as most of the campaign pledges for the Advanced Manufacturing programs of the college were paid the prior year.

\*Other operating revenues increased by \$135,572 (86.65 percent). This reflects a \$119,903 increase in other revenue due to shared service arrangement with Terra State Community College and \$23,691 for the Adult Diploma program.

The significant changes in the expenses between fiscal years 2015 and 2016 are stated below along with the rationale for the changes. These changes include both the restricted and the unrestricted accounts.

- The total operating expenses increased by \$836,704 (3.09 percent).
- The expense for public service decreased by \$30,155 (20.06 percent) due to the lifelong learner not taking a trip this fiscal year.
- The expense for academic support decreased by \$507,680 (33.19 percent) due to the change from the college's early admit JumpStart enrollment program moving to the State of Ohio College Credit Plus enrollment program and a difference in the recognition of the costs associated with these different programs.
- The expense for institutional support increased by \$382,733 (10.95 percent). This was primarily due to \$113,848 increase in yearend vacation and severance accrual expense, and a new annual charge of \$130,520 for IT support services for the University of Toledo. Additionally salary increases were paid to graded and support staff employees following the settling of the support staff collective bargaining agreement.
- The expense for operation and maintenance of plant increased by \$220,852 (16.74 percent) due to renovation of building C which was funded in the state capital budget for FY 2015 – 2016 along with an accumulation of banked capital funds that are being received annually from the state.
- Depreciation expense increased by \$132,044 (10.43 percent).
- Northwest State Community College ended the year with a decrease in net assets of \$569,554.

NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016

**The Statement of Cash Flows**

The statement of Cash Flows provides another way to assess the financial health of the institution by studying the sources and uses of cash during the fiscal year. These sources and uses of cash are divided into four areas: operations, non-capital financing, capital financing and investing.

**The Statement of Cash Flows**

	<b>2015-16</b>	<b>2014-15</b>	<b>Change</b>
<b>Cash flows from operating activities</b>	\$(14,922,294)	\$(14,391,040)	\$ ( 531,254)
Net cash used by operating activities			
<b>Cash flows from non-capital financing</b>	13,578,302	13,923,457	(345,155)
Net cash provided by noncapital financing activities			
<b>Cash flows from capital fin. activities</b>	(205,359)	(657,731)	452,372
Net cash used by capital financing activities			
<b>Cash flows from investing activities</b>	14,512	13,776	736
Net cash provided by investing activities			
<b>Net increase (decrease) in cash</b>	(1,534,839)	(1,111,538)	(423,301)
<b>Cash, Beginning of Year</b>	\$4,311,799	\$5,423,337	\$(1,111,538)
<b>Cash, End of Year</b>	\$2,776,960	\$4,311,799	\$(1,534,839)

The primary sources of cash were tuition and fees, grants and contracts and federal financial aid. The other major source of income, although not considered cash from operations is the state subsidy amount. During 2016 enrollment decreased by 7.5 percent.

The primary use of cash was for the support of the operating activities of the College. These activities consist of paying salary and benefits for faculty, staff and administration, payments to suppliers and operational expenses.

NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016

**Capital Assets**

Capital assets, net of accumulated depreciation, totaled \$18,798,423 at June 30, 2016, a net decrease of \$242,297 from the prior year-end. Additions to capital assets during the year totaled \$1,225,038 and disposals totaled \$133,570. The major portion of the addition to capital assets is \$1,040,245 of construction in progress attributed to the renovation of building C which is slated to be complete by January 2017. Depreciation expense for the year ended June 30, 2016 amounted to \$1,397,994. More detailed information about the College's capital assets is presented in note 7 to the financial statements.

**Long-Term Liabilities**

As of June 30, 2016, the College's long-term liabilities included compensated absences payable, net pension liability and capital lease obligations. The College has no debt outstanding at fiscal yearend 2016. More detailed information about the College's long-term liabilities is presented in note 8 to the financial statements.

**Economic factors that will affect the future:**

Traditional student enrollment for summer 2016 and early fall 2017 is down 10%.

The College's support staff contract settled 2/16/2016.

The College's faculty contract will expire on 8/15/2017 and will be open for renegotiation.

The College was allocated \$2.5 million in the State of Ohio capital funding process for 2017-2018 to be used for the renovation/addition of a welding/machine/fabrication shop separation and welding equipment upgrade at an expected cost of \$2 million along with \$500,000 for safety/security upgrades and access controls.

The shared district office concept with Terra State Community College has been changed to shared operations of the Advanced Manufacturing Training Center on the Scott Park campus of the University of Toledo.

Approximately 800 students are enrolled at the College at a reduced tuition rate paid by the high schools along with free books provided by the College under the College Credit Plus program. The complete program and funding plans for future College Credit Plus program are currently being reviewed by the State of Ohio and the impact of possible changes is unclear.



Northwest State Community College  
Henry County  
Statement of Net Position  
June 30, 2016

	<u>Primary Institution</u>	<u>Component Unit</u>	
	<u>Northwest State CC</u>	<u>Northwest State Foundation</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 2,776,960	\$ 71,095	\$ 2,848,055
Investments	2,841,772	-	2,841,772
Accounts Receivable, Net	3,637,853	87,758	3,725,611
Inventories	520,281	-	520,281
Prepaid Expenses	40,747	-	40,747
Total Current Assets	<u>9,817,613</u>	<u>158,853</u>	<u>9,976,466</u>
Noncurrent Assets			
Restricted Cash and Cash Equivalents	-	-	-
Investments	1,144,930	5,460,941	6,605,871
Accounts Receivable	-	21,400	21,400
Capital Assets, Net	18,798,423	-	18,798,423
Total Noncurrent Assets	<u>19,943,353</u>	<u>5,482,341</u>	<u>25,425,694</u>
Total Assets	<u>\$ 29,760,966</u>	<u>\$ 5,641,194</u>	<u>\$ 35,402,160</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources Related To Pensions	\$ 3,498,898	\$ -	\$ 3,498,898
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	\$ 992,273	\$ -	\$ 992,273
Accrued Liabilities	284,570	-	284,570
Capital Lease Obligation	6,234	-	6,234
Compensated Absences	307,754	-	307,754
Unearned Revenue	456,202	-	456,202
Total Current Liabilities	<u>2,047,033</u>	<u>-</u>	<u>2,047,033</u>
Noncurrent Liabilities			
Capital Lease Obligation	6,490	-	6,490
Compensated Absences	878,511	-	878,511
Net Pension Liability	21,704,596	-	21,704,596
Total Noncurrent Liabilities	<u>22,589,597</u>	<u>-</u>	<u>22,589,597</u>
Total Liabilities	<u>\$ 24,636,630</u>	<u>\$ -</u>	<u>\$ 24,636,630</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources Related to Pensions	\$ 2,890,450	\$ -	\$ 2,890,450
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	\$ 18,785,699	\$ -	\$ 18,785,699
Restricted for			
Nonexpendable			
Scholarships and Grants	-	933,857	933,857
Expendable			
Scholarships and Grants	16,809	4,420,501	4,437,310
Loans	-	100,000	100,000
Capital Projects	446,030	75,256	521,286
Unrestricted	(13,515,754)	111,580	(13,404,174)
Total Net Position	<u>\$ 5,732,784</u>	<u>\$ 5,641,194</u>	<u>\$ 11,373,978</u>

