Edison State Community College

Financial Statements

June 30, 2018 and 2017

(with Independent Auditors' Report)

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

Dave Yost • Auditor of State

Board of Trustees
Edison State Community College
1973 Edison Drive
Piqua, Ohio 45356

We have reviewed the *Independent Auditor's Report* of the Edison State Community College, Miami County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

October 25, 2018

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EDISON STATE COMMUNITY COLLEGE
BOARD OF TRUSTEES AND ADMINISTRATIVE PERSONNEL
June 30, 2018

College Administration	Title
Dr. Doreen Larson	President
Mr. Chris Spradlin	Provost
Mr. John Shishoff	Vice President of Administration and Finance
Mr. Rick Hanes	Vice President of Business and Community Partnerships
Mr. James Lehmkuhl	Controller
Ms. Christina Cummings	Director of Financial Aid

Insurance
All employees are insured through the Ohio Association of Community Colleges (OACC) Risk Management and Insurance Program for $1,000,000. The effective date of the policy is November 1, 2017 to November 1, 2018.

Legal Counsel
Mike DeWine, Ohio Attorney General
Education Section
30 E. Broad St., 16th Floor
Columbus, OH 43215

College Location
1973 Edison Drive
Piqua, Ohio 45356

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Edison State Community College
Piqua, Ohio

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Edison State Community College (the "College"), a component unit of the State of Ohio, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for 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.

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 discretely presented component unit of the College, as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters
As discussed in Note 2, the College adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as of July 1, 2017. Our opinions were not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of net pension liabilities and pension contributions and the schedules of net OPEB liabilities and OPEB contributions, as listed in the table of contents, 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 Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedules of the Board of Trustees and Administrative Personnel as well as the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purpose of additional analysis and are not a required part of the basic financial statements.

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

The schedules of the Board of Trustees and the Administrative Personnel have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the College's 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 11, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Edison State Community College's (the "College") financial statements provides an overview of the College's financial activities as of and for the years ended June 30, 2018 and 2017. Management has prepared the financial statements and the related disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with College management.

Using This Report

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This Statement requires a comprehensive look at the entity as a whole and presents a long-term view of the entity's finances. In November 1999, the GASB issued Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities,* which applies these standards to public colleges and universities.

The standards require three basic financial statements: the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows.

This annual financial report includes the report of independent auditors, this management's discussion and analysis, the basic financial statements in the above-referred format, notes to financial statements, and supplemental information.

These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources under the accrual basis of accounting, which is the same as the accounting used by most private sector institutions. All of the current year's revenue and expenses are taken into account regardless of when the cash is received or paid.

Financial Highlights

In the fiscal year ended June 30, 2018, the College's revenue and other support exceeded expenses, creating an increase in net position of $4,233,222. Revenue increased from fiscal year 2017 due to an increase in Federal grants and contracts and Capital Appropriations and operating expenses declined due to annual GASB 68 and 75 adjustments, as noted in the following analysis. In addition, the cash and short-term investment position of the College decreased by $186,102.

The Statements of Net Position and the Statements of Revenue, Expenses, and Changes in Net Position

One of the most important questions asked about the College's finances is whether the College, as a whole, is better off or worse off as a result of the year's activities. The Statements of Net Position and the Statements of Revenue, Expenses, and Changes in Net Position report information on the College as a whole and on its activities in a way that helps answer this question. Over time, increases or decreases in the College's net position are one indicator of whether its financial health is improving or deteriorating. Other indicators of the College's overall health must also be considered. These include the trend and quality of applicants, class size, student retention, strength of faculty, condition of the buildings, and the safety of campus. All are necessary to assess the overall health of the College. The College's financial position was stronger at June 30, 2017 than it was in the prior year. In fiscal year 2017, improvements resulting from cost containment were combined with increased state funding. The College's financial position was lower at June 30, 2018 than it was in the prior year. For fiscal year 2018, the College adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB).

The following is a summary of the major components of net position and operating results of the College as of and for the years ended June 30, 2018, 2017, and 2016:

	2018	2017	2016
Current assets	$ 9,251,310	$ 9,962,224	$ 8,511,143
Noncurrent assets			
Capital assets - Net	16,201,162	16,198,093	16,632,766
Other	1,334,133	879,955	1,144,925
Total assets	26,786,605	27,040,272	26,288,834
Deferred outflows of resources			
OPEB	313,461	-	-
Pension	3,518,647	3,864,514	2,416,068
Loss on bond refunding	137,145	153,439	169,734
Total deferred outflows of resources	3,969,253	4,017,953	2,585,802
Current liabilities	1,737,023	1,990,068	1,769,118
Noncurrent liabilities	18,404,945	20,125,253	17,739,341
Total liabilities	20,141,968	22,115,321	19,508,459
Deferred inflows of resources			
OPEB	452,547	-	-
Pension	2,076,831	766,161	1,598,787
Total deferred inflows of resources	2,529,378	766,161	1,598,787
Net position			
Net investment in capital assets	14,218,954	13,979,971	14,273,562
Restricted - expendable	618,803	908,322	1,075,604
Unrestricted	(6,753,245)	(6,711,550)	(7,581,776)
Total net position	$ 8,084,512	$ 8,176,743	$ 7,767,390

Note: June 30, 2017 and 2016 balances have not been restated to reflect the impact of GASB Statement No. 75 because the information is not available to calculate the impact on the College's net position at that date.

	Years Ended June 30		
	2018	2017	2016
Operating revenues			
Student tuition and fees	$ 7,791,554	$ 7,778,513	$ 7,612,401
Less grants and scholarships	(3,409,770)	(3,020,691)	(3,375,200)
Net student tuition and fees	4,381,784	4,757,822	4,237,201
Federal grants and contracts	168,220	176,154	188,197
State and local grants and contracts	85,127	129,653	166,156
Auxiliary activities	182,529	173,878	233,712
Other operating revenues	115,207	113,525	129,483
Total operating revenues	4,932,867	5,351,032	4,954,749
Operating expenses			
Educational and general instruction			
Instruction	6,286,913	6,020,627	6,243,399
Public service	424,279	412,749	453,398
Academic support	635,500	530,227	539,618
Student services	1,936,893	1,876,008	1,839,201
Institutional support	973,324	4,784,643	4,432,582
Plant operations and maintenance	1,412,928	1,494,987	1,353,317
Depreciation	1,025,830	1,070,390	1,062,331
Student aid	282,065	230,425	220,365
Auxiliary enterprises - bookstore	8,232	6,704	8,973
Total operating expenses	12,985,964	16,426,760	16,153,184
Operating loss	(8,053,097)	(11,075,728)	(11,198,435)
Nonoperating revenues (expenses) and other revenues			
Federal grants and contracts	3,326,454	2,919,369	3,259,814
State appropriations	7,917,253	8,118,538	7,907,607
Interest expense	(77,281)	(83,274)	(91,878)
Other	226,037	50,619	243,150
Capital grants	26,295	26,295	125,220
Capital appropriations	867,561	453,534	746,416
Total nonoperating revenues and other revenues	12,286,319	11,485,081	12,190,329
Change in net position	$ 4,233,222	$ 409,353	$ 991,894

Note: Amounts for the years ended June 30, 2017 and 2016 have not been restated to reflect the impact of GASB Statement No. 75 because the information is not available to calculate the impact on the College's benefit expense for fiscal years prior to the fiscal year ended June 30, 2018.

Operating Revenue

Operating revenue includes all revenue from exchange transactions such as tuition and fees, as well as income from sales of goods and services such as bookstore operations. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for service.

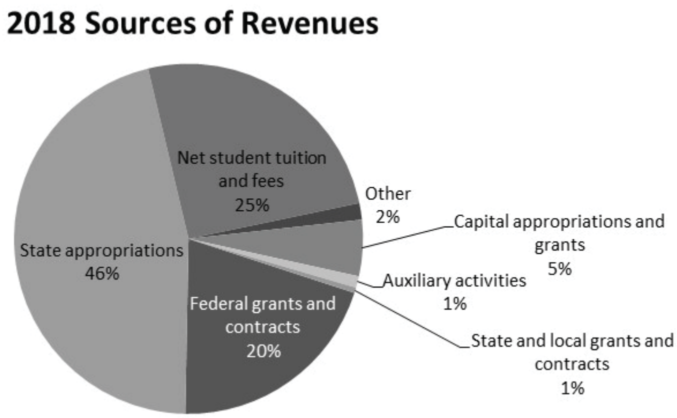
The following factors had a significant impact on the fiscal year 2018 operating revenue:

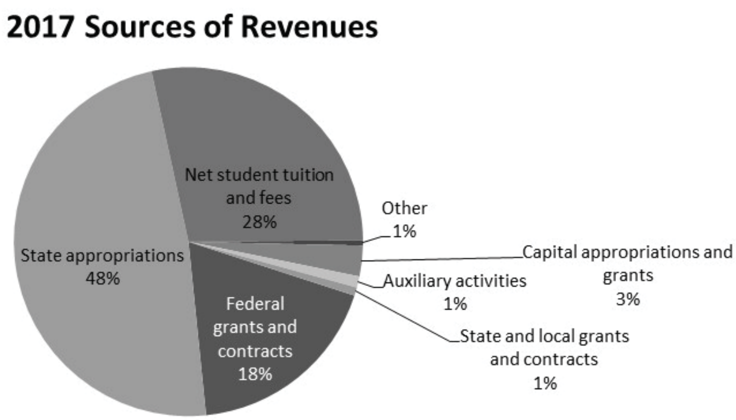
- Net student tuition and fees decreased by $376,038, or 7.9%, due to an increase in indirect costs related to Federal Pell Grant awards (which are reported as a reduction in net student tuition and fees) of $389,079, or 8.9% of net student tuition and fees. Note that increases in indirect costs for Pell Grants are offset by similar increase in revenues from Pell Grants, which are reported as nonoperating revenues from federal grants and contracts.

