Northwest State Community College

Basic Financial Statements

June 30, 2017

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

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

Dave Yost
Auditor of State

November 8, 2017

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NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY, OHIO

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Northwest State Community College, Henry County, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Northwest State Community College (the College), a component unit of the State of Ohio, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2017, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 12, 2017

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.

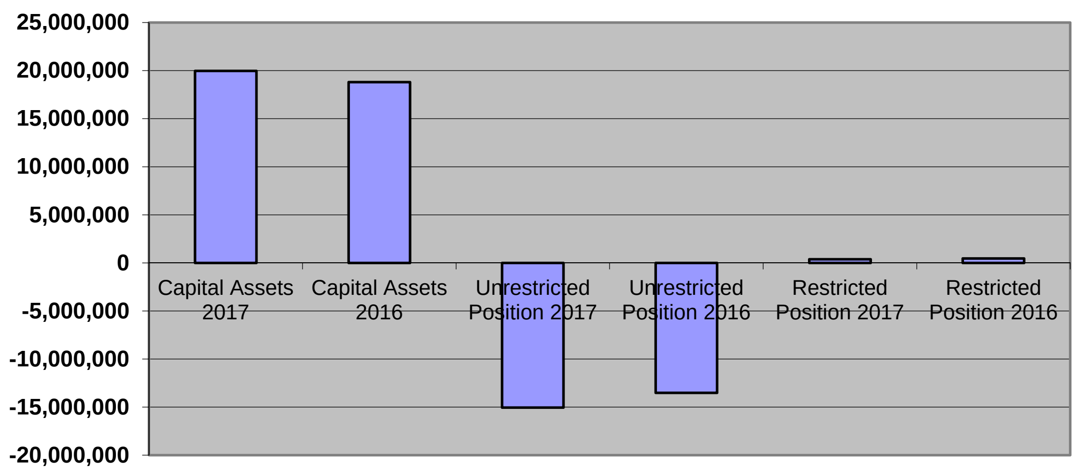
Financial Highlights
The Statement of Net Position

Condensed Financial Information
Statement of Net Position

Assets:	**2017**	**2016**
Current & Other Assets	**$10,371,300**	**$10,962,543**
Capital Assets	**19,964,440**	**18,798,423**
Total Assets	**30,335,740**	**29,760,966**
Deferred Outflows of Resources		
Pension	**6,562,884**	**3,498,898**
Liabilities		
Current Liabilities	**1,904,214**	**2,047,033**
Non-current Liabilities	**29,446,754**	**22,589,597**
Total Liabilities	**31,350,968**	**24,636,630**
Deferred Inflows of Resources		
Pension	**261,516**	**2,890,450**
Net Position		
Invested in Capital Assets,		
Net of Related Debt	**19,957,950**	**18,785,699**
Restricted	**379,908**	**462,839**
Unrestricted	**(15,051,718)**	**(13,515,754)**
Total Net Position	**$5,286,140**	**$ 5,732,784**

This statement contains the College's assets, liabilities and net position for the fiscal years 2016 and 2017. 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 2017 and 2016 fiscal years. From this presentation, the increases and decreases in the net position during the fiscal year of 2017 can be observed.



During fiscal year 2017 the College's net position in total decreased $446,644 from $5,732,784 to $5,286,140 (7.79 percent). The net investment in capital assets increased by $1,172,251 (6.24 percent) to a total of $19,957,950; the restricted net position decreased by $82,931 (17.92 percent) to a total of $379,908; the unrestricted net position decreased by $1,535,964 (11.36 percent) to a total of $(15,051,718).

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 decreased by $443,038 (4.51 percent) for a total of $9,374,575. Included in this total is a $310,375 decrease in cash and cash equivalents, $158,900 increase in investments, $198,324 decrease in accounts receivable, $89,772 decrease in inventories and $3,467 decrease in prepaid expenses.

The non-current assets increased by $1,017,812 (5.10 percent) for a total of $20,961,165. Included in this total is a $148,205 (12.94 percent) decrease in investments, and $1,166,017 (6.20 percent) increase in capital assets. The decrease in non-current investments is countered by an equivalent increase in current investments.

As of June 30, 2017 the College's investment with Huntington National Bank was fully vested and carrying a $3,997,397 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 $6,714,338 (27.25 percent) to a total of $31,350,968. Included in this total is a $354,257 decrease in accounts payable, $52,175 increase in accrued liabilities, $6,234 decrease in Capital Lease Obligation, $156,638 (netted) decrease in compensated absence, a $156,323 increase in unearned revenues and a $7,022,969 increase in Net Pension Liability.