See accompanying notes to the financial statements

**Northwest State Community College  
Henry County  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2016**

	<u>Primary Institution</u>	<u>Component Unit</u>	
	<u>Northwest State CC</u>	<u>Northwest State Foundation</u>	<u>Total</u>
<b>REVENUES</b>			
Operating Revenues			
Tuition, Fees, and Other Student Charges (Net of Scholarship Allowances of \$2,475,108)	\$ 9,044,224	\$ -	\$ 9,044,224
Federal Grants and Contracts	1,367,142	-	1,367,142
State Grants and Contracts	20,410	-	20,410
Nongovernmental Gifts and Grants	40,882	-	40,882
Contributions and Fund Raising	14,718	453,788	468,506
Auxiliary Enterprises			
Food Service	331,723	-	331,723
Bookstore (Net of Scholarship Allowances of \$325,733)	1,696,752	-	1,696,752
Other Operating Revenues	292,039	-	292,039
<b>Total Revenue</b>	<b>12,807,890</b>	<b>453,788</b>	<b>13,261,678</b>
<b>EXPENSES</b>			
Operating Expenses			
Education and General			
Instruction	14,472,107	61,592	14,533,699
Public Service	120,160	-	120,160
Academic Support	1,021,732	-	1,021,732
Student Services	1,650,674	-	1,650,674
Institutional Support	3,879,389	177,233	4,056,622
Operation and Maintenance of Plant	1,540,168	-	1,540,168
Scholarships and Grants	1,900,042	289,804	2,189,846
<b>Total Educational and General</b>	<b>24,584,272</b>	<b>528,629</b>	<b>25,112,901</b>
Auxiliary Enterprises	1,967,666	-	1,967,666
Depreciation	1,397,994	-	1,397,994
<b>Total Operating Expenses</b>	<b>27,949,932</b>	<b>528,629</b>	<b>28,478,561</b>
Operating Gain (Loss)	(15,142,042)	(74,841)	(15,216,883)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Federal Grants and Contracts	3,138,592	-	3,138,592
State Appropriations	10,439,710	-	10,439,710
Investment Income (Net of Investment Expense)	43,848	8,249	52,097
Net Nonoperating Revenue (Expenses)	13,622,150	8,249	13,630,399
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(1,519,892)	(66,592)	(1,586,484)
State Capital Appropriations	907,426	-	907,426
Capital Grants and Gifts (From Northwest State Foundation)	112,253	-	112,253
Loss on Disposal of Assets	(69,341)	-	(69,341)
<b>Change in Net Position</b>	<b>(569,554)</b>	<b>(66,592)</b>	<b>(636,146)</b>
<b>NET POSITION</b>			
Net Position - Beginning of Year	6,302,338	5,707,786	12,010,124
<b>Net Position - End of Year</b>	<b>\$ 5,732,784</b>	<b>\$ 5,641,194</b>	<b>\$ 11,373,978</b>

See accompanying notes to the financial statements

**Northwest State Community College  
Hentry County  
Statement of Cash Flows  
June 30, 2016**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees	\$ 8,818,886
Grants and Contracts	621,077
Contributions and Fund Raising	14,718
Payments to Suppliers	(10,687,895)
Payments for Utilities	(411,485)
Payments to Employees	(3,694,668)
Payments for Benefits	(10,597,108)
Payments for Scholarships and Grants	(1,293,868)
Auxiliary Enterprises	
Food Service	406,052
Bookstore	1,696,639
Other Receipts (Payments)	<u>205,358</u>
Net Cash Used by Operating Activities	<u><u>(14,922,294)</u></u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Federal Grants and Contracts	3,138,592
State Appropriations	<u>10,439,710</u>
Net Cash Provided by Noncapital Financing Activities	<u><u>13,578,302</u></u>
 <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Capital Grants and Gifts	-
NSSC Foundation Payments to NSSC	112,253
Capital Appropriations	907,426
Purchases of Capital Assets	(1,225,038)
Interest Paid on Capital Debt and Leases	-
Net Cash Used by Capital Financing Activities	<u><u>(205,359)</u></u>
 <b>CASH FLOWS FROM CAPITAL INVESTING ACTIVITIES</b>	
Purchase of Investments	(29,336)
Interest on Investments	<u>43,848</u>
Net Cash Provided by Investing Activities	<u><u>14,512</u></u>
 Net Increase in Cash and Cash Equivalents	 (1,534,839)
Cash - Beginning of Year	<u>4,311,799</u>
Cash - End of Year	<u><u>\$ 2,776,960</u></u>

Reconciliation of Net Operating Revenue (Expenses) to Net Cash	
Used By Operating Activities:	
Operating Loss	\$ (15,142,042)
Adjustments to Reconcile Operating Loss to Net Cash	
Used By Operating Activities	
Depreciation Expense	1,397,994
Change in Assets and Liabilities	
Receivables, Net	(903,060)
Inventories	(81,525)
Prepaid Expenses	17,057
Accounts Payable	111,207
Accrued Liabilities	131,130
Compensated Absences	116,227
Deferred Pension	(447,141)
Unearned Revenue	<u>(122,141)</u>
Net Cash Provided By Operating Activities	(14,922,294)

See accompanying notes to the financial statements

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2016

**NOTE 1 – REPORTING ENTITY**

Northwest State Community College (College) is a body, politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

Northwest State Community College was chartered on May 13, 1994, as a State Community College under Section 3358.02 of the Ohio Revised Code. Prior to that date the entity was operated as Northwest Technical College under a charter dated February 1, 1972, as a State Technical College under section 3357.02 of the Ohio Revised Code. The College is a component unit of the State of Ohio and therefore, is included in its Comprehensive Annual Financial Report (CAFR).