The following factors had a significant impact on the fiscal year 2017 operating revenue:

- Gross student tuition and fees increased by 2.2%, or $166,112 due to an increase of College Credit Plus students of 30.4%. However, total enrollment for academic year 2016/2017 remained steady compared to the prior year as the number of traditional students decreased by 4.9%. Net student tuition and fees increased by $520,621, or 12.3%, due to a reduction in indirect costs related to Federal Pell Grant awards (which are reported as a reduction in net student tuition and fees) of $340,786, or 8.0% of net student tuition and fees. Note that decreases in indirect costs for Pell Grants are offset by similar decrease in revenues from Pell Grants, which are reported as nonoperating revenues from federal grants and contracts.

The following is a graphic illustration of total revenue by source:





Operating Expenses
Operating expenses are all the costs necessary to perform and conduct the programs and functions of the College.

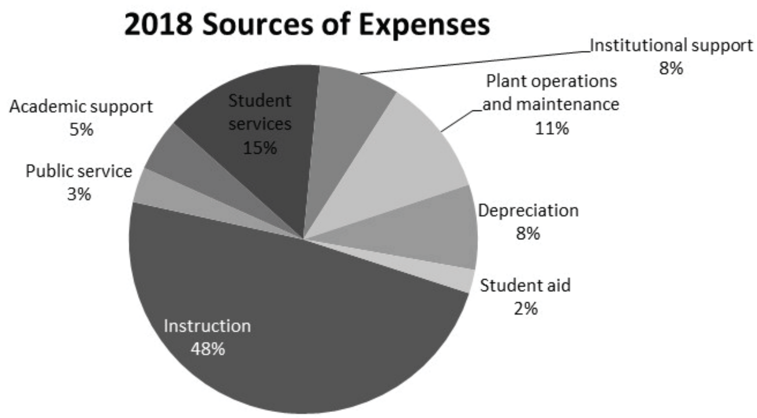
Fiscal year 2018 expenses were affected by the following:

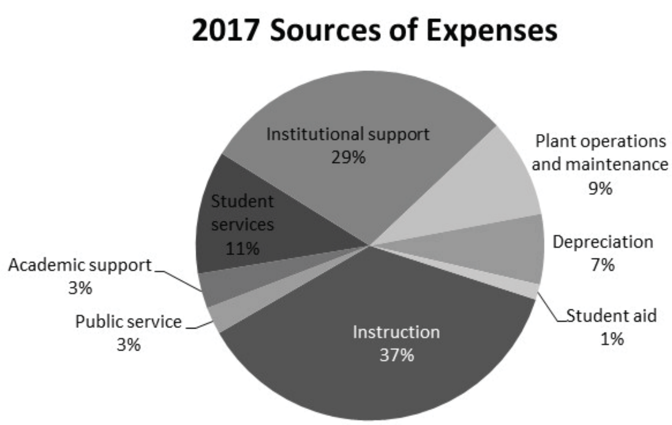
- Instructional spending increased $266,286, or 4.4%, primarily due to increased personnel costs. These increases in personnel costs impacted all departments campus-wide, with the largest dollar increases occurring in the departments in which personnel costs constitute the largest portion of overall costs.
- Institional support spending decreased $3,811,319, or 79.7% primarily due to annual adjustments posted to record GASB 68 and 75 activity. The College's 2018 GASB 68 adjustment reduced institional support expenses by $3,843,606 and its 2018 GASB 75 adjustment reduced institional support expenses by $192,073.

Fiscal year 2017 expenses were affected by the following:

- Instructional spending decreased $222,772, or 3.6%, primarily because lower enrollment of traditional students enabled the college to reduce the number of course sections offered, thus reducing the expense of part-time faculty.
- Institutional support spending increased $352,061, or 7.9%, primarily due to the College incurring the bookstore charges and fees corresponding to its College Credit Plus students. In addition, the College increased its investment in various marketing efforts.
- Plant operations and maintenance spending increased $141,670, or 10.5%, due to an increase in the number of general maintenance projects completed throughout campus.

The following is a graphic illustration of total expenses by function:





Nonoperating Revenues and Other Changes

Nonoperating revenues are all revenue sources that are primarily non-exchange in nature and consist primarily of revenue from state appropriations and certain federal grants and contracts.

Fiscal year 2018 nonoperating revenues and other changes were significantly affected by the following factors:

- Federal grants and contracts were $407,085, or 13.9%, higher than the prior year due to an increase in Federal Pell Grant awards during fiscal year 2018.
- State appropriations decreased $201,285, or 2.5%, from fiscal year 2017 to fiscal year 2018 due to a decrease in its share of State of Ohio funding designated for community colleges despite the College's strong focus on student success and completion.
- Gifts increased $148,004, or 686.4%, from fiscal year 2017 to fiscal year 2018 due to an increase in revenue from the College Foundation corresponding to the construction of the Robinson Career Center.
- Capital appropriations from the State of Ohio increased $414,027, or 91.3% from fiscal year 2017 to fiscal year 2018 due to an increase in the number of projects completed. Capital appropriations were used to resurface a parking lot, to replace the roof on West Hall, to purchase cyber security equipment, and to do an overall network infrastructure upgrade throughout campus.

Fiscal year 2017 nonoperating revenues and other changes were significantly affected by the following factors:

- Federal grants and contracts were $340,445, or 10.4%, lower than the prior year due to a decrease in Federal Pell Grant awards during fiscal year 2017.
- State appropriations increased $210,931, or 2.7%, from fiscal year 2016 to fiscal year 2017 due to an increase in its share of State of Ohio funding designated for community colleges as the College continued its strong focus on student success and completion.
- Capital appropriations from the State of Ohio decreased $292,882, or 39.2% from fiscal year 2016 to fiscal year 2017 due to a decrease in the number of projects completed. Capital appropriations were used to install an electronic lock and camera system throughout campus.

Statement of Cash Flows

Another way to assess the financial health of the College is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the entity during a period. The statement of cash flows also helps users assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its needs for external financing

Cash Flows for the Years Ended June 30, 2018, 2017, and 2016

	2018	2017	2016
Cash (used in) provided by:			
Operating activities	$ (10,671,708)	$ (9,653,584)	$ (9,839,731)
Noncapital financing activities	11,360,986	11,093,069	11,443,961
Capital and related fnancing activities	(481,739)	(490,924)	(461,867)
Investing activities	(435,364)	271,557	298,921
Net (decrease) increase in cash and cash equivalents	(227,825)	1,220,118	1,441,284
Cash and cash equivalents - beginning of year	4,568,032	3,347,914	1,906,630
Cash and cash equivalents - end of year	$ 4,340,207	$ 4,568,032	$ 3,347,914

The College's cash position decreased by $227,825 in fiscal year 2018. The cash balance decreased primarily due to fluctuations in short term, operational asset and liability accounts.

The College's cash position increased by $1,220,118 in fiscal year 2017. The cash balance increased primarily due to fluctuations in short term, operational asset and liability accounts combined with the positive change in net position for the year.

Capital Assets

As of June 30, 2018, the College had approximately $35.5 million in capital assets, less accumulated depreciation of $19.3 million, for a net of $16.2 million invested. Depreciation charges totaled approximately $1.0 million for the current fiscal year and $1.1 million for the prior two fiscal years.

The net book value of capital assets at June 30, 2018, 2017, and 2016 is as follows:

	2018	2017	2016
Land and land improvements	$ 1,441,691	$ 1,275,124	$ 1,297,153
Building and improvements	5,286,283	5,540,558	5,578,671
Student conference center	2,433,014	2,546,177	2,712,767
Center for Excellence	5,362,392	5,521,026	5,679,659
Equipment	868,953	876,772	908,465
Internally developed software	79,469	124,880	170,291
Construction in progress	729,360	313,556	285,760
Total	$ 16,201,162	$ 16,198,093	$ 16,632,766

Net OPEB Liability

In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB),* during fiscal year 2018, the College was required to recognize its OPEB liability for the first time, and to more comprehensively measure the annual costs of its post employment benefits other than pensions. The net OPEB liability is the College's proportionate share of the of the net OPEB liability related to its participation in the Public Employee Retirement System (PERS) or State Teachers Retirement Systems (STRS). Due to a lack of historical information available from the systems, the adoption of GASB Statement No. 75 resulted only in changes to the Statements of Net Position at July 1, 2017 and the Statement of Changes in Net Position for the year ended June 30, 2018. June 30, 2017 amounts have not been restated to reflect the impact of GASB Statement No. 75 because the information is not available to calculate the impact on benefit expense for the fiscal year ending June 30, 2017. At July 1, 2017, the beginning net OPEB liability recognized by the College was $4,359,709. At June 30, 2018, the College recognized a net OPEB liability of $3,994,294. In addition, the College recognized deferred inflows of resources of $452,547 and deferred outflows of resources of $313,461 at June 30, 2018. See Note 2 to the financial statements for more detailed information on the adoption of GASB Statement No. 75 and Note 10 to the financial statements for more detailed information on OPEB plans.

Net Pension Liability

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the College is required to recognize its proportionate share of the net pension liability and to more comprehensively measure the annual costs of pension benefits. At June 30, 2018, the College recognized a net pension liability of $12,059,207. In addition, the College recognized deferred inflows of resources of $2,076,831 and deferred outflows of resources of $3,518,647 at June 30, 2018. See Note 9 to the financial statements for more detailed information on pensions.

Long-Term Debt

The College currently has series 2014 refunding bonds that bear interest rates from 1% to 3.5% and mature through fiscal year 2027. Scheduled interest and principal payments have been made on the bonds. The College's bonds are currently rated "Aa2" by Moody's through the State Credit Enhancement Program.