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

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

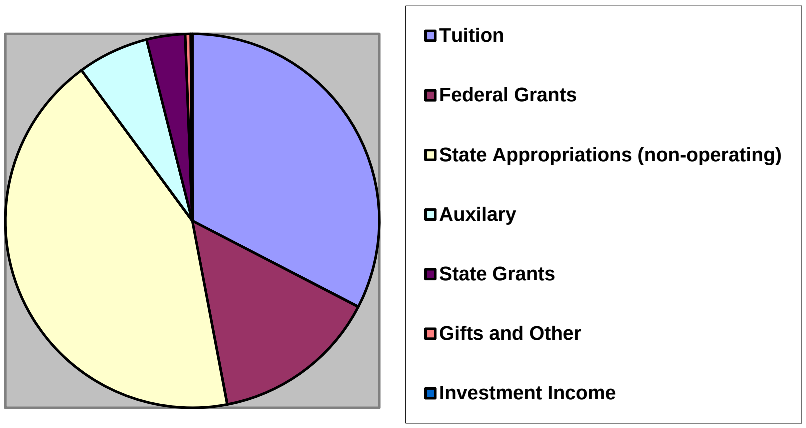
	2017	2016
Total Operating Revenue	**$13,514,232**	**$12,807,890**
Total Operating Expense	**28,755,960**	**27,949,932**
Operating Loss	**(15,241,728)**	**(15,142,042)**
Non-Operating Revenues/Expenses	**13,609,547**	**13,622,150**
Income Before Other Revenues, Gains and Losses	**(1,632,181)**	**(1,519,892)**
Total Other Revenue, Expenses, Gains or Losses	**1,185,537**	**950,338**
Change in Net Position	**(446,644)**	**(569,554)**
Net Position, Beginning of Year	**$ 5,732,784**	**$ 6,302,338**
Net Position, End of Year	**$ 5,286,140**	**$ 5,732,784**

The statement reflects the various income and expense account balances for the 2016 and 2017 year.

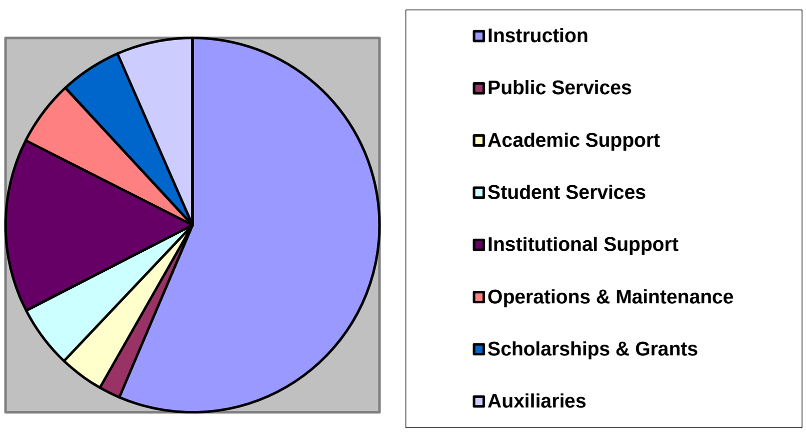
NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
(UNAUDITED)

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 2016 and 2017 are stated below along with the rational for the changes. These changes include both the restricted and the unrestricted accounts:

* Total operating revenues increased by $706,343 (5.51 percent).

* Tuition and fees (net of scholarships) increased from $9,044,224 to $9,230,056 which represents an increase of $185,832, an increase of 2.05 percent. Overall full-time equivalent (FTE) enrollment declined by .2 percent however the mix of FTE enrollment saw significant changes. Non-agency FTE declined 10.3 percent, agency FTE increased 17.9 percent and early admit FTE declined 4.6 percent.

* The investment income decreased by $6,064 (13.83 percent). This number reflects lower returns in the Huntington Investment account due to a decline in the market conditions of the past year.

* The state grants and contracts increased by $919,591 (4505.59 percent). This was the result of $400,000 as the fiscal agent through the joint use agreement for the community project for the Napoleon Senior Center and $498,261 for the Innovation grant award through the Ohio Department of Higher Education for the Northwest State and Terra State shared operations of the Advanced Manufacturing Training Center at the University of Toledo, Scott Park Campus.

* Nongovernmental Gifts and Grants decreased by $18,524 (45.31 percent). This is primarily due to the completion of the paraprofessional grant with University of Dayton.

* Contributions and fund raising decreased by $11,968 (81.32 percent). This reflects a decrease in donations to the college.