The College operates under the direction of a nine-member Board of Trustees who are appointed by the Governor with the advice and consent of the Senate. A President is appointed by the Board of Trustees to oversee day-to-day operations of the College. An appointed Treasurer is the custodian of funds and is responsible for the fiscal control of the resources of the College.

The College was organized for the principal purpose of offering educational programs beyond high school, normally not exceeding two year's duration, and leading to the award of an associate degree. The College thus offers programs in the liberal arts and sciences, in technical training, and in adult and continuing education, as outlined in Section 3358 of the Ohio Revised Code.

Northwest State Community College Foundation (Foundation) is a legally separate, tax-exempt organization supporting Northwest State Community College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The board of the Foundation is self-perpetuating and consists of graduates, community members and friends of the college. The majority of resources, or income thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

During the year ended June 30, 2016, the Foundation made distributions of \$112,253 to or on behalf of the College for both temporarily restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Business Office at 22600 State Route, Archbold, Ohio 43502. Specific disclosures relating to the component unit can be found in Note 18.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – For Public Colleges and Universities* the full scope of the College's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

Fiduciary funds are reported in the accompanying financial statements as accrued liabilities. The College's only fiduciary fund is the agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Northwest State maintains an agency fund for multiple NSCC Student Body Organizations and Black Swamp Safety Council. At June 30, 2016, the amounts held for the NSCC Student Body Organizations and Black Swamp Safety Council are \$30,502 and \$9,157 respectively.

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2016

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Foundation is a nonprofit organization that reports under the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of the necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the College's financial report for these differences.

**B. Basis of Accounting**

The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**C. Cash and Cash Equivalents**

This classification appears on the Statement of Net Assets and the Statement of Cash Flows and includes petty cash, cash on deposit with private bank accounts, and saving accounts.

**D. Investments**

Investments are recorded at market value, and, if received through gift, at market value at the date of gift if a market value is available; otherwise, they are stated at an appraisal or nominal value.

**E. Receivables**

Receivables consist of tuition and fees, charges to students, and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the Federal government, state and local governments, private sources in connections with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource providers condition have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

**F. Inventories**

Inventories, consisting of expendable supplies and merchandise for resale, are stated at the lower of cost or market value using the first-in, first-out method.

**G. Capital Assets**

Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of one or more years. Library books are significant in the aggregate and are therefore also capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 75 years for infrastructure, 10 to 50 years for buildings, and 3 to 15 years for equipment.

**H. Restricted Assets**

Restricted assets represent assets whose use is restricted by external parties or by law through constitutional provisions or enabling legislation.

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2016

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Noncurrent Long-Term Liabilities**

Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the College will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is based on the College's past experience of making termination payments.

When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out method.

**K. Unearned Revenue**

In accordance with the State of Ohio policy of recording instructional revenues in the year in which the courses are principally conducted, the College defers certain revenues at June 30 that are applicable to courses conducted subsequent to June 30.

**L. Net Position**

The College's net assets are classified as follows:

**Invested in Capital Assets** – This represents the College's total investment in capital assets, net of accumulated depreciation.

**Restricted Net Position – Nonexpendable** – Nonexpendable restricted net position include endowments and similar type assets whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity.

**Restricted Net Position – Expendable** – Expendable restricted net position include resources in which the College is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties.

**Unrestricted Net Position** – Unrestricted net position include resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the department management system in place at the College. Of the \$462,839 of restricted net position, none is restricted by enabling legislation.

**M. Scholarship Allowances**

Student tuition and fees revenue and certain other revenues from College charges are reported net of scholarship allowances in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship allowance is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the student's behalf. Student financial assistance grants, such as Pell grants, and other federal, state or non-governmental programs, are recorded as either operating or non-operating revenues in the accompanying 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 allowance discount.

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2016

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Revenue and Expense Recognition**

The College presents its revenues and expenses as operating or non-operating based on recognition definitions from GASB statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust 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 grant revenues are classified as non-operating revenue. 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 revenue. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor non-operating activities and are presented after non-operating activities on the accompanying statement of Revenues, Expenses, and Changes in Net Position.

**O. 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.

**P. Income Taxes**

Income taxes have not been provided on the general operation of the College because, as a state institution, its income is exempt from Federal income taxes under section 115 of the Internal Revenue Code.

**Q. Use of Estimates**

Management of the College has made estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

**R. Component Unit Reporting**

The College includes the Northwest State Community College Foundation as a discretely presented component unit in the College's financial statements as a result of the implementation of GASB Statement No. 39 for the fiscal year ended June 30, 2004.

**S. 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. (See Note 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 until that time. For the College, deferred inflows of resources relate to pension. The amount is deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported in the statement of net position. (See Note 11)

**T. Pensions**

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

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2016

**NOTE 3 – STATE SUPPORT**

The College is a state-assisted institution of higher education, which receives student-based subsidy from the State of Ohio. This appropriation is determined annually based upon a formula devised by the State of Ohio.

In addition to State share of instructional costs, the State of Ohio provides funds for basic renovations of the College facilities. In the past the State has provided funding for construction of major plant facilities on the College campus; however, a policy change at the State level has required the College to repay the State funds used from the College funds. Due to this policy change, The College is less able to rely on State funds to construct facilities. In the event that the State does contribute to a building project, the State's portion of the funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission, which in turn causes the construction and subsequent lease of the facility by the Ohio Board of Regents.