For more detailed information on current outstanding debt and the refunding of the aforementioned bonds in fiscal year 2018, see Note 6 to the financial statements.

Economic Factors and Future Years' Budgets

Edison State Community College remains committed to student success and community collaboration, with the goal of being the premier resource for higher education and workforce development in the region. Our strategic master plan is focused on achieving this goal by implementing strategies:

- To better understand our student and stakeholder needs.
- To obtain the physical and instructional resources necessary to enhance student learning and program completion, thereby meeting those needs.
- To continue to engage and value our faculty and staff, who expertly deploy those resources in ways that assure student success and enhance the communities we serve.
- To accomplish all of this in an environment of continuous improvement and fiscal sustainability.

Edison State has been, and will continue to be, subject to the same demographic, economic and policy issues as virtually all other colleges and universities in the higher education system of Ohio:

- Demographic: The number of traditional college age Ohio students (those graduating from high school) is declining from year to year. Additionally, as the economy has improved, older students, have rejoined the work force and are taking fewer classes, while the College Credit Plus (CCP) program has increased the number of high school students taking classes for college credit.
- Economic: Enrollment increased dramatically during the recession, but has decreased as the economy and job availability has improved. Additionally, as the number of high school graduates, "traditional" students paying at the normal tuition rate, has declined, there has been an increase in the number of current high school students taking college classes in the high school at a much reduced reimbursement rate.
- Policy: In an effort to change the focus of the State Share of Instruction (SSI) formula from an emphasis on enrollment to an emphasis on completion, a new funding model was implemented in FY 2015. Due to other colleges becoming more successful in completing students and total funding remaining relatively static, the College received slightly less in FY 2018 compared to prior years despite the College's own emphasis on student completion and success. Edison is represented on the various committees working to monitor and update the formula, and as noted above, continues working on strategies to increase student completion and success.
- Policy: The Ohio Board of Regents and the Office of Budget Management have both emphasized operational efficiencies through shared services and other collaborative arrangements. Edison State currently participates in a collaborative insurance buying program and is represented on the Board of Regents' Efficiency Committee. In addition, Edison State has taken action to "right size" the college in light of enrollment trends, reducing the FY16 budget by $1.3 million. This baseline was maintained in FY 2018, while we look for additional reductions in order to maintain the fiscal integrity of the institution.
- Policy: The state has increased the emphasis on campus safety, security, and emergency processes and procedures in light of recent active shooter incidents and natural disasters. Edison State has policies and procedures in place and we continue to review them in light of new information and requirements. We have also added active shooter training, increased our security staff, and invested more than $1 million in capital security projects, including an upgraded one-lock systems and new and better security cameras.

Edison State Community College also has several opportunities that should positively impact our future financial position:

- Work Force Training and Education Demand: Edison State currently supports work force training, employee development, and education (some of which also includes for-credit course delivery) for a number of manufacturers in our region. Many of these firms have told us that their need for new employees is double the number of our engineering technologies and computer information technologies graduates, indicating that they have more current and future job opportunities than we can currently supply.

- Underserved Constituency: The percentage of residents with college degrees in all three Ohio counties we serve are well below the state average, as is per capita income. This represents a potential market for which our current strategies are attempting to change perceptions, especially the perceptions of manufacturing jobs.

- Increased emphasis on grant and other funding sources. Our largest success, so far, is a $2.5 million gift to build a new student career center to be started in FY 2019 and finished in FY 2020.

- Energy Savings: Edison State has been able to decrease our energy cost through energy saving investments, including replacing CFL lighting with more efficient LED bulbs, negotiating future energy contracts at less cost, and replacing old chillers with more efficient turbocore chillers.

- Increased Tuition: Community colleges in Ohio were permitted to establish a career fee of $6 per credit hour in FY 2018. This fee will continue in FY 2019. In addition, community colleges in Ohio were permitted to increase tuition by $10 beginning in FY 2019.

Edison's future forecast.

- Fiscal Year 2019: FY 2019 will be an investment year for Edison State Community College as we open two new branch campuses. The first will be located in Troy, Ohio next to a new Dayton Children's Hospital facility. The location for the hospital's new facility was selected due to our decision to open the new Troy campus, which will be dedicated primarily to our medical and nursing programs. In addition to Dayton Children's, the campus will serve several other nearby medical facilities. We expect the facility to be operational for classes to be offered at Troy in January 2019. The second new branch campus will be in Eaton, Ohio. This facility has been offered to us at minimum cost and we expect to offer workforce development classes later in Fall, 2018.

  With the increased costs of the new endeavors, we expect the College's financial performance to be somewhat tighter than it was in FY 2018. Offsetting the increased costs are actual decreases in health care costs (down 7% over FY 2018), only modest increases in faculty and staff pay in FY 2019, increases in grants, increased workforce development training and actual increases in student enrollment, especially in the number of College Credit Plus students.

- Fiscal Year 2020: Forecasting an additional year in advance is always difficult. However, we now expect FY 2020 financial results to be stronger than our current estimates for FY 2019. We expect the College to continue its success in maintaining traditional and CCP enrollment, while not sacrificing our efforts to ensure student completion and success. The SSI funding model is based on the average results from the previous three fiscal years; therefore, we do not expect a significant shift in state SSI funding from FY 2019 to FY 2020. Additionally, the $10 per credit hour tuition increase and the $6 per credit hour career fee will continue in FY 2020. We also expect to continue the increase in grants, certificate programs, and workforce training programs in FY 2020 as companies in the region to strive to fill job vacancies with appropriately qualified personnel and upgrade the skills of current employees. Finally, as we have in the past few years, we will maintain the currently reduced budget baseline as much as possible in order to insure the fiscal integrity of the college.

EDISON STATE COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
June 30, 2018 and 2017

	College 2018	College 2017	College Related Foundation 2018	College Related Foundation 2017
Assets				
Current Assets				
Cash and cash equivalents	$ 4,340,207	$ 4,568,032	$ 2,516,204	$ 2,799,669
Investments	3,087,268	3,045,545	-	-
Accounts and pledges receivable (net)	1,735,910	2,230,319	6,413	26,015
Prepaid expenses and other	84,106	114,104	5,670	2,604
Inventories	3,819	4,224	-	-
Total current assets	9,251,310	9,962,224	2,528,287	2,828,288
Noncurrent Assets				
Restricted investments	1,334,133	879,955	-	-
Investments	-	-	2,089,627	1,772,213
Capital assets (net)	16,201,162	16,198,093	-	-
Total noncurrent assets	17,535,295	17,078,048	2,089,627	1,772,213
Total assets	26,786,605	27,040,272	4,617,914	4,600,501
Deferred Outflows of Resources				
OPEB	313,461	-	-	-
Pension	3,518,647	3,864,514	-	-
Loss on bond refunding	137,145	153,439	-	-
	3,969,253	4,017,953	-	-
Liabilities				
Current Liabilities				
Accounts payable and accruals	175,380	444,918	2,905	55,686
Accrued salaries, wages, and benefits	770,460	728,264	-	-
Unearned revenues	556,183	543,993	-	-
Capital lease obligation, current	-	37,893	-	-
Long-term debt, current	235,000	235,000	-	-
Total current liabilities	1,737,023	1,990,068	2,905	55,686
Noncurrent Liabilities				
Accrued compensated absences	181,090	152,191	-	-
Net OPEB liability	3,994,294	-	-	-
Net pension liability	12,059,207	17,559,350	-	-
Long-term debt	2,170,354	2,413,712	-	-
Total noncurrent liabilities	18,404,945	20,125,253	-	-
Total liabilities	20,141,968	22,115,321	2,905	55,686
Deferred Inflows of Resources				
OPEB	452,547	-	-	-
Pension	2,076,831	766,161	-	-
	2,529,378	766,161	-	-
Net Position				
Net investment in capital assets	14,218,954	13,979,971	-	-
Restricted - expendable	618,803	908,322	2,940,876	2,908,003
Restricted - nonexpendable	-	-	126,390	126,390
Unrestricted	(6,753,245)	(6,711,550)	1,547,743	1,510,422
Total net position	$ 8,084,512	$ 8,176,743	$ 4,615,009	$ 4,544,815

See Notes to Financial Statements

EDISON STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2018 and 2017

	College 2018	College 2017	College Related Foundation 2018	College Related Foundation 2017
Operating revenues				
Student tuition and fees	$ 7,791,554	$ 7,778,513	$ -	$ -
Less grants and scholarships	(3,409,770)	(3,020,691)	-	-
Net student tuition and fees	4,381,784	4,757,822	-	-
Federal grants and contracts	168,220	176,154	-	-
State and local grants and contracts	85,127	129,653	-	-
Auxiliary enterprises - bookstore	182,529	173,878	-	-
Gifts	-	-	314,544	2,745,055
Other operating revenue	115,207	113,525	-	-
Total operating revenues	4,932,867	5,351,032	314,544	2,745,055
Operating expenses				
Instruction	6,286,913	6,020,627	-	-
Public service	424,279	412,749	-	-
Academic support	635,500	530,227	-	-
Student services	1,936,893	1,876,008	-	-
Institutional support	973,324	4,784,643	395,263	133,989
Plant operations and maintenance	1,412,928	1,494,987	-	-
Depreciation and amortization	1,025,830	1,070,390	-	-
Student aid	282,065	230,425	-	-
Auxiliary enterprises	8,232	6,704	-	-
Total operating expenses	12,985,964	16,426,760	395,263	133,989
Operating (loss) income	(8,053,097)	(11,075,728)	(80,719)	2,611,066
Nonoperating revenues (expenses)				
Federal grants and contracts	3,326,454	2,919,369	-	-
State appropriations	7,917,253	8,118,538	-	-
Gifts - including $166,116 and $21,563 from Foundation for 2018 and 2017 respectively	169,567	21,563	-	-
Investment income, net of expense	60,537	26,863	150,913	150,832
Interest expense	(77,281)	(83,274)	-	-
Gain (loss) on sale of capital assets	(4,067)	2,193	-	-
Total nonoperating revenues (expenses)	11,392,463	11,005,252	150,913	150,832
Income (loss) before other changes	3,339,366	(70,476)	70,194	2,761,898
Other changes				
Capital grants	26,295	26,295	-	-
Capital appropriation	867,561	453,534	-	-
Total other changes	893,856	479,829	-	-
Change in Net Position	4,233,222	409,353	70,194	2,761,898
Net position at beginning of year	8,176,743	7,767,390	4,544,815	1,782,917
Adjustment for change in accounting principle	(4,325,453)	-	-	-
Net position at beginning of year, as restated	3,851,290	-	-	-
Net position at end of year	$ 8,084,512	$ 8,176,743	$ 4,615,009	$ 4,544,815