* Auxiliary enterprise decreased by $283,324 (13.97 percent). This reflects the declining traditional student enrollment along with the college efforts to reduce the textbook costs for students.

* Other operating revenues decreased by $175,872 (60.22 percent). This reflects a $83,125 decrease in other revenue due to shared service arrangement with Terra State being primarily funded by the State Innovation grant, $23,691 decrease for the Adult Diploma program, $18,075 decrease from Bureau of Workers Compensation safety grant and $45,828 decrease in purchase card rebates not received during the fiscal year.

The significant changes in the expenses between fiscal years 2016 and 2017 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 $806,028 (2.88 percent).

* The expense for public service increased by $384,881 (320.31 percent) due to $100,889 for the college receiving a second Manufacturing Enterprise Partnership grant and the $400,000 expense as fiscal agent for the Napoleon Senior Center community project.

* The expense for student services decreased by $177,614 (10.76 percent) due to staffing vacancies along with strategic reductions in force and restructuring of departments due to the declining enrollments of recent years.

* The expense for institutional support increased by $217,187 (5.60 percent). This was primarily due to $678,987 increase in pension expense attributed to the unfunded pension expense of SERS and STRS that is required to be reallocated annually as required by GASB 68 which was then offset by the cost saving measures attributed to staffing vacancies along with strategic reductions in force and restructuring of departments due to the declining enrollments of recent years.

* Scholarships and Grants decreased by $442,144 (23.27 percent) as a result of the declining non-agency student enrollment.

* Auxiliary enterprises decreased by $175,993 (8.94 percent) as a result of the declining traditional student enrollments both bookstore and foodservice sales were impacted. Additionally, the college continues to make efforts to find more affordable textbook options available to students.

* Northwest State Community College ended the year with a decrease in net assets of $446,644.

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

	2016-17	2015-16	Change
Cash flows from operating activities Net cash used by operating activities	$(12,465,138)	$(14,922,294)	$ 2,457,156
Cash flows from non-capital financing Net cash provided by noncapital financing activities	13,571,763	13,578,302	(6,539)
Cash flows from capital fin. activities Net cash used by capital financing activities	(1,444,090)	(205,359)	(1,238,731)
Cash flows from investing activities Net cash provided by investing activities	27,090	14,512	12,578
Net increase (decrease) in cash	(310,375)	(1,534,839)	1,224,464
Cash, Beginning of Year	$2,776,960	$4,311,799	$(1,534,839)
Cash, End of Year	$2,466,585	$2,776,960	$(310,375)

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.

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.

Capital Assets

Capital assets, net of accumulated depreciation, totaled $19,964,440 at June 30, 2017, a net increase of $1,166,017 from the prior year-end. Additions to capital assets during the year totaled $3,806,728 and disposals totaled $1,540,000 primarily due to the completion of the renovation of building C. Depreciation expense for the year ended June 30, 2017 amounted to $1,463,609. 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, 2017, the College's long-term liabilities included compensated absences payable and net pension liability. The College has no debt outstanding at fiscal year end 2017. 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 2017 and early fall 2018 is down 5.7%.

The College's professional contract renewed 8/16/2017 for an additional three years until 8/15/2020.

The College's support staff contract will expire on 6/30/2018 and will be open for renegotiation in Spring 2018.

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.

Terra State Community College has decided to withdraw from the shared operations concept of the Advanced Manufacturing Training Center on the Scott Park campus of the University of Toledo.

Northwest State Community College
Henry County
Statement of Net Position
June 30, 2017