As a result of the above described financial assistance provided by the state of Ohio to the College, outstanding debt issued by the Ohio Public Facilities Commission is not included on the College's Statement of Net Position. In addition, the appropriation by the Board of Regents for payment of debt service are not reflected as appropriation revenue received by the college, and the related debt service payments are not recorded in the College's accounts.

**NOTE 4 – DEPOSITS AND INVESTMENTS**

It is the responsibility of the Business and Finance Department to deposit and invest the college's idle funds. The College's practice is to limit investments, insured and/or collateralized demand deposit accounts or obligations of other United States agencies for which the principal and interest is guaranteed by the United States Government. The College does not enter into reverse repurchase agreements. The investment and deposit of College monies is governed by the Ohio Revised Code. Investment of the College's monies is restricted to certificates of deposit, savings accounts, money market accounts and the State Treasurer's Investment Pool (STAR Ohio). Obligation to the United States Government or certain agencies thereof and certain industrial revenue bonds issued by other governmental entities.

The College may also enter into repurchase agreements with any eligible depositor for a period not exceeding thirty days. Public depositories must give security for all public funds on the deposit. These institutions may specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. State law does not require security for the public deposits and investments to be maintained in the College's name.

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, by surety company bonds deposited with the treasurer, by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

At fiscal year end, the College had \$3,487 in undeposited cash on hand, which is included on the Statement of Net Position of the College as part of cash and cash equivalents.

*Deposits:* Custodial credit risk is the risk that in the event of bank failure, the College's deposits may not be returned to it. 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 Federal Deposit Insurance Corporation (FDIC) or by any other agency of instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The College's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.



**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016**

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

As of June 30, 2016, the carrying balance of the College’s deposits was \$2,773,473 and the bank balances were \$3,932,703. The bank balances were either covered by FDIC or collateralized by the financial institutions’ public entity deposit pool in the manner described above.

The difference between cash carrying amount and bank balance represents normal reconciling items (outstanding checks, cash on hand, and deposits in transit). The total cash in the bank accounts of \$3,932,703 was held in demand accounts.

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2016, all of the College’s investments are valued using quoted market prices (Level 1 Inputs).

The College’s fair value and distribution of investments as of June 30, 2016 are as follows:

	Market Value	Maturity Date	Interest Rate
Huntington Conservative Deposit	\$1,347,941		0.19%
US Treasury Notes & Bonds	138,859	11/30/16	2.72%
US Treasury Notes & Bonds	141,910	01/31/18	2.54%
FNMA	200,396	09/28/16	1.25%
FNMA	500,640	08/15/18	1.50%
FHLB	652,541	06/09/17	1.00%
FHLMC	502,380	07/25/18	1.00%
FHLMC	502,035	07/25/17	1.00%
Total	\$3,986,702		

The classification of cash and cash equivalents and investments on the Statement of Net Position is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Cash and cash equivalents are defined as investments with original maturities of three months or less and funds held as part of the College’s cash management pool. No differences exist between classifications on the Statement of Net Position and the classification of deposits and investments presented per GASB Statement No. 3 and therefore, no reconciliation is presented.

**Interest Rate Risk**- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The College has a formal investment policy that authorizes to make investments of available monies in securities authorized by State law.

**Credit Risk**- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

At June 30, 2016, the college’s investments in US Government Agency were rated AA+ by Standard & Poor’s. Its investments in money market funds were rated BBB+ by Standard and Poor’s. The College’s investment policy does not address credit risk beyond the requirements of State law.

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016**

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk**- Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer.

The investment policy places no limit on the amount the College may invest in any one issuer. The College held 7.04% of its investments in US Treasury Notes and Bonds, 17.59% in FNMA, 16.37% in FHLB, 25.19% in FHLMC, and 33.81% in Money Market Funds.

**Custodial Credit Risk**- For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For deposits, custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it.

At June 30, 2016, \$3,667,772 of the College’s deposits were exposed to custodial credit risk as they are collateralized by securities held by the pledging institution’s trust department or agent but not in the College’s name. The College’s policy does not address custodial credit risk beyond the requirements of State law.

**NOTE 5 – RECEIVABLES**

Receivables at June 30, 2016 were as follows:

	Gross Receivables	Allowance For Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 2,103,864	\$ (152,725)	\$ 1,951,139
Intergovernmental	1,217,565		1,217,565
Other	469,149		469,149
Total Current Receivables	\$ 3,790,578	\$ (152,725)	\$ 3,637,853

**NOTE 6 – DONOR RESTRICTED ENDOWMENTS**

If a donor has not provided specific instructions, state law permits the Board to authorize for expenditure the new appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the Board is required to consider the College’s “long- and short-time needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions”. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established. All expenditures must be approved by the Board.

At June 30, 2016, there was no net appreciation on donor restricted assets available to be spent.

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2016

**NOTE 7 – CAPITAL ASSETS**

A summary of changes in the capital assets is presented as follows:

	<u>Balance June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
Capital Assets, Non-Depreciable:				
Land	\$ 176,657	\$ -	\$ -	\$ 176,657
Construction in Progress	4,569	1,040,245	-	1,044,814
Library Books	578,347	23,862	( 47,052)	555,157
Art/Collections	1,125,765	-	( 22,000)	1,103,765
Total Non-Depreciable	<u>1,885,338</u>	<u>1,064,107</u>	<u>( 69,052)</u>	<u>2,880,393</u>
Capital Assets, Depreciable:				
Buildings	29,573,468	36,847	( 23,255)	29,587,060
General Infrastructure	2,444,361	-	-	2,444,361
Machinery and Equipment	4,720,492	99,734	( 8,687)	4,811,539
Motor Vehicles	242,179	24,350	( 32,576)	233,953
Totals	<u>36,980,500</u>	<u>160,931</u>	<u>( 64,518)</u>	<u>37,076,913</u>
Less Accumulated Depreciation:				
Buildings	(14,562,555)	( 962,161)	23,255	( 15,501,461)
General Infrastructure	( 1,707,428)	( 87,939)	-	( 1,795,367)
Machinery and Equipment	( 3,355,323)	( 327,683)	8,397	( 3,674,609)
Motor Vehicles	( 199,812)	( 20,211)	32,576	( 187,447)
Totals	<u>(19,825,118)</u>	<u>( 1,397,994)</u>	<u>64,228</u>	<u>( 21,158,884)</u>
Total Capital assets, depreciable, net	<u>17,155,382</u>	<u>( 1,237,063)</u>	<u>( 290)</u>	<u>15,918,029</u>
Capital Assets, net	<u>\$ 19,040,720</u>	<u>\$( 172,956)</u>	<u>\$ ( 69,342)</u>	<u>\$ 18,798,422</u>