See Notes to Financial Statements

EDISON STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Student tuition and fees	$ 4,946,724	$ 4,595,264
Grants and contracts	247,294	259,263
Payments to vendors and employees	(16,163,462)	(14,795,514)
Auxiliary enterprises	182,529	173,878
Other receipts	115,207	113,525
Net cash used in operating activities	(10,671,708)	(9,653,584)
Cash flows from noncapital financing activities		
State appropriations	7,917,253	8,118,538
Federal grants and contracts	3,274,166	2,952,968
Gifts	169,567	21,563
Net cash from noncapital financing activities	11,360,986	11,093,069
Cash flows from capital and related financing activities		
Capital grants	26,295	26,295
Purchases of capital assets	(165,405)	(179,990)
Interest paid on outstanding debt	(61,378)	(67,354)
Principal paid on outstanding debt	(281,251)	(269,875)
Net cash used in capital and related financing activities	(481,739)	(490,924)
Cash flows from investing activities		
Proceeds from maturities of investments	5,470,332	4,952,626
Purchase of investments	(5,917,169)	(4,681,750)
Interest on investments	11,473	681
Net cash from (used in) investing activities	(435,364)	271,557
Net increase in cash and cash equivalents	(227,825)	1,220,118
Cash and cash equivalents, beginning of year	4,568,032	3,347,914
Cash and cash equivalents, end of year	$ 4,340,207	$ 4,568,032
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (8,053,097)	$ (11,075,728)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,025,830	1,070,390
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Accounts receivable	546,697	(174,141)
Inventories	405	136
Prepaid expenses and other	29,998	129,136
Deferred outflows of resources	66,662	(1,448,446)
Accounts payable and accruals	(269,147)	(40,399)
Accrued salaries, wages, and benefits	71,095	58,896
Net OPEB liability	(365,415)	-
Net pension liability	(5,500,143)	2,694,159
Deferred inflows of resources	1,763,217	(832,626)
Unearned revenues	12,190	(34,961)
Net cash used in operating activities	$ (10,671,708)	$ (9,653,584)

See Notes to Financial Statements

Noncash capital and related financing activities:

During the years ended June 30, 2018 and 2017, the College acquired $867,561 and $453,534, respectively, in capital assets that were funded through State Capital Appropriations. The College received no cash for these appropriations and made no cash payments to vendors as the State of Ohio made payments directly to vendors.

During the year ended June 30, 2017, the College acquired an asset with a trade-in allowance of $4,000. This allowance was excluded from the statement of cash flows.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Edison State Community College (the "College") was chartered in 1973 under provisions of the Ohio Revised Code as the first State General and Technical College in Ohio. The College thus emerged without special local taxation as a two-year, public, co-educational, state-supported institution of higher learning. The College is exempt from federal income taxes pursuant to provisions of Section 115 of the Internal Revenue Code. Under its charter, the College is authorized to offer studies in the Arts and Sciences, Technical Education, and Adult Technical Education. The College, which is a component unit of the State of Ohio, is governed by a nine-member Board of Trustees. These members are appointed by the Governor of the State of Ohio.

Accrual Accounting: The accompanying financial statements have been prepared on the full accrual basis of accounting, whereby revenue is recognized in the period earned, or in the case of advances from other governments, when all eligibility requirements are met in accordance with Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Expenditures are recognized when the related liabilities are incurred.

Financial Statements: The College reports as "business-type activities," as defined by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities.* Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The College has determined that the Edison Foundation, Inc. is a component unit of the College. The financial activity of the Foundation is included through a discrete presentation as part of the College's financial statements. The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Net Position Classifications: The College's resources are classified into the following net asset categories:

> *Net investment in Capital Assets*. Capitalized physical assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
>
> *Restricted - Expendable*. Assets related to grants, contributions, and contracts activity, whose use is subject to externally imposed restrictions.
>
> *Restricted - Nonexpendable*. Net assets represent endowment contributions from donors that are permanently restricted as to principal.
>
> *Unrestricted* - Net assets that are not subject to externally imposed restrictions. Unrestricted net assets may be designated for specific purposes by the Board of Trustees. Substantially all of the College's unrestricted assets are designated for future uses or contingencies.

Operating Versus Nonoperating Revenues and Expenses: The College defines operating activities as reported on the statements of revenues, expenses, and changes in net position as those that generally result from exchange transactions such as payments received for providing goods or services and payments made for goods or services received. All of the College's expenses are from exchange transactions. Certain significant revenue streams relied on for operations as well as Pell grants, which are included in nonoperating federal grants and contracts on the statements of revenues, expenses, and changes in net position, are reported as non-operating revenue as required by GASB Statement No. 35 and updates in the GASB's *Implementation Guide*, including state appropriations, investment income, and Pell Grants.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: For the purpose of the statements of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include cash, STAR Ohio and money market funds, stated at cost, which approximates fair value. All certificates of deposit are included in investments on the statements of net position.

Accounts Receivable: Accounts receivable primarily consist of tuition and fees charged to students. Accounts receivable also include amounts due from federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. Allowance is determined based on historical analysis.

Unearned Revenue: Unearned revenue consists of the unearned portion of student tuition and fees for the summer session, and all of the recorded student tuition and fees collected resulting from early registration for the fall session. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been earned.

Investments: The College accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenue, expenses, and changes in net position.

The restricted investments on the statement of net position consist of Capital Campaign funds that are to be used toward the debt service payments on the Series 2014 bonds. These funds were raised by the Edison Foundation and transferred to the College to be held until used for debt service.

Capital Assets: Capital assets are recorded at cost or, if acquired by gift, at acquisition value at the date of the gift. When capital assets are sold or otherwise disposed of, the net carrying value of such assets is removed from the accounts and the net investment in capital assets component of net position is adjusted accordingly. Capital assets, with the exception of land and construction in progress, are depreciated on the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 40 years
Student conference center	3 - 45 years
Center for excellence	45 years
Internally developed software	5 years
Equipment and fixtures	3 - 20 years

The College's capitalization limit for equipment and furniture and fixtures is $5,000.

Grants and Scholarships: Student tuition and fees and bookstore revenue are presented net of grants and scholarships applied directly to student accounts. Grants and scholarships consist primarily of awards to students from the Federal Pell Grant Program. Payments made directly to students from grants and scholarships are presented as student aid.

Compensated Absences: Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. In accordance with the applicable accounting standards, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for an estimate of the amount of accumulated sick leave benefits that will be paid.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions/Other Postemployment Benefits (OPEB): For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the Ohio Public Employees Retirement System and State Teachers Retirement System of Ohio pension plans ("OPERS" and "STRS", respectively) and additions to/deductions from OPERS and STRS fiduciary net position have been determined on the same basis as they are reported by OPERS and STRS. OPERS and STRS use the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. For this purpose, benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Deferred Outflows/Inflows of Resources: In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the College, deferred outflows of resources are reported on the statement of net position for deferred charges on refunding, for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 9 and 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the College, deferred inflows of resources include pension and OPEB and are reported on the statement of net position. (See Notes 9 and 10)

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of New Standard: For the year ended June 30, 2018, the College implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*; GASB Statement No. 85, *Omnibus 2017*; and GASB Statement No. 86, *Certain Debt Extinguishment Issues*. GASB Statement No. 75 addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard requires the College to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the STRS or OPERS. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The implementation of this pronouncement required a change in accounting principle adjustment as reported July 1, 2017 (Note 2).

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the College's fiscal year 2018 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 86 establishes standards on accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement had no effect in the College's fiscal year 2018 financial statements

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NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2018, the College implemented Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, and related guidance from* (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

GASB 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following adjustment to net position as reported July 1, 2017:

Net Position July 1, 2017	$ 8,176,743
Adjustments:	
Net OPEB Liability	(4,359,709)
Deferred Outflow – Payments Subsequent to Measurement Date	34,256
Restated Net Position July 1, 2017	$ 3,851,290

Other than employer contributions subsequent to the measurement date, the College made no adjustment for deferred inflows/outflows of resources as the information needed to generate these adjustments was not available.

NOTE 3 - CASH AND INVESTMENTS

The College's Board of Trustees is responsible for establishing deposit and investment policies. Once established, the Board has delegated the day-to-day management to the Controller of the College. Deposit and investment policies are developed to ensure compliance with state laws and regulations as well as to establish and maintain sound financial management practices. In accordance with the State of Ohio's and the College's policy, the College is authorized to invest cash in certificates of deposit, repurchase agreements, United States Treasury securities, federal government agency securities backed by the full faith of the government, municipal securities, and the State Treasurer's investment pool.

Cash and Cash Equivalents: Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. By Ohio law, financial institutions must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). Eligible securities must be pledged to the College and deposited with a qualified trustee as security for repayment whose market value at all time shall be at least 105% of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value to be 102% of the deposits being secured or a rate set by the Treasurer of State.