	Primary Institution: Northwest State CC	Component Unit: Northwest State Foundation	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	$ 2,466,585	$ 114,872	$ 2,581,457
Investments	3,000,672	-	3,000,672
Accounts Receivable, Net	3,428,544	42,262	3,470,806
Accounts Receivable (from NSCC FDA)	10,985	-	10,985
Inventories	430,509	-	430,509
Prepaid Expenses	37,280	-	37,280
Total Current Assets	9,374,575	157,134	9,531,709
Noncurrent Assets			
Investments	996,725	5,945,592	6,942,317
Capital Assets, Net	19,964,440	-	19,964,440
Total Noncurrent Assets	20,961,165	5,945,592	26,906,757
Total Assets	$ 30,335,740	$ 6,102,726	$ 36,438,466
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources Related To Pensions	$ 6,562,884	$ -	$ 6,562,884
LIABILITIES			
Current Liabilities			
Accounts Payable	$ 638,016	$ 1,643	$ 639,659
Accounts Payable (from NSCC FDA)	-	10,985	10,985
Accrued Liabilities	336,745	-	336,745
Capital Lease Obligation	6,490	-	6,490
Compensated Absences	310,438	-	310,438
Unearned Revenue	612,525	-	612,525
Total Current Liabilities	1,904,214	12,628	1,916,842
Noncurrent Liabilities			
Compensated Absences	719,189	-	719,189
Net Pension Liability	28,727,565	-	28,727,565
Total Noncurrent Liabilities	29,446,754	-	29,446,754
Total Liabilities	$ 31,350,968	$ 12,628	$ 31,363,596
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources Related to Pensions	$ 261,516	$ -	$ 261,516
NET POSITION			
Net Investment in Capital Assets	$ 19,957,950	$ -	$ 19,957,950
Restricted for			
Nonexpendable			
Scholarships and Grants		998,100	998,100
Expendable			
Scholarships and Grants	15,300	4,817,961	4,833,261
Departmental Use	-	21,367	21,367
Loans	-	100,000	100,000
Capital Projects	364,608	33,391	397,999
Unrestricted	(15,051,718)	119,279	(14,932,439)
Total Net Position	$ 5,286,140	$ 6,090,098	$ 11,376,238

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, 2017

	Primary Institution: Northwest State CC	Component Unit: Northwest State Foundation	Total
REVENUES			
Operating Revenues			
Tuition, Fees, and Other Student Charges (Net of Scholarship Allowances of $2,316,526)	$ 9,230,056	$ -	$ 9,230,056
Federal Grants and Contracts	1,457,749	-	1,457,749
State Grants and Contracts	940,001	-	940,001
Nongovernmental Gifts and Grants	22,358	-	22,358
Contributions and Fund Raising	2,750	400,139	402,889
Auxiliary Enterprises			
Food Service	258,832	-	258,832
Bookstore (Net of Scholarship Allowances of $285,705)	1,486,319	-	1,486,319
Other Operating Revenues	116,167	-	116,167
Total Revenue	13,514,232	400,139	13,914,371
EXPENSES			
Operating Expenses			
Education and General			
Instruction	15,393,516	87,826	15,481,342
Public Service	505,041	-	505,041
Academic Support	1,038,469	-	1,038,469
Student Services	1,473,060	-	1,473,060
Institutional Support	4,096,576	187,677	4,284,253
Operation and Maintenance of Plant	1,536,118	-	1,536,118
Scholarships and Grants	1,457,898	302,497	1,760,395
Total Educational and General	25,500,678	578,000	26,078,678
Auxiliary Enterprises	1,791,673	-	1,791,673
Depreciation	1,463,609	-	1,463,609
Total Operating Expenses	28,755,960	578,000	29,333,960
Operating Gain (Loss)	(15,241,728)	(177,861)	(15,419,589)
NONOPERATING REVENUES (EXPENSES)			
Federal Grants and Contracts	2,619,377	-	2,619,377
State Appropriations	10,952,386	-	10,952,386
Investment Income (Net of Investment Expense)	37,784	626,765	664,549
Net Nonoperating Revenue (Expenses)	13,609,547	626,765	14,236,312
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(1,632,181)	448,904	(1,183,277)
State Capital Appropriations	1,191,090	-	1,191,090
Capital Grants and Gifts (From Northwest State Foundation)	137,826	-	137,826
Loss on Disposal of Assets	(143,379)	-	(143,379)
Change in Net Position	(446,644)	448,904	2,260
NET POSITION			
Net Position - Beginning of Year	5,732,784	5,641,194	11,373,978
Net Position - End of Year	$ 5,286,140	$ 6,090,098	$ 11,376,238

See accompanying notes to the financial statements

Northwest State Community College
Hentry County
Statement of Cash Flows
For the Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	$ 8,922,785
Grants and Contracts	2,993,604
Contributions and Fund Raising	2,750
Payments to Suppliers	(9,761,263)
Payments for Utilities	(432,165)
Payments to Employees	(4,979,663)
Payments for Benefits	(9,323,225)
Payments for Scholarships and Grants	(1,843,734)
Auxiliary Enterprises	
Food Service	258,832
Bookstore	1,508,970
Other Receipts (Payments)	187,971
Net Cash Provided (Used) by Operating Activities	(12,465,138)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal Grants and Contracts	2,619,377
State Appropriations	10,952,386
Net Cash Provided by Noncapital Financing Activities	13,571,763
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
NSCC Foundation Payments to NSCC	137,826
Capital Appropriations	1,191,090
Purchases of Capital Assets	(2,773,006)
Net Cash Used by Capital Financing Activities	(1,444,090)
CASH FLOWS FROM CAPITAL INVESTING ACTIVITIES	
Purchase of Investments	(10,694)
Interest on Investments	37,784
Net Cash Provided by Investing Activities	27,090
Net Increase (Decrease) in Cash and Cash Equivalents	(310,375)
Cash - Beginning of Year	2,776,960
Cash - End of Year	$ 2,466,585