**NOTE 8– LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities is as follows:

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Current Portion</u>
Capital Lease Obligation	\$ 18,714	\$ -	\$ (5,990)	\$ 12,724	\$ 6,234
Compensated Absences	1,070,038	116,227	-	1,186,265	307,754
Net Pension Liability	19,572,976	3,513,093	(1,381,473)	21,704,596	-
Total Long-term Liability	<u>\$20,661,728</u>	<u>\$3,629,320</u>	<u>\$(1,387,463)</u>	<u>\$22,903,585</u>	<u>\$ 313,988</u>

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2016

**NOTE 9 – LEASE OBLIGATIONS**

**Capital Lease Obligations** – Capital lease obligations relating to various forms of equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2016:

Fiscal Year Ending June 30, 2016	Amount
2017	\$ 6,686
2018	6,686
2019	-
Total minimum lease payments	13,372
Amount representing interest	(648)
Present Value of Future Lease Payments	\$ 12,724

Leased assets amount to \$24,964 at June 30, 2016 all of which is movable equipment.

**Operating Lease Obligations** – Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2016

Fiscal Year Ending June 30, 2016	Amount
2017	\$ 51,923
2018	46,773
2019	20,383
	\$ 119,079

Rental expenses for all operating leases during the year were \$91,698.

**NOTE 10 – OPERATING EXPENSES BY FUNCTION AND NATURAL CLASS**

	Salaries And Benefits	Scholarships And Fellowships	Utilities	Supplies And other Services	Depreciation	Total
Instruction and departmental research	\$8,539,464	\$ -	\$ -	\$5,932,643	\$ -	\$14,472,107
Public service	131,204			(11,044)		120,160
Academic Support	723,611			298,121		1,021,732
Student Services	1,348,469			302,205		1,650,674
Institutional Support	2,041,139		35,704	1,802,546		3,879,389
Operations and Maintenance	513,787		375,781	650,600		1,540,168
Scholarships and grants		1,900,042				1,900,042
Auxiliary enterprises	437,887			1,529,779		1,967,666
Depreciation					1,397,994	1,397,994
Totals	\$13,735,561	\$1,900,042	\$ 411,485	\$10,504,850	\$ 1,397,994	\$27,949,932

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2016

**NOTE 11 – DEFINED BENEFIT AND PENSION AND PLANS**

***Net Pension Liability***

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – The College’s non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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**NOTE 11 – DEFINED BENEFIT AND PENSION AND PLANS (CONTINUED)**

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. There was no allocation of the 14 percent employer contribution rate to the Health Care Fund.

The College’s contractually required contribution to SERS was \$607,810 for fiscal year 2016.

***Plan Description - State Teachers Retirement System (STRS)***

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service.

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**NOTE 11 – DEFINED BENEFIT AND PENSION AND PLANS (CONTINUED)**

With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The College was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS was \$844,414 for fiscal year 2016.

**NORTHWEST STATE COMMUNITY COLLEGE  
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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 – DEFINED BENEFIT AND PENSION AND PLANS (CONTINUED)**

***Net Pension Liability***

The net pension liability was measured as of June 30, 2015, 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 projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$6,822,164	\$14,882,432	\$21,704,596
Proportion of the Net Pension Liability	0.1195592%	0.05384952%	

***Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources – SERS***

Deferred outflows and deferred inflows represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the employer's proportion of the collective net pension liability and are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred inflows and deferred outflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over a five year period for fiscal year 2015 using a straight line method over the average of the expected remaining service lives of all employees (both active and inactive) provided with pension benefits. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

For the year ended June 30, 2016, the College recognized pension expense of \$322,650. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$112,785	\$0
Changes of assumptions	0	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	510,508	790,046
Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions	0	290,309
College Contributions Subsequent to the Measurement Date	607,810	0
<b>Total</b>	<b>\$1,231,103</b>	<b>\$1,080,355</b>



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**NOTE 11 – DEFINED BENEFIT AND PENSION AND PLANS (CONTINUED)**

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

Year Ended June 30:	Amount
2017	\$471,776
2018	(218,078)
2019	(218,077)
2020	115,127
Thereafter	0

At June 30, 2016, the College reported a payable of \$0 for the outstanding amount of contributions to SERS required for the year ended June 30, 2016.

***Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources – STRS***

Deferred outflows and deferred inflows represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the employer’s proportion of the collective net pension liability and are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred inflows and deferred outflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over a five year period for fiscal year 2015 using a straight line method over the average of the expected remaining service lives of all employees (both active and inactive) provided with pension benefits. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

For the year ended June 30, 2016, the College recognized pension expense of \$682,433. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$678,340	\$0
Changes of assumptions	0	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	747,066	1,815,257
Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions	(2,025)	(5,162)
College Contributions Subsequent to the Measurement Date	844,414	0
<b>Total</b>	<b>\$2,267,795</b>	<b>\$1,810,095</b>

**NORTHWEST STATE COMMUNITY COLLEGE  
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NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016**

**NOTE 11 – DEFINED BENEFIT AND PENSION AND PLANS (CONTINUED)**

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

Year Ended June 30:	Amount
2017	\$608,965
218	(239,725)
2019	(239,725)
2020	328,185
Thereafter	0

***Actuarial Assumptions - SERS***

SERS’ total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, 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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 – DEFINED BENEFIT AND PENSION AND PLANS (CONTINUED)**

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
<b>Total</b>	<b>100.00 %</b>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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**NOTE 11 – DEFINED BENEFIT AND PENSION AND PLANS (CONTINUED)**

*Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	Current Discount Rate	
1% Decrease (6.75%)	(7.75%)	1% Increase (8.75%)
\$9,459,890	\$6,822,164	\$4,600,981

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016**

**NOTE 11 – DEFINED BENEFIT AND PENSION AND PLANS (CONTINUED)**

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

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The College's proportionate share of the net pension liability	\$20,672,821	\$14,882,432	\$9,985,795

At June 30, 2016, the College reported a payable of \$0 for the outstanding amount of contributions to STRS required for the year ended June 30, 2016.