At June 30, 2018 and 2017, the carrying amount of the College's cash and cash equivalents was $4,340,207 and $4,568,032, respectively, (included in cash and cash equivalents in the statements of net position) and the bank balances were $4,750,601 and $4,917,912, respectively, that are placed with federally insured banks. Of the June 30, 2018 and 2017 bank balances, $563,399 and $1,301,576, respectively, are covered by federal deposit insurance. The remaining balances of cash and cash equivalents are collateralized by the depository institution per Ohio Revised Code 135.182 or by a pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State (OPCS program).

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NOTE 3 - CASH AND INVESTMENTS (Continued)

Also included in cash and cash equivalents are $12,562 and $12,381 at June 30, 2018 and 2017, respectively, which were on deposit in the State Treasurer's investment pool (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The College measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

Investments: Investments are stated at their fair value of $4,421,401 and $3,925,500 at June 30, 2018 and 2017, respectively, and are invested in certificates of deposit covered by federal depository insurance as well as a money market fund which was rated AAAm by Standard and Poors.

The fair value and cost of deposits and investments, by type, at June 30, 2018 and 2017 are as follows:

	2018	2017
Cash	$ 4,327,645	$ 4,555,651
STAR Ohio	12,562	12,381
Certificates of deposit	1,334,133	1,859,918
Money market fund	3,087,268	2,065,582
Total	$ 8,761,608	$ 8,493,532

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The College's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The following tables present information about the College's assets measured at fair value on a recurring basis at June 30, 2018 and 2017 and the valuation techniques used by the College to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value. The College has investments that are valued using Level 1 inputs, which are obtained directly from investment statements prepared by the institution holding the investments.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets or non-active markets (markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which there is little information released to the public). An example of a Level 2 input would be a price quote from a brokered market.

(Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued)

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. However, the fair value measurement objective remains the same as it would for Level 1 and 2 inputs, in that it is based on an exit price from the perspective of a market participant that holds the asset or liability. In addition, Level 3 inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

	Fair Value Measurements at June 30, 2018		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Certificates of Deposit	$ 1,334,133	$ -	$ -
Money Market Fund	3,087,268	-	-
Total	$ 4,421,401	$ -	$ -

	Fair Value Measurements at June 30, 2017		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Certificates of Deposit	$ 1,859,918	$ -	$ -
Money Market Fund	2,065,582	-	-
Total	$ 3,925,500	$ -	$ -

Net realized and unrealized (losses) gains on investments were $60,537 and $26,863 for the years ended June 30, 2018 and 2017, respectively. There were no capital gains distributions in either year.

The investments in STAR Ohio are measured at the net asset value (NAV) per share provided by STAR Ohio; therefore, they are not included in the tables above. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

(Continued)

NOTE 4 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2018 and 2017 consist of billings for student fees and receivables arising from grants and are summarized as follows:

	2018	2017
Student charges	$ 936,625	$ 1,154,421
Post-secondary enrollment options program	964,856	1,034,547
Federal grants and contracts	349,555	294,533
Other	75,864	342,190
Allowance for doubtful accounts	(590,990)	(595,372)
Total	$ 1,735,910	$ 2,230,319

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in the capital assets and related accumulated depreciation during the 2018 and 2017 fiscal years:

	Balance June 30, 2017	Additions	Retirements/ Completed CIP	Balance June 30, 2018
Cost:				
Land	$ 688,414	$ -	$ (3,960)	$ 684,454
Land improvements	1,230,551	213,381	-	1,443,932
Buildings and improvements	14,836,276	203,480	-	15,039,756
Student conference center	6,202,987	-	-	6,202,987
Center for Excellence	7,138,503	-	-	7,138,503
Equipment	3,851,494	200,301	(24,103)	4,027,692
Internally developed software	227,055	-	-	227,055
Construction in progress	313,556	708,910	(293,106)	729,360
Total	34,488,836	1,326,072	(321,169)	35,493,739
Less accumulated depreciation:				
Land improvements	643,841	42,854	-	686,695
Buildings and improvements	9,295,718	457,755	-	9,753,473
Student conference center	3,656,810	113,163	-	3,769,973
Center for Excellence	1,617,477	158,634	-	1,776,111
Equipment	2,974,722	208,013	(23,996)	3,158,739
Internally developed software	102,175	45,411	-	147,586
Total	18,290,743	1,025,830	(23,996)	19,292,577
Capital assets - Net	$ 16,198,093	$ 300,242	$ (297,173)	$ 16,201,162

Construction in progress represents the cost of work performed on the College's new security cameras, new backup generator, new North Hall Chiller, new nursing simulator, access improvements, the Robison Career Center, and various room renovations through June 30, 2018, including amounts invoiced but not yet paid. Remaining commitments for work yet to be completed totaled $239,188 at June 30, 2018.

(Continued)

NOTE 5 - CAPITAL ASSETS (Continued)

	Balance June 30, 2016	Additions	Retirements/ Completed CIP	Balance June 30, 2017
Cost:				
Land	$ 688,414	$ -	$ -	$ 688,414
Land improvements	1,219,552	10,999	-	1,230,551
Buildings and improvements	14,416,037	420,239	-	14,836,276
Student conference center	6,202,987	-	-	6,202,987
Center for Excellence	7,138,503	-	-	7,138,503
Equipment	3,752,618	178,490	(79,614)	3,851,494
Internally developed software	227,055	-	-	227,055
Construction in progress	285,760	308,056	(280,260)	313,556
Total	33,930,926	917,784	(359,874)	34,488,836
Less accumulated depreciation:				
Land improvements	610,813	33,028	-	643,841
Buildings and improvements	8,837,366	458,352	-	9,295,718
Student conference center	3,490,220	166,590	-	3,656,810
Center for Excellence	1,458,844	158,633	-	1,617,477
Equipment	2,844,153	208,376	(77,807)	2,974,722
Internally developed software	56,764	45,411	-	102,175
Total	17,298,160	1,070,390	(77,807)	18,290,743
Capital assets - Net	$ 16,632,766	$ (152,606)	$ (282,067)	$ 16,198,093

Construction in progress represents the cost of work performed on the College's new security cameras, parking lot replacement, new West Hall Roof, new North Hall Chiller, and various room renovations through June 30, 2017, including amounts invoiced but not yet paid. Remaining commitments for work yet to be completed totaled $121,075 at June 30, 2017.

NOTE 6 - NONCURRENT LIABILITIES

Noncurrent liabilities as of June 30, 2018 and 2017 are summarized as follows:

	2018					
	Revised Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Bond obligations	$ 2,570,000	$ -	$ 235,000	$ 2,335,000	$ 235,000	$ 2,100,000
Unamortized bond premium	78,712	-	8,358	70,354	-	70,354
Capital lease obligation	37,893	-	37,893	-	-	-
Total	2,686,605	-	281,251	2,405,354	235,000	2,170,354
Net OPEB liability	4,359,709	-	365,415	3,994,294	-	3,994,294
Net pension liability	17,559,350	-	5,500,143	12,059,207	-	12,059,207
Compensated absences	357,745	61,800	14,494	405,051	223,961	181,090
Total	$ 24,963,409	$ 61,800	$ 6,161,303	$ 18,863,906	$ 458,961	$ 18,404,945

(Continued)

NOTE 6 - NONCURRENT LIABILITIES (Continued)

	2017					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Bond obligations	$ 2,795,000	$ -	$ 225,000	$ 2,570,000	$ 235,000	$ 2,335,000
Unamortized bond premium	87,071	-	8,359	78,712	-	78,712
Capital lease obligation	74,409	-	36,516	37,893	37,893	-
Total	2,956,480	-	269,875	2,686,605	272,893	2,413,712
Net pension liability	14,865,191	2,694,159	-	17,559,350	-	17,559,350
Compensated absences	368,673	25,576	36,504	357,745	205,554	152,191
Total	$ 18,190,344	$ 2,719,735	$ 306,379	$ 20,603,700	$ 478,447	$ 20,125,253

During the year ended June 30, 2007, the College issued General Receipts Bonds, series 2006 for $4,060,000 that bear interest at rates between 4.0% to 5.0% and that mature in 2027. Proceeds were used for paying construction costs of the Emerson Center. The bonds are collateralized by a pledge of general receipts of the College.

In September 2014, the College issued $2,860,000 of General Receipts Refunding Bonds, Series 2014 with an average interest rate of 2.37 percent, a portion of which was used to advance refund $2,670,000 outstanding General Receipts Bonds, Series 2006 with an average interest rate of 4.75 percent. The net proceeds of $82,510 were used to pay issuance costs and $2,906,907 was deposited with the trustee to pay principal and interest on the Series 2006 bonds when called for redemption on June 1, 2016. The advance refunding resulted in an economic gain with a net present value of $144,745 because total debt service payments decreased by $158,853.

The College entered into a capital lease during the year ended June 30, 2016 to aquire new servers. Payment is made at an annual amount of $38,880 that includes interest at an annual rate of 3.70% over a three year term ending in fiscal year 2018.

The annual debt service requirements to maturity for the bonds payable are as follows as of June 30, 2018:

Year Ending June 30	Principal	Interest	Total
2019	$ 235,000	$ 62,650	$ 297,650
2020	240,000	57,900	297,900
2021	245,000	53,050	298,050
2022	250,000	46,850	296,850
2023	260,000	39,200	299,200
2024-2027	1,105,000	74,400	1,179,400
Total	$ 2,335,000	$ 334,050	$ 2,669,050

In addition to the debt service payments presented above, the College recognized bond premiums of $102,396 which are amortized on a straight line basis over the remaining lives of the bonds. Unamortized bond premiums at June 30, 2018 are $70,354.

Accrued compensated absences - The College provides vacation benefits to employees, as defined by each respective labor contract and administrative policy. The liability has been recorded based on the number of days available for each employee. Additionally, the College accrues unused sick days for those employees who have met the conditions of the plan at year end.