Reconciliation of Net Operating Revenue (Expenses) to Net Cash Used By Operating Activities:	
Operating Loss	$ (15,241,728)
Adjustments to Reconcile Operating Loss to Net Cash Used By Operating Activities	
Depreciation Expense	1,463,609
Change in Assets and Liabilities	
Receivables, Net	198,324
Inventories	89,772
Prepaid Expenses	3,467
Accounts Payable	(360,491)
Accrued Liabilities	52,175
Compensated Absences	(156,638)
Deferred Pension	1,330,049
Unearned Revenue	156,323
Net Cash Provided (Used) By Operating Activities	(12,465,138)

See accompanying notes to the financial statements

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, 2017, the Foundation made distributions of $137,826 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 17.

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, 2017, the amounts held for the NSCC Student Body Organizations and Black Swamp Safety Council are $36,980 and $8,712 respectively.

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 Position 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.

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 position are classified as follows:

Net Investment in Capital Assets – This represents the College's total investment in capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

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 $379,908 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.

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.

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.

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The College's fair value and distribution of investments as of June 30, 2017 are as follows:

	Market Value	Maturity Date	Interest Rate	Fair Value Hierarchy
Huntington Conservative Deposit	$1,767,882		0.77%	Level 2
US Treasury Notes & Bonds	249,520	09/14/17	0.85%	Level 1
US Treasury Notes & Bonds	138,640	01/31/18	2.60%	Level 1
US Treasury Notes & Bonds	145,476	05/31/18	0.88%	Level 1
US Treasury Notes & Bonds	498,770	04/30/19	1.25%	Level 1
FHLB	199,164	06/29/18	0.88%	Level 2
FHLMC	497,955	07/25/18	1.00%	Level 2
FHLMC	499,990	07/25/17	1.00%	Level 2
Total	$3,997,397			

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, 2017, 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.

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 25.83% of its investments in US Treasury Notes and Bonds, 4.98% in FHLB, 24.96% in FHLMC, and 44.23% in Money Market Funds.

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2017 the carrying amount of the College's deposits was $2,463,098. Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, as of June 30, 2017 $2,560,884 of the College's bank balance of $2,811,971 was exposed to custodial credit risk as discussed above, while $251,086 is covered by FDIC.

NOTE 5 – RECEIVABLES

Receivables at June 30, 2017 were as follows:

	Gross Receivables	Allowance For Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 2,404,541	$ (153,446)	$ 2,251,095
Intergovernmental	805,311		805,311
Other	383,123		383,123
Total Current Receivables	$ 3,592,975	$ (153,446)	$ 3,439,529

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, 2017, there was no net appreciation on donor restricted assets available to be spent.

NOTE 7 – CAPITAL ASSETS

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

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Capital Assets, Non-Depreciable:				
Land	$ 176,657	$ -	$ -	$ 176,657
Construction in Progress	1,044,814	430,458	(1,033,432)	441,840
Library Books	555,157	2,320	(20,050)	537,427
Art/Collections	1,103,765	-	(-)	1,103,765
Total Non-Depreciable	2,880,393	432,778	(1,053,482)	2,259,689
Capital Assets, Depreciable:				
Buildings	29,587,060	2,968,978	(223,929)	32,332,109
General Infrastructure	2,444,361	-	-	2,444,361
Machinery and Equipment	4,811,539	404,972	(238,063)	4,978,448
Motor Vehicles	233,953	-	(24,526)	209,427
Totals	37,076,913	3,373,950	(486,518)	39,964,345
Less Accumulated Depreciation:				
Buildings	(15,501,461)	(1,008,749)	100,309	(16,409,901)
General Infrastructure	(1,795,367)	(87,939)	-	(1,883,306)
Machinery and Equipment	(3,674,609)	(341,669)	238,064	(3,778,214)
Motor Vehicles	(187,447)	(25,252)	24,525	(188,174)
Totals	(21,158,884)	(1,463,609)	362,898	(22,259,595)
Total Capital assets, depreciable, net	15,918,029	1,910,341	(123,620)	17,704,750
Capital Assets, net	$ 18,798,422	$ 2,343,119	$(1,177,102)	$ 19,964,439