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**NOTE 12 – POSTEMPLOYMENT BENEFITS**

*School Employees Retirement System*

Health Care Plan Description – The College contributes to the SERS Health Care Fund, administered by SERS for non-certified retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, 0.00 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than and actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the College's surcharge obligation was \$26,606.

The College's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$-0-, 25,926, and \$24,801 respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

*State Teachers Retirement System*

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

**NORTHWEST STATE COMMUNITY COLLEGE**  
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**NOTE 12 – POSTEMPLOYMENT BENEFITS (CONTINUED)**

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The college's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$28,076 respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**NOTE 13– LEGAL COMPLIANCE**

Pursuant to Section 117.11(a) of the Ohio Revised Code, the Independent Public Accountant (IPA) performed tests of compliance with various provisions of local, state, and/or federal laws, as appropriate. The tests disclosed no material instances of non-compliance. Material adjustments if any, with which College officials would to agree, have been posted to the books of account and such adjustments are reflected in the accompanying financial statements.

**NOTE 14 – RISK MANAGEMENT**

The College maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are insured.

There has been no significant reduction in insurance coverage from coverage in the prior years. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The College participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The College pays monthly premiums to the Northern Buckeye Health Plan for the benefits offered to its employees, which includes health, dental, vision, and life insurance plans. Northern Buckeye Educational Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

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**NOTE 14 – RISK MANAGEMENT (CONTINUED)**

The College participates in the Northern Buckeye Educational Council Workers' Compensation Group Rating Plan (the Plan), and insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating districts is calculated as one experience and common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

**NOTE 15 – GROUP PURCHASING POOLS**

Northern Buckeye Health Plan (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the College to NBHP for employee insurance benefits during this fiscal year were \$1,688,749. Financial information can be obtained from Northern Buckeye Educational Council, Robin Pfund, who serves as treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

The College participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the College paid an administrative fee of \$2,500 to the NBEC to cover the costs of administering the program.

**NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2016, the College has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", and GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the College.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the College.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the College.



**NORTHWEST STATE COMMUNITY COLLEGE**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 17 – CONTRACTUAL COMMITMENT**

As of June 30, 2016, the College has a contractual commitment with Midwest Contracting, Inc. for the Student Services building renovation. The amount remaining on the contract as of June 30, 2016 was \$1,661,968.

**NOTE 18 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION**

**NATURE OF ACTIVITIES** – Northwest State Community College Foundation (the Foundation) exists to provide financial assistance to the educational programs, services and facilities of Northwest State Community College. To that end, the Foundation solicits inter vivos and testamentary gifts.

**BASIS OF ACCOUNTING** – The financial statements of Northwest State Community College Foundation have been prepared on the accrual basis and accordingly reflect all significant receivables, payables and other liabilities.

**BASIS OF PRESENTATION** – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**CASH AND CASH EQUIVALENTS** – For purposes of the statement of cash flows, the Foundation considers all unrestricted, temporarily and permanently restricted highly liquid investments with an initial maturity of 3 months or less as cash and cash equivalents.

**DONATED SERVICE AND FACILITIES** – The Foundation has no employees or property (other than cash and investments). Substantially all clerical and management duties are presently performed by business office personnel who are employees of Northwest State Community College, utilizing equipment and facilities of Northwest State Community College.

For accounting purposes, the value of facilities is considered immaterial and it has not been recognized in the financial statements. However, the value of the services provided by the college personnel in the amount of \$98,369 have been recognized in the statement of activities as supporting revenue and as “In-Kind” supporting expense as required by ASC 958-25.

**MANAGEMENT ESTIMATES** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**RESTRICTED AND UNRESTRICTED REVENUE** – Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

**INCOME TAX STATUS** – The Foundation is a not-for-profit organization that the Internal Revenue Service has determined to be exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**INVESTMENTS** – Investments are comprised of bonds and mutual funds and are carried at fair market value. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2016

**NOTE 18 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)**

**EXPENSE ALLOCATION** – Directly identifiable expenses are charges to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management estimates.

Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

**FAIR VALUE OPTION** – Management has elected the fair value option for pledges receivable. Management believes that the use of the fair value option for pledges receivable better reflects the value of the assets based on the anticipated investment return when the assets are realized in cash. Unrealized gains or losses on assets or liabilities for which the fair value option has been elected are reported in the statement of activities. The decision to elect the fair value option is determined on an instrument by instrument basis, and is irrevocable once elected. At this time, the Foundation has not elected to apply the fair value option to any other financial instrument.

**SUBSEQUENT EVENTS** - Management has evaluated events and transactions from June 30, 2016 through November 28, 2016, for possible recognition or disclosure in these financial statements. This date is the date these financials were available to be issued. Management concluded there were no subsequent events that required recognition or disclosure.

**MARKETABLE SECURITIES**

The Foundation determines the fair market values of its financial instruments based on the fair value hierarchy established in ASC 820-10, *Fair Value Measurements*, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the Foundation's own assumptions based on market data and on assumptions that market participants would use in pricing the asset or liability developed based on market data and on assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The Standard describes three levels within the hierarchy that may be used to measure fair value:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 Inputs: Significant other observable inputs other than Level 1 quoted prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Inputs: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016**

**NOTE 18 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)**

**MARKETABLE SECURITIES (CONTINUED)**

The fair value of investments held by the Foundation as June 30, 2016 is summarized as follows:

	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observ- able Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds:			
DFA Emerging Markets (DFCEX)	250,655	-0-	-0-
DFA International Core (DFIEX)	746,406	-0-	-0-
DFA International Real Estate (DFITX)	165,946	-0-	-0-
DFA Real Estate (DFREX)	165,648	-0-	-0-
DFA U.S. Core Equity 2 (DFQTX)	2,010,827	-0-	-0-
DFA Five Year Global Fixed (DFGBX)	352,166	-0-	-0-
DFA Short Duration Real (DFAIX)	330,629	-0-	-0-
DFA Short Term Extended (DFEQX)	357,307	-0-	-0-
DFA Targeted Credit (DTCPX)	404,860	-0-	-0-
Vanguard Short Term Investment (VFSTX)	297,929	-0-	-0-
Vanguard Short Term BD (VBIRX)	<u>378,568</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$5,460,941</u>	<u>\$-0-</u>	<u>\$-0-</u>

**INVESTMENT RETURN**

Cash and Cash Equivalents and Marketable Securities:

	<u>Total</u>
Interest and Dividend Income	\$ 143,885
Net unrealized gain	<u>(135,636)</u>
Total investment return	<u>\$ 8,249</u>

**PLEDGES RECEIVABLE**

Unconditional promises to give are valued at fair value based on the criteria in Note 2. Unconditional promises to give are discounted based on the Foundation's current total investment return on its investment portfolio, but are not discounted below zero. Total unamortized discount is -0- as of June 30, 2016. No allowance for uncollectible promises to give is considered necessary.

The fair value of the Foundation's unconditional promises to give as of June 30, 2016 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Less than one year	\$ 0	86,758	\$ 0
One to five years	<u>0</u>	<u>21,400</u>	<u>0</u>
Total	<u>\$ 0</u>	<u>\$ 108,158</u>	<u>\$ 0</u>

**NORTHWEST STATE COMMUNITY COLLEGE  
HENRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016**

**NOTE 18 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)**

**RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes after June 30, 2016:

Student scholarships	\$ 4,420,501
Loan funds	100,000
Technology programs	-0-
Capital Projects	75,256
Operating expenses	-0-
	<u>\$ 4,595,757</u>

Permanently restricted net assets consist of endowment funds to be held indefinitely, income from which is to be used for scholarships. At June 30, 2016 endowments totaled \$933,857.

**DONOR RESTRICTED ENDOWMENTS**

The Northwest State Community College Foundation funds consists of donor restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Changes in foundation fund net assets for the fiscal year ended June 30, 2016 are as follows:

	Temporarily Restricted <u>Net Assets</u>	Permanently Restricted <u>Net Assets</u>	<u>Total</u>
Foundation Fund Net Assets, Beginning of Year	\$154,270	\$862,074	\$1,016,344
Contributions	-0-	71,783	71,783
Net Unrealized Gain on Investment	(22,594)	-0-	(22,594)
Interest and Dividend Income	23,969	-0-	23,969
Investment Advisory Fees	( 7,109)	-0-	( 7,109)
Amounts Appropriated for Expenditure	( 26,603)	-0-	( 26,603)
Reclassification of Temporarily Restricted Funds to Cover Perpetual Endowment Deficiencies	-0-	-0-	-0-
Other Changes	<u>14,215</u>	<u>-0-</u>	<u>14,215</u>
Change in Foundation Fund Net Assets	<u>(18,122)</u>	<u>71,783</u>	<u>53,661</u>
Foundation Fund Net Assets, End of Year	<u>\$136,148</u>	<u>\$933,857</u>	<u>\$1,070,005</u>

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 Uniform Prudent Management of Institutional Funds Act (Ohio Revised Code §§ 1715.51 to 1715.59, hereafter UPMIFA) requires the Foundation to retain as a fund of perpetual duration. There were no fund deficiencies as of June 30, 2016.

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2016

**NOTE 18 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)**

**DONOR RESTRICTED ENDOWMENTS (CONTINUED)**

The Foundation has adopted investment and spending policies for Foundation fund assets that attempt to provide a predictable stream of funding to programs supported by its Foundation fund assets while seeking to maintain the purchasing power of the donor restricted endowment fund assets by not invading principal. The Foundation's spending and investment policies are designed to work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to exceed the rate of inflation (Consumer Price Index) by the average annual spending distribution percent, plus management fees over time on an annualized basis. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money to be distributed annually from the Foundation's temporarily restricted and unrestricted funds in support of its programs. The current spending policy for each fund is 4.5% of a three -year rolling average of the market value of the Endowed fund. Accordingly, over the long term, the Foundation expects the current spending policy to allow its donor restricted endowment assets to grow annually. This is consistent with the Foundation's objectives to maintain the purchasing power of donor restricted endowment assets as well as to provide additional real growth through new gifts and investment return.

Management has reviewed UPMIFA and recognizes the importance of the preservation of the donor restricted endowment funds absent explicit donor stipulations as well as the safeguarding of the original gifts to provide support to the Foundation in perpetuity. As a result, the Foundation classifies as permanently restricted net assets (a) the original gifts donated to the donor restricted endowment fund, (b) the original value of subsequent gifts to the donor restricted endowment fund, and (c) earnings of the permanent donor restricted endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the earnings are added to the fund. The remaining portion of the donor restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards 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:

1. Duration and preservation of the donor restricted endowment fund
2. Purpose of the donor restricted endowment fund
3. General economic conditions
4. Possible effect of inflation or deflation
5. Expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. Investment policy of the Foundation

**NORTHWEST STATE COMMUNITY COLLEGE**  
**HENRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2016

**NOTE 18 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)**

**SUPPORT OF NORTHWEST STATE COMMUNITY COLLEGE**

Not included in these financial statements is the Northwest State Community College, a component unit of the State of Ohio. The College is organized for the principal purpose of offering educational programs beyond high school, normally not exceeding two years duration, and leading to the award of an associate degree.

The foundation contributes funds to the College for scholarships and other designated purposes. The contributions are subject to the approval by the Board of Directors of the Foundation. The College paid expenses related to the Foundation's scholarships which were then reimbursed.

**Northwest State Community College**  
**Henry County**  
**Last 10 Fiscal Years\***  
**Schedule of the College's Proportionate Share of the Net Pension Liability - STRS**  
**June 30, 2016**

	<u>2016</u>	<u>2015</u>
Proportion of the Net Pension Liability	0.05384952%	0.05378622%
Proportionate Share of the Net Pension Liability	\$ 14,882,432	\$ 13,082,670
Covered - Employee Payroll	\$ 5,895,761	\$ 5,768,749
Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	252.43%	226.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%

\* Fiscal year 2015 was the first year of implementation, therefore only two years are presented.