(Continued)

NOTE 7 - STATE SUPPORT

The College is a State-assisted institution of higher education which receives a student-based subsidy determined annually using a formula devised by the Ohio Board of Regents.

In addition to the student subsidies, the State of Ohio provides the funding for construction and renovation of major plant facilities on the College campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn provides for the construction and renovation of the facility by the Ohio Board of Regents. Upon completion of a construction project, the Board of Regents turns over control to the College which capitalizes the cost. Renovations are capitalized in the period incurred.

Neither the obligation for the revenue bonds issued by the OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. These are currently being funded through appropriations to the Board of Regents by the Ohio General Assembly.

The facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a requirement exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the state.

NOTE 8 - LEASE AGREEMENTS

The College currently has a five-year lease agreement effective September 1, 2011 with Darke County Board of Commissioners for the facilities located in Greenville, Ohio with the option to renew for an additional five-year term. The option to renew was exercised on June 8, 2016. The annual rental expense under the additional five-year term is $112,170. The College has a five-year lease agreement effective April 15, 2016 for office equipment. The annual rental expense under the agreement is $38,789. In addition, the college has a five-year lease agreement effective November 1, 2015 for office equipment. The annual rental expense under the agreement is $4,308.

At June 30, 2018, minimum lease payments under all leases are as follows:

Year Ending June 30	
2019	$ 155,267
2020	155,267
2021	145,930
2022	18,695
Total minimum lease payments	$ 475,159

(Continued)

NOTE 9 - RETIREMENT PLANS

College employees are covered by one of two retirement systems. The College faculty is covered by the State Teachers Retirement System of Ohio (STRS). Substantially all other employees are covered by the Ohio Public Employees' Retirement System (OPERS). These plans are statewide, multi-employer, cost sharing defined benefit plans. Employees may opt out of STRS or OPERS and participate in the alternative retirement plan (ARP) if they meet certain eligibility requirements.

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 Statement No. 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 salaries, wages, and benefits*.

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 East Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

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% of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2% of the original base benefit. For members retiring August 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years 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 increased 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% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and 2% goes the DB Plan. Member contributions to the DC Plan 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 5 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 Statement No. 68 reporting purposes.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal years ended June 30, 2018 and 2017, plan members were required to contribute 14% of their annual covered salary. For both fiscal years, the College was required to contribute 14% and the entire 14% was the portion used to fund pension obligations. The fiscal year 2018 and 2017 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS was $530,045 and $529,943 for fiscal years 2018 and 2017, respectivley. Of this amount $49,482 and $59,099 is reported in accrued salaries, wages, and benefits for fiscal years 2018 and 2017, respectivley.

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

Plan Description - Ohio Public Employees' Retirement System (OPERS):

Plan Description – College employees who are not covered by STRS participate in OPERS, a cost-sharing multiple-employer public employee retirement system comprised of three separate pension plans: a Traditional Pension Plan, a Combined Plan and a Member-Directed Plan. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position. That report can be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, by calling (614) 222-7377, or by visiting the OPERS Web site at www.opers.org.

The Traditional Pension Plan is a defined benefit plan in which a member's retirement benefits are calculated on a formula that considers years of service and final average salary. The pension benefits are funded by both member and employer contributions, and investment earnings on those contributions.

The Combined Plan is a defined benefit plan with elements of a defined contribution plan. Under the Combined Plan, members earn a formula benefit similar to, but at a factor less than, the Traditional Pension Plan benefit. This defined benefit is funded by employer contributions and associated investment earnings. Additionally, member contributions are deposited into a defined contribution account in which the member self-directs the investment. Upon retirement or termination, the member may choose a defined contribution retirement distribution that is equal in amount to the member's contributions to the plan and investment earnings (or losses) on those contributions. Members may also elect to use their defined contribution account balances to purchase a defined benefit annuity administered by OPERS.

The Member-Directed Plan is a defined contribution plan in which members self-direct the investment of both member and employer contributions. The retirement distribution under this plan is equal to the sum of member and vested employer contributions, plus investment earnings (or losses) on those contributions. Employer contributions and associated investment earnings vest over a five-year period at a rate of 20% per year. Upon retirement or termination, the member may choose a defined contribution retirement distribution, or may elect to use his/her defined contribution account balances to purchase a defined benefit annuity administered by OPERS.

Plan benefits, and any benefit increases, are established by legislature pursuant to Chapter 145 of the Ohio Revised Code. The OPERS Board of Trustees, pursuant to Chapter 145, has elected to maintain funds to provide health care coverage to eligible Traditional Pension and Combined plan retirees and survivors of members. Health care coverage does not vest and is not required under Chapter 145. As a result, coverage may be reduced or eliminated at the discretion of the OPERS Board of Trustees.

Senate Bill (SB) 343 enacted into law new legislation with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire under law in effect prior to SB 343 or will be eligible to retire no later than five years after January 7, 2013, comprise transition Group A. Members who have 20 years of service credit prior to January 7, 2013, or will be eligible to retire no later than 10 years after January 7, 2013, are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

NOTE 9 - RETIREMENT PLANS (Continued)

Benefits in the Traditional Pension Plan for members are calculated on the basis of age, final average salary and service credit. Members in transition Groups A and B are eligible for retirement benefits at age 60 with 5 years of service credit or at age 55 with 25 or more years of service credit. Members in transition Group C are eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. The final average salary represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on an average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.

Benefits in the Combined Plan consist of both an age and service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, final average salary, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for members in transition Groups A and B applies a factor of 1.0% to the member's final average salary for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's final average salary for the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions, plus or minus any investment gains or losses on those contributions.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS Board of Trustees. Member-Directed Plan and Combined Plan members who have met the eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan was discussed above. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members contributions, vested employer contributions and investment gains and losses resulting from the member's investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts. Options include the purchase of a monthly annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of the entire account balance, net of taxes withheld or a combination of these options.

Funding Policy – Employer and member contribution rates are established by the OPERS Board of Trustees and limited by Chapter 145 of the Ohio Revised Code. For years ended December 31, 2017 and 2016, plan members were required to contribute 14% of their annual covered salary. For 2017, the College was required to contribute 14%, with 13% used to fund pension obligations and 1% used to fund post retirement healthcare obligations. For 2016, the College was required to contribute 14%, with 12% used to fund pension obligations and 2% used to fund post retirement healthcare obligations.The 2017 and 2016 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to OPERS was $505,299 and $458,217 for fiscal years 2018 and 2017, respectivley. Of this amount $75,915 and $68,470 is reported in accrued salaries, wages, and benefits for fiscal years 2018 and 2017, respectivley.

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

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

At June 30, 2018 and 2017, the College reported a liability for its proportionate share of the net pension liability of OPERS and STRS. The net pension liability presented as of June 30, 2018 was measured as of June 30, 2017 for the STRS plan and December 31, 2017 for the OPERS plan. The net pension liability presented as of June 30, 2017 was measured as of June 30, 2016 for the STRS plan and December 31, 2016 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

The following is information related to the College's proportionate share, pension expense and deferred inflows and outflows for fiscal years 2018 and 2017:

Fiscal Year 2018	STRS	OPERS	Total
Proportionate Share of the Net Pension Liability	$ 8,418,539	$ 3,640,668	$ 12,059,207
Proportion of the Net Pension Liability	0.0354387%	0.0232066%	
Change in Proportion	-0.0019093%	0.0009334%	
Pension Expense	$ (3,501,186)	$ 442,510	(3,058,676)
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 325,085	$ 3,718	$ 328,803
Change in assumptions	1,841,228	435,084	2,276,312
Change in College's proprotionate share and difference in employer contributions	-	128,602	128,602
College contributions subsequent to the measurement date	530,045	254,885	784,930
	$ 2,696,358	$ 822,289	$ 3,518,647
Deferred Inflows of Resources			
Differences between expected and actual experience	$ (67,852)	$ (71,746)	$ (139,598)
Net difference between projected and actual earnings on pension plan investments	(277,822)	(781,603)	(1,059,425)
Change in the College's proportionate share and difference in employer contributions	(809,383)	(68,425)	(877,808)
	$ (1,155,057)	$ (921,774)	$ (2,076,831)

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

Fiscal Year 2017	STRS	OPERS	Total
Proportionate Share of the Net Pension Liability	$ 12,501,491	$ 5,057,859	$ 17,559,350
Proportion of the Net Pension Liability	0.0373480%	0.0222732%	
Change in Proportion	-0.0017834%	-0.0011548%	
Pension Expense	$ 571,950	$ 600,244	$ 1,172,194
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 505,121	$ 6,855	$ 511,976
Net difference between projected and actual earnings on pension plan investments	1,037,960	753,232	1,791,192
Change in assumptions	-	802,239	802,239
College contributions subsequent to the measurement date	529,943	229,164	759,107
	$ 2,073,024	$ 1,791,490	$ 3,864,514
Deferred Inflows of Resources			
Differences between expected and actual experience	$ -	$ (30,101)	$ (30,101)
Change in the College's proportionate share and difference in employer contributions	(480,002)	(256,058)	(736,060)
	$ (480,002)	$ (286,159)	$ (766,161)

$784,930 reported as deferred outflows of resources related to pension at June 30, 2018 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, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	STRS	OPERS	Total
2019	$ 132,565	$ 326,925	$ 459,490
2020	510,498	(15,946)	494,552
2021	336,268	(344,177)	(7,909)
2022	31,925	(321,172)	(289,247)
	$ 1,011,256	$ (354,370)	$ 656,886

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

Actuarial Assumptions – STRS:

The total pension liability in the actuarial valuations were determined using the following actuarial assumptions. These assumptions were as follows for the fiscal years and applied to all periods included in the measurement period:

Assumptions	July 1, 2017 Valuation	July 1, 2016 Valuation and prior
Inflation	2.50%	2.75%
Salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment rate of return, Including inflation	7.45%, net of investment expenses	7.75%. net of investment expenses
Payroll increases	3.00%	3.50% per annum compounded annually for the next two years, 4.00% thereafter
Cost-of-living adjustments	0% effective July 1, 2017	2% simple for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% COLA commences on 5th anniversary of retirement date
Mortality tables	RP-2014	RP-2000

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

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

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

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class for the June 30, 2017 valuation are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	6.84 %

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

The target allocation and long-term expected rate of return for each major asset class for the June 30, 2016 valuation are summarized in the following table:

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 %	7.61 %

* 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

NOTE 9 - RETIREMENT PLANS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45 and 7.75 percent as of June 30, 2017 and June 30, 2016, respectively. 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, 2017 and 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.45 and 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017 and 2016,respectively.