NOTE 8– LONG-TERM LIABILITIES

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

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
Capital Lease Obligation	$ 12,724	$ -	$ (6,234)	$ 6,490	$ 6,490
Compensated Absences	1,186,265	-	(156,638)	1,029,627	310,438
Net Pension Liability	21,704,596	7,022,969	-	28,727,565	-
Total Long-term Liability	$22,903,585	$7,022,969	$ (162,872)	$29,763,682	$ 316,928

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, 2017:

Fiscal Year Ending June 30, 2017	Amount
2018	$ 6,686
2019	-
2020	-
Total minimum lease payments	6,686
Amount representing interest	(197)
Present Value of Future Lease Payments	$ 6,490

Leased assets amount to $24,964 at June 30, 2017 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, 2017

Fiscal Year Ending June 30, 2017	Amount
2018	$ 54,968
2019	27,971
2020	7,192
2021	-
2022	-
	$ 90,131

Rental expenses for all operating leases during the year were $75,082.

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	$9,512,371	$ -	$ -	$5,881,145	$ -	$15,393,516
Public service	118,433			386,608		505,041
Academic Support	787,520			250,949		1,038,469
Student Services	1,329,592			143,468		1,473,060
Institutional Support	2,705,781		38,019	1,352,776		4,096,576
Operations and Maintenance	618,869		394,146	523,103		1,536,118
Scholarships and grants		1,457,898				1,457,898
Auxiliary enterprises	449,875			1,341,798		1,791,673
Depreciation					1,463,609	1,463,609
Totals	$15,522,441	$1,457,898	$ 432,165	$9,879,847	$ 1,463,609	$28,755,960

NOTE 11 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. 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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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.

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – College 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 under Employers/Audit Resources.

NOTE 11 – DEFINED BENEFIT PENSION PLANS (CONTINUTED)

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 65 with 5 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 or $86.oo multiplied by the years of service credit. 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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The College's contractually required contribution to SERS was $587,555 for fiscal year 2017.

Plan Description - State Teachers Retirement System (STRS)

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

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

NOTE 11 – DEFINED BENEFIT PENSION 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, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 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 2017 contribution rates were equal to the statutory maximum rates.

The College’s contractually required contribution to STRS was $802,381 for fiscal year 2017.

NOTE 11 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	$19,112,559	$9,615,006	$28,727,565
Proportion of the Net Pension Liability	0.05709841%	0.13136910%	
Pension Expense	1,580,641	1,139,345	2,719,986

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

	STRS	SERS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$772,239	$129,684	$901,923
Changes of assumptions	0	641,854	$641,854
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,586,856	793,098	$2,379,954
Changes in Employer Proportionate Share of Net Pension Liability	748,091	501,125	$1,249,216
College Contributions Subsequent to the Measurement Date	802,381	587,555	$1,389,936
Total Deferred Outflows of Resources	$3,909,567	$2,653,316	$6,562,883
Deferred Inflows of Resources			
Changes in Employer Proportionate Share of Net Pension Liability	$0	$261,516	$261,516
Total Deferred Inflows of Resources	$0	$261,516	$261,516

$1,389,936 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

NOTE 11 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2018	$561,444	$452,988	$1,014,432
2019	561,444	452,417	1,013,861
2020	1,170,364	670,857	1,841,221
2021	813,934	227,983	1,041,917
Total	$3,107,186	$1,804,245	$4,911,431

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, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50-18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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.

NOTE 11 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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.

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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

NOTE 11 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
College's proportionate share of the net pension liability	$12,729,669	$9,615,006	$7,007,904

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

Asset Class	Target Allocation	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 %	

NOTE 11 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the 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%)
College's proportionate share of the net pension liability	$25,399,038	$19,112,559	$13,809,543

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

NOTE 12 – POST EMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan Description – Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescriptions drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SER's postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

NOTE 12 – POST EMPLOYMENT BENEFITS (CONTINUED)

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, the health care allocation is 0.00 percent. An additional health care surcharge on employers is collected for employees earning less than and actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statue 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 2017, the minimum compensation level was established at $23,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The College's contributions assigned to health care for the years ended June 30, 2017, 2016, and 2015 were $0, $0, and $25,926, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care plan are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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 or by calling (888) 227-7877.

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

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.

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 $1,782,275. 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 $0 to the NBEC to cover the costs of administering the program.

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2017, the College has implemented GASB Statement No. 78, *“Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans”*, GASB Statement No. 80, *“Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14”* and GASB Statement No. 82, *“Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73”*.

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

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

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

NOTE 17 – 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.