**Northwest State Community College  
Henry County  
Last 10 Fiscal Years  
Schedule of the College's Contributions - STRS  
June 30, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contributions	\$ 844,414	\$ 790,351	\$ 752,236
Contributions in Relation to the Contractually Required Contributions	<u>844,414</u>	<u>790,351</u>	<u>752,236</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$6,220,393	\$5,834,868	\$5,377,620
Contributions as a Percentage of Covered-Employee Payroll	13.57%	13.55%	13.99%



<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
\$ 825,697	\$ 878,573	\$ 945,005	\$ 874,775	\$ 796,814	\$ 809,779	\$ 804,272
<u>825,697</u>	<u>878,573</u>	<u>945,005</u>	<u>874,775</u>	<u>796,814</u>	<u>809,779</u>	<u>804,272</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$5,891,576	\$6,268,804	\$6,742,823	\$6,241,400	\$5,684,527	\$5,777,274	\$5,514,391
14.01%	14.02%	14.01%	14.02%	14.02%	14.02%	14.58%

**Northwest State Community College**  
**Henry County**  
**Last 10 Fiscal Years\***  
**Schedule of the College's Proportionate Share of the Net Pension Liability - SERS**  
**June 30, 2016**

	<u>2016</u>	<u>2015</u>
Proportion of the Net Pension Liability	0.11955920%	0.12824300%
Proportionate Share of the Net Pension Liability	\$ 6,822,164	\$ 6,490,305
Covered - Employee Payroll	\$ 3,401,990	\$ 3,747,635
Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	200.53%	173.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%

\* Fiscal year 2015 was the first year of implementation, therefore only two years are presented.

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**Northwest State Community College  
Henry County  
Last 10 Fiscal Years  
Schedule of the College's Contributions - SERS  
June 30, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contributions	\$ 607,810	\$ 531,885	\$ 551,132
Contributions in Relation to the Contractually Required Contributions	<u>607,810</u>	<u>531,885</u>	<u>551,132</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$3,773,285	\$3,773,285	\$3,930,425
Contributions as a Percentage of Covered-Employee Payroll	16.11%	14.10%	14.02%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 577,671	\$ 643,044	\$ 628,173	\$ 566,935	\$ 512,181	\$ 494,368	\$ 465,387
<u>577,671</u>	<u>643,044</u>	<u>628,173</u>	<u>566,935</u>	<u>512,181</u>	<u>494,368</u>	<u>465,387</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$4,018,643	\$4,585,551	\$4,476,319	\$4,039,003	\$3,752,876	\$3,528,795	\$3,229,743
14.37%	14.02%	14.03%	14.04%	13.65%	14.01%	14.41%

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**Northwest State Community College  
Henry County  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>United States Department of Education</b>			
<i>Direct from the Federal Agency</i>			
<i>Student Financial Aid Cluster:</i>			
Federal Work Study Program	NA	84.033	\$ 59,495
Federal Supplemental Educational Opportunity Grants	NA	84.007	55,763
Federal Direct Loans	NA	84.268	3,439,877
Federal Pell Grant Program	NA	84.063	<u>3,023,334</u>
<i>Total Student Financial Aid Cluster</i>			6,578,469
 <i>Passed through the Ohio Department of Education</i>			
Vocational Education: Basic Grants to States	20-C3	84.048	<u>87,342</u>
<b>Total United States Department of Education</b>			<u>6,665,811</u>
 <b>United States Department of Commerce</b>			
<i>Passed through the Center for Innovative Food Technology</i>			
Measurement and Engineering Research and Standards - ARRA	NA	11.611	<u>101,968</u>
<b>Total United States Department of Commerce</b>			<u>101,968</u>
 <b>United States Department of Labor</b>			
<i>Direct from Federal Agency</i>			
H-1B Job Training Grants	NA	17.268	653,604
Trade Adjustment Assistance Community College & Career Training Grant	NA	17.282	<u>403,893</u>
<b>Total United States Department of Labor</b>			<u>1,057,497</u>
 <b>National Science Foundation</b>			
<i>Direct from Federal Agency</i>			
Education and Human Resources Grant	NA	47.076	<u>120,335</u>
<b>Total National Science Foundation</b>			<u>120,335</u>
<b>Total Federal Financial Assistance</b>			<u><u>\$ 7,945,611</u></u>

SEE ACCOMPANYING NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Northwest State Community College  
Henry County  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reports Northwest State Community College's (the Government's) federal award programs' disbursements. 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). The schedule has been prepared on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Government has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. Pass Through Entity identifying numbers are presented where available.



**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**

Board of Trustees  
Northwest State Community College  
Henry County, Ohio  
22600 State Route 34  
Archbold, Ohio 43502

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 Northwest State Community College (the "College") a component unit of the State of Ohio, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 28, 2016.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Robert O'Brien". The signature is written in a cursive style with a large initial "R" and "O".

November 28, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees  
Northwest State Community College  
Henry County, Ohio  
22600 State Route 34  
Archbold, Ohio 43502

**Report on Compliance for Each Major Federal Program**

We have audited Northwest State Community 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 Northwest State Community College's major federal program for the year ended June 30, 2016. Northwest State Community College's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the College's major federal program 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 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, Northwest State Community 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, 2016.

### **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.



November 28, 2016

**NORTHWEST STATE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:  
 Material weakness(es) identified? \_\_\_\_\_yes      X   none reported  
 Significant deficiency(ies) identified? \_\_\_\_\_yes      X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_yes      X   no

Federal Awards

Internal Control over major federal programs:  
 Material weakness(es) identified? \_\_\_\_\_yes      X   no  
 Significant deficiency(ies) identified? \_\_\_\_\_yes      X   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)? \_\_\_\_\_yes      X   no

Identification of major federal programs:

<u>CFDA Numbers(s)</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low risk auditee?   X   Yes    \_\_\_\_\_ No

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

**NORTHWEST STATE COMMUNITY COLLEGE  
SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2016**

NONE



# Dave Yost • Auditor of State

**NORTHWEST STATE COMMUNITY COLLEGE**

**HENRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 29, 2016**