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 discount rate assumption of 7.45 and 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 (6.45 and 6.75 percent) or one-percentage-point higher (8.45 and 8.75 percent) than the current rate at June 30, 2017 and June 30, 2016, respectively:

June 30, 2017	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of the net pension liability	$ 12,067,689	$ 8,418,539	$ 5,344,677
June 30, 2016	(6.75%)	(7.75%)	(8.75%)
College's proportionate share of the net pension liability	$ 16,613,466	$ 12,501,491	$ 9,032,798

Actuarial Assumptions – OPERS:

The total pension liability in the actuarial valuations were determined using the following actuarial assumptions. These assumptions were as follows for both 2017 and 2016 measurements and applied to all periods included in the measurement period:

Inflation	3.25%
Salary increases	3.25% - 10.75%
Investment rate of return, Including inflation	7.50%, net of investment expenses
Cost-of-living adjustments	
Pre-January 7, 2013 retirees	3.00% simple
Post-January 7, 2013 retirees	3.00% simple through 2018, then 2.15% simple
Mortality tables	RP-2014

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

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

Actuarial assumptions used in both the December 31, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period January 1, 2011 through December 31, 2015.

Long Term Expected Rate of Return The allocation of investment assets within the defined benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

The target allocation and long-term expected rate of return for each major asset class for 2017 are summarized in the following table:

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

The target allocation and long-term expected rate of return for each major asset class for 2016 are summarized in the following table:

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

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.5% for both 2017 and 2016 for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the College's proportionate share of the net pension liability calculated using the discount rate assumption of 7.50 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 (6.50 percent) or one-percentage-point higher (8.50 percent) than the current rate for both 2017 and 2016:

June 30, 2017	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
College's proportionate share of the net pension liability	$ 6,464,898	$ 3,640,668	$ 1,286,110
June 30, 2016			
College's proportionate share of the net pension liability	$ 7,727,009	$ 5,057,859	$ 2,833,593

Alternate Retirement Plans ("ARP"):

Certain full-time College faculty and unclassified staff have the option to choose the ARP in place of STRS or OPERS. The ARP is a defined contribution plan, which provides employees with the opportunity to establish individual retirement accounts with a defined group of investment options, with each participant having control of the assets and investment options associated with those assets. The administrators of the plan are the providers of the plan investment options. Authority to establish and amend benefits and contribution requirements for the ARP is provided by state statute per the Ohio Revised Code.

Under the provisions of the ARP, the required contribution rates of plan participants are equal to the contribution rates of employees who would otherwise participate in STRS or OPERS. The College contributes 9.5% of a participating faculty member's compensation and 11.56% of participating non-faculty member's compensation to the participant's account. The College is also required to contribute an additional 4.5% of employees' covered compensation to STRS and 2.44% of employees' covered compensation to OPERS. Plan participants' contributions to ARP plan providers were $113,103 and $104,763 and the College contributions to the Plan providers amounted to $104,386 and $103,493, respectively, for the years ended June 30, 2018 and 2017. In addition, the amounts contributed to STRS and OPERS by the College on behalf of ARP participants were $31,791 and $21,802, respectively, for the years ended June 30, 2018 and 2017. Employees become fully vested in employer contributions to the ARP after five years, with no vesting provided for terms of service less than five years.

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Net OPEB Liability:

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the College's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, health care cost trend rates 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 way OPEB are financed; however, the College does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description - State Teachers Retirement System (STRS):

Health Care Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal years ended June 30, 2018 and 2017, STRS did not allocate any employer contributions to post-employment health care.

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Plan Description - Ohio Public Employees' Retirement System (OPERS):

Health Care Plan Description – The College contributes to the 115 Health Care Trust (115 Trust), administered by OPERS for state and local governmental employees in Ohio, except those covered by one of the other state or local retirement systems in Ohio. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing multiple-employer other postemployment benefit (OPEB) plan. Prior to January 1, 2015, the Plan provided comprehensive health care coverage to retirees with 10 or more years of qualifying service credit and offered coverage to their dependents on a premium deduction or direct bill basis. Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Beginning with January 2016 premiums, Medicare-eligible retirees could select supplemental coverage through the Connector, and may be eligible for monthly allowances deposited to an HRA to be used for reimbursement of eligible health care expenses. Coverage for non-Medicare retirees includes hospitalization, medical expenses and prescription drugs. The Plan determines the amount, if any, of the associated health care costs that will be absorbed by the Plan and attempts to control costs by using managed care, case management, and other programs. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the OPERS Comprehensive Annual Financial Report which can be obtained on OPERS' website at www.opers.org.

Participants in the Member-Directed Plan are not eligible for health care coverage offered to benefit recipients in the Traditional Pension Plan and Combined Plan. A portion of employer contributions for these participants is allocated to a retiree medical account. Upon separation or retirement, participants may be reimbursed for qualified medical expenses from these accounts.

An additional retiree medical account (RMA) was also established several years ago when three health care coverage levels were available to retirees. Monthly allowance amounts in excess of the cost of the retiree's selected coverage were notionally credited to the retiree's RMA. Retirees and their dependents could seek reimbursements from the RMA balances for qualified medical expenses. In 2013, the number of health care options available to retirees was reduced from three to one, eliminating the majority of deposits to the RMA. Wellness incentive payments were the only remaining deposits made to this RMA. Wellness incentives are no longer awarded starting with the 2017 plan year. These RMA balances were transferred to the HRA for retirees with both types of accounts. In addition, OPERS initiated an automatic claims payment process for reimbursements for retiree health care costs paid through pension deduction. This process will reimburse members for eligible health care premiums paid to OPERS, currently through pension deduction, up to the member's available RMA balance.

All benefits of the Plan are permitted in accordance with Section 145 of the Ohio Revised Code. The Health Care Trust was established and is administered in accordance with Internal Revenue Code Section 115. Health care coverage does not vest and is not required under statute. As a result, coverage may be reduced or eliminated at the discretion of the Retirement Board. Active employee members do not contribute to the Health Care Plan

Funding Policy – The OPERS funding policy provides for periodic member and employer contributions to all three plans (Traditional Pension, Combined and Member-Directed) at rates established by the Retirement Board, subject to limits set in statute. The rates established for member and employer contributions were approved based upon the recommendations of the Plan's external actuary. All contribution rates were within the limits authorized by the ORC. With the assistance of the Plan's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. For 2018 and 2017, 0% and 1% of covered payroll was made to health care, respectively. The College's contractually required contribution to OPERS was $0 and $34,256 for fiscal years 2018 and 2017, respectivley.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB:

At June 30, 2018, the College reported a liability for its proportionate share of the net OPEB liability of OPERS and STRS. The net OPEB liability presented as of June 30, 2018 was measured as of June 30, 2017 for the STRS plan and December 31, 2017 for the OPERS plan. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of those dates. The College's proportion of the net OPEB liability was based on the College's share of contributions to the respective retirement systems relative to the contributions of all participating entities. The following is information related to the College's proportionate share, OPEB expense and deferred inflows and outflows for fiscal year 2018:

	STRS	OPERS	Total
Proportionate Share of the Net OPEB Liability	$ 1,382,688	$ 2,611,606	$ 3,994,294
Proportion of the Net OPEB Liability	0.0354387%	0.0240496%	
Change in Proportion	-0.0019093%	0.0006609%	
OPEB Expense	$ (436,510)	$ 244,437	(192,073)
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 79,818	$ 2,035	$ 81,853
Change in assumptions	-	190,154	190,154
Difference between employer contributions and proportionate share of contributions	-	41,454	41,454
	$ 79,818	$ 233,643	$ 313,461
Deferred Inflows of Resources			
Net difference between projected and actual earnings on OPEB plan investments	$ (59,100)	$ (194,548)	$ (253,648)
Change in assumptions	(111,378)	-	(111,378)
Difference between employer contributions and proportionate share of contributions	(87,521)	-	(87,521)
	$ (257,999)	$ (194,548)	$ (452,547)

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

Year Ended June 30	STRS	OPERS	Total
2019	$ (34,622)	$ 63,068	$ 28,446
2020	(34,622)	63,068	28,446
2021	(34,622)	(38,404)	(73,026)
2022	(34,622)	(48,637)	(83,259)
2023	(19,847)	-	(19,847)
2024	(19,846)	-	(19,846)
	$ (178,181)	$ 39,095	$ (139,086)

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Assumptions – STRS:

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

Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Blended discount rate of return	4.13%
Investment rate of return	7.45%, net of investment expenses, including inflation
Health care cost trends	6% - 11% initially, 4.50% ultimate
Cost-of-living adjustments	0% effective July 1, 2017

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

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

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

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

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

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	6.84 %

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

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

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
College's proportionate share of the net OPEB liability	$ 1,856,235	$ 1,382,688	$ 1,008,429

	1% Decrease In Trend Rates	Current Trend Rates	1% Increase In Trend Rates
College's proportionate share of the net OPEB liability	$ 960,632	$ 1,382,688	$ 1,938,162

Actuarial Assumptions – OPERS:

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.25%
Projected salary increases	3.25%-10.75% (includes wage inflation at 3.25%)
Single discount rate	3.85%
Investment rate of return	6.50%
Municipal bond rate	3.31%
Health care cost trend rate	7.5% initial, 3.25% ultimate in 2028

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

Actuarial assumptions used in the December 31, 2017 valuation are based on the results of an actuarial experience study for the period January 1, 2011 through December 31, 2015.