NOTE 17 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)

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 $103,178 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 position in the accompanying statement of activities.

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, 2017 through October 12, 2017, 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.

NOTE 17 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)

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 rise in pricing an asset or liability.

The fair value of investments held by the Foundation as June 30, 2017 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)	271,105	-0-	-0-
DFA International Core (DFIEX)	803,705	-0-	-0-
DFA International Real Estate (DFITX)	175,903	-0-	-0-
DFA Real Estate (DFREX)	175,167	-0-	-0-
DFA U.S. Core Equity 2 (DFQTX)	2,156,902	-0-	-0-
DFA Five Year Global Fixed (DFGBX)	344,305	-0-	-0-
DFA Short Duration Real (DFAIX)	330,296	-0-	-0-
DFA Short Term Extended (DFEQX)	353,069	-0-	-0-
DFA Targeted Credit (DTCPX)	400,856	-0-	-0-
Vanguard Interm Term (VFIDX)	265,978	-0-	-0-
Vanguard Short Term Investment (VFSTX)	295,440	-0-	-0-
Vanguard Short Term Bond (VBIRX)	372,865	-0-	-0-
Total	$5,945,591	$-0-	$-0-

NOTE 17 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)

INVESTMENT RETURN

Cash and Cash Equivalents and Marketable Securities:

	Total
Interest and Dividend Income	$ 135,214
Net unrealized gain	491,551
Total investment return	$ 626,765

PLEDGES RECEIVABLE

Unconditional promises to give are valued at a 10 year average of the fair value. 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 $2,712 as of June 30, 2017. 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, 2017 is as follows:

	Level 1	Level 2	Level 3
Less than one year	$ 0	$ 40,613	$ 0
One to five years	0	0	0
Total	$ 0	$ 40,613	$ 0

RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes after June 30, 2017:

Student scholarships	$ 4,808,190
Loan funds	100,000
Technology programs	0
Capital Projects	64,529
Operating expenses	0
	$ 4,972,719

Permanently restricted net assets consist of endowment funds to be held indefinitely, income from which is to be used for scholarships. At June 30, 2017 endowments totaled $998,100.

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.

NOTE 17 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)

DONOR RESTRICTED ENDOWMENTS (CONTINUED)

Changes in foundation fund net assets for the fiscal year ended June 30, 2017 are as follows:

	Donor Restricted Endowment Fund		
	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Foundation Fund Net Assets, Beginning of Year	$ 136,148	$ 933,857	$1,070,005
Contributions	-	64,243	64,243
Net Unrealized Gain on Investment	92,267	-	92,267
Interest and Dividend Income	25,380	-	25,380
Investment Advisory Fees	(8,307)	-	(8,307)
Amounts Appropriated for Expenditure	(2,451)	-	(2,451)
Other Changes	17,714	-	17,714
Change in Foundation Fund Net Assets	124,603	64,243	188,846
Foundation Fund Net Assets End of Year	$ 260,751	$ 998,100	$1,258,851

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, 2017.

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.

NOTE 17 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION (CONTINUED)

DONOR RESTRICTED ENDOWMENTS (CONTINUED)

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
Last 10 Fiscal Years*
Schedule of the College's Proportionate Share of the Net Pension Liability - STRS
June 30, 2017

	2017	2016	2015
Proportion of the Net Pension Liability	0.05709841%	0.05384952%	0.05378622%
Proportionate Share of the Net Pension Liability	$ 19,112,559	$ 14,882,432	$ 13,082,670
College's Covered - Employee Payroll	$ 6,220,393	$ 5,895,761	$ 5,768,749
Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	307.26%	252.43%	226.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%

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

Note - Amounts presented as of the College's measurement date which is the prior fiscal year end.

Northwest State Community College
Henry County
Last 10 Fiscal Years
Schedule of the College's Contributions - STRS
June 30, 2017

	2017	2016	2015
Contractually Required Contributions	$ 802,381	$ 844,414	$ 790,351
Contributions in Relation to the Contractually Required Contributions	(802,381)	(844,414)	(790,351)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Employee Payroll	$ 5,731,293	$ 6,220,393	$ 5,834,868
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.57%	13.55%

	2014	2013	2012	2011	2010	2009	2008
	$ 752,236	$ 825,697	$ 878,573	$ 945,005	$ 874,775	$ 796,814	$ 809,779
	(752,236)	(825,697)	(878,573)	(945,005)	(874,775)	(796,814)	(809,779)
	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ 5,377,620	$ 5,891,576	$ 6,268,804	$ 6,742,823	$ 6,241,400	$ 5,684,527	$ 5,777,274
	13.99%	14.01%	14.02%	14.01%	14.02%	14.02%	14.02%

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, 2017

	2017	2016	2015
Proportion of the Net Pension Liability	0.13136910%	0.11955920%	0.12824300%
Proportionate Share of the Net Pension Liability	$ 9,615,006	$ 6,822,164	$ 6,490,305
College's Covered - Employee Payroll	$ 4,271,333	$ 3,401,990	$ 3,747,635
Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	225.11%	200.53%	173.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%

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

Note - Amounts presented as of the College's measurement date which is the prior fiscal year end.

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Northwest State Community College
Henry County
Last 10 Fiscal Years
Schedule of the College's Contributions - SERS
June 30, 2017

	2017	2016	2015
Contractually Required Contributions	$ 587,555	$ 607,810	$ 531,885
Contributions in Relation to the Contractually Required Contributions	(587,555)	(607,810)	(531,885)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Employee Payroll	$4,196,821	$4,271,333	$3,773,285
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.23%	14.10%

2014	2013	2012	2011	2010	2009	2008
$ 551,132	$ 577,671	$ 643,044	$ 628,173	$ 566,935	$ 512,181	$ 494,368
(551,132)	(577,671)	(643,044)	(628,173)	(566,935)	(512,181)	(494,368)
$ -	$ -	$ -	$ -	$ -	$ -	$ -
$3,930,425	$4,018,643	$4,585,551	$4,476,319	$4,039,003	$3,752,876	$3,528,795
14.02%	14.37%	14.02%	14.03%	14.04%	13.65%	14.01%

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Northwest State Community College

Single Audit Reports

June 30, 2017

PLATTENBURG
Certified Public Accountants

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Northwest State Community College
Henry County
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
United States Department of Education			
Direct from the Federal Agency			
Student Financial Assistance Cluster:			
Federal Work Study Program	N/A	84.033	$ 53,852
Federal Supplemental Educational Opportunity Grants	N/A	84.007	49,050
Federal Direct Loans	N/A	84.268	2,836,230
Federal Pell Grant Program	N/A	84.063	2,516,475
Total Student Financial Assistance Cluster			5,455,607
Passed through the Ohio Department of Education			
Vocational Education: Basic Grants to States	3L90	84.048	77,094
Total United States Department of Education			5,532,701
United States Department of Commerce			
Passed through the Center for Innovative Food Technology			
Manufacturing Extension Partnership - ARRA	N/A	11.611	202,857
Total United States Department of Commerce			202,857
United States Department of Labor			
Direct from Federal Agency			
Trade Adjustment Assistance Community College & Career Training Grant	N/A	17.282	1,164,851
Total United States Department of Labor			1,164,851
National Science Foundation			
Direct from Federal Agency			
Education & Human Resources	N/A	47.076	12,947
Total National Science Foundation			12,947
Total Federal Financial Assistance			$ 6,913,356

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, 2017

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reports Northwest State Community College's (the College) 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 accrual 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 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 College 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.

NOTE B – FEDERAL DIRECT STUDENT LOANS

The College participates in the Federal Direct Student Loan Program. The dollar amounts listed in the schedule of federal awards expenditures represents new loans advanced during the current fiscal year.

The College is a direct lender of these loan funds; however the College is not responsible for collecting these loans in future periods.

CFDA Number	Program Name	Amount
84.268	Federal Subsidized Loans	$ 2,366,369
84.268	Federal Unsubsidized Loans	$ 469,861
	Total Federal Direct Student Loans	$ 2,836,230

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Northwest State Community College (the College), a component unit of the State of Ohio, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 12, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 12, 2017

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

Board of Trustees
Northwest State Community College, Henry County, Ohio

Report on Compliance for Each Major Federal Program

We have audited the 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 each of the College's major federal programs for the year ended June 30, 2017. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (*Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2017.

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.

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

We have audited the financial statements of the business-type activities and the discretely presented component unit of the College, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 12, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 12, 2017

NORTHWEST STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section I – Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant Deficiency(s) identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

84.007, 84.033, 84.063, & 84.268 Student Financial Assistance Cluster

17.282 Trade Adjustments Assistance Community College and Career Training

Dollar threshold used to distinguish between Type A and Type B Programs	$750,000
Auditee qualified as low-risk auditee?	Yes

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

None

Section III – Federal Award Findings and Questioned Costs

None

NORTHWEST STATE COMMUNITY COLLEGE
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2017

Summary of Prior Audit Findings:

None Noted

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
NOVEMBER 21, 2017

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