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

OPERS' allocation of investment assets within the Health Care portfolio is approved by the Retirement Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The Plan's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Fixed Income	34.00 %	1.88 %
Domestic Equiteis	21.00	6.37
REITS	6.00	5.91
International Equities	22.00	7.88
Other Investments	17.00	5.39
Total	100.00 %	4.98 %

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

Discount Rate – A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50% and a municipal bond rate of 3.31%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Healthcare Cost Trend Rates – The following table presents the College's proportionate share of the net OPEB liability calculated using the current period single discount rate of 3.85%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.85%) or one percentage point higher (4.85%) than the current rate. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates. Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
College's proportionate share of the net OPEB liability	$ 3,469,632	$ 2,611,606	$ 1,917,472

	1% Decrease In Trend Rates (6.5% decreasing to 4.0%)	Current Trend Rates (7.5% decreasing to 5.0%)	1% Increase In Trend Rates (8.5% decreasing to 6.0%)
College's proportionate share of the net OPEB liability	$ 2,498,750	$ 2,611,606	$ 2,728,183

NOTE 11 - INSURANCE

The College maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. The College also carries professional coverage for employees and its Board of Trustees. Over the past three years, settlement amounts related to these insured risks have been negligible.

NOTE 12 - CONTINGENCIES

The College receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. It is the opinion of management that any potential disallowance of claims would not have a significant effect on the financial statements.

NOTE 13 - FEDERAL DIRECT LENDING PROGRAM

The College distributed $3,624,463 for student loans through the U.S. Department of Education federal direct lending program for the year ended June 30, 2018. The College distributed $4,045,342 for student loans through the U.S. Department of Education federal direct lending program for the year ended June 30, 2017. These distributions and related funding source are not included as expenses or revenue in the accompanying financial statements.

(Continued)

NOTE 14 - RELATED ORGANIZATION

The Edison Foundation, Inc. (the "Foundation") is a separate not-for-profit entity organized for the purpose of promoting educational activities of the College. Since the resources held by the Foundation can be used only by and 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. The up to 25-member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Amounts transferred to the College from the Foundation are recorded as nonoperating gifts in the accompanying financial statements.

The Foundation reports under FASB standards, including Accounting Standards Codification 958-205 (previously FASB Statement No. 117), *Financial Reporting for Not-for-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. Complete financial statements for the Foundation can be obtained from Edison State Community College, 1973 Edison Drive, Piqua, OH 45356.

The following is a summary of the Foundation's significant accounting and reporting policies presented to assist the reader in interpreting the financial statements and other data in this report.

Cash and Cash Equivalents: The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Contributions: Donations are recorded as revenue in the year received or when a bequest is legally finalized. Unconditional pledges are recorded in the period that the pledges are received. Conditional pledges are recorded in the period in which the conditions have been met. Funds from pledges to be collected in future years are recorded at net present value. All pledges are net of an allowance for doubtful collections.

Pledges Receivable: As of June 30, 2018 and 2017, contributors to the Foundation have outstanding unconditional pledges totaling $6,413 and $5,301, respectively. All pledges have been classified as temporarily restricted net assets since they will either expire or be fulfilled within a specified period of time. All pledges are due within one year and are considered to be fully collectible.

Investments: Investments are stated at fair value, and realized and unrealized gains and losses are reflected in the statements of revenue, expenses, and changes in net position. Fair value is determined by market quotes. Donated investments are recorded at the fair market value at the time received. Realized gains or losses are determined based on the average cost method.

Investments by major types for the years ended June 30, 2018 and 2017 are as follows:

	2018	2017
Corporate bonds	$ 444,481	$ 255,685
U.S. Treasury notes	24,846	-
Common stocks	1,215,924	1,050,135
Mutual funds - REITS	101,841	85,159
Mutual funds - Fixed income	173,685	245,317
Mutual funds - Equities	128,850	135,917
Total	$ 2,089,627	$ 1,772,213

(Continued)

NOTE 14 - RELATED ORGANIZATION (Continued)

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2018 and 2017 and the valuation techniques used by the Foundation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value. The Foundation has investments that are valued using Level 1 inputs, which are obtained directly from investment statements prepared by the institution holding the investments.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets or non-active markets (markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which there is little information released to the public). An example of a Level 2 input would be a price quote from a brokered market.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. However, the fair value measurement objective remains the same as it would for Level 1 and 2 inputs, in that it is based on an exit price from the perspective of a market participant that holds the asset or liability. In addition, Level 3 inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

	Fair Value Measurements at June 30, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Assets:				
Fixed income - Domestic (1)	$ 618,166	$ -	$ -	$ 618,166
Fixed income - U.S. agencies (1)	-	24,846	-	24,846
Equities - Domestic	1,344,774	-	-	1,344,774
Equities - REITs	101,841	-	-	101,841
	$ 2,064,781	$ 24,846	$ -	$ 2,089,627

(Continued)

NOTE 14 - RELATED ORGANIZATION (Continued)

	Fair Value Measurements at June 30, 2017			
Assets:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2017
Fixed income - Domestic (1)	$ 501,002	$ -	$ -	$ 501,002
Equities - Domestic	1,186,052	-	-	1,186,052
Equities - REITs	85,159	-	-	85,159
	$ 1,772,213	$ -	$ -	$ 1,772,213

(1) The fair value of certain fixed-income securities at June 30, 2018 and 2017 was determined primarily based on Level 2 inputs. The Foundation estimates the fair value of these investments using quoted prices for similar assets in active markets. The fair value of the assets was determined primarily based on quoted market prices from the investment custodian.

Net realized and unrealized (losses) gains on investments were $83,585 and $118,943 for the years ended June 30, 2018 and 2017, respectively. There were no capital gains distributions in either year.

Net Assets: Net assets are classified into three categories: (1) unrestricted net assets, which have no donor-imposed restrictions, (2) temporarily restricted net assets, which have donor-imposed restrictions for scholarships and capital improvements that will expire or be satisfied in the future, and (3) permanently restricted net assets, which have donor-imposed restrictions that neither expire by passage of time nor can be fulfilled by actions of the Foundation.

REQUIRED SUPPLEMENTARY INFORMATION

Ohio Public Employees Retirement System	2017	2016	2015	2014
College's Proportion of the Net Pension Liability	0.02320661%	0.02227317%	0.02342800%	0.02706400%
College's Proportionate Share of the Net Pension Liability	$ 3,640,668	$ 5,057,859	$ 4,050,419	$ 3,261,782
College's Covered Payroll	$ 3,665,736	$ 3,656,242	$ 4,042,817	$ 3,782,425
College's Proportionate Share of the Net Pension Liability as a percentage of its Covered Payroll	99.32%	138.33%	100.19%	86.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.39%	81.19%	86.54%

State Teachers Retirement System of Ohio	2017	2016	2015	2014
College's Proportion of the Net Pension Liability	0.03543870%	0.03734797%	0.03913140%	0.04010960%
College's Proportionate Share of the Net Pension Liability	$ 8,418,539	$12,501,491	$10,814,772	$ 9,756,043
College's Covered Payroll	$ 3,785,307	$ 3,804,950	$ 4,082,273	$ 3,717,594
College's Proportionate Share of the Net Pension Liability as a percentage of its Covered Payroll	222.40%	328.56%	264.92%	262.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%

(1) Information prior to 2014 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each fiscal year were determined as of the College's measurement date, which is the prior fiscal year-end.

Notes to Required Supplementary Information
Year Ended June 30, 2018

Changes of benefit terms – Effective July 1, 2017, the cost of living adjustments used in the valuations for the STRS plan was reduced to zero. There were no other changes in benefit terms affecting the STRS and the OPERS plans for the plan years ended June 30, 2017 and December 31, 2017, respectively.

Changes of assumptions – There were changes in assumptions or plan amendments affecting the STRS plan for the plan year ended June 30, 2017, based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0/25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in assumptions or plan amendments affecting the OPERS plan for the plan year ended December 31, 2017.

Ohio Public Employees Retirement System	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually Required Contribution	$ 505,299	$ 458,217	$ 438,749	$ 485,138	$ 453,891
Contributions in Relation to the Contractually Required Contribution	(505,299)	(458,217)	(438,749)	(485,138)	(453,891)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
College Covered Payroll	$ 3,742,956	$ 3,665,736	$ 3,656,242	$ 4,042,817	$ 3,782,425
Contributions as a Percentage of College Covered Payroll	13.50%	12.50%	12.00%	12.00%	12.00%

State Teachers Retirement System of Ohio	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually Required Contribution	$ 530,045	$ 529,943	$ 532,693	$ 558,455	$ 514,515
Contributions in Relation to the Contractually Required Contribution	(530,045)	(529,943)	(532,693)	(558,455)	(514,515)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
College Covered Payroll	$ 3,786,036	$ 3,785,307	$ 3,804,950	$ 4,082,273	$ 3,717,594
Contributions as a Percentage of College Covered Payroll	14.00%	14.00%	14.00%	13.68%	13.84%

(1) Information prior to 2014 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

Ohio Public Employees Retirement System	**2017**	**2016**
College's Proportion of the Net OPEB Liability	0.02404957%	0.02338862%
College's Proportionate Share of the Net OPEB Liability	$ 2,611,606	$ 2,362,330
College's Covered Payroll	$ 3,665,736	$ 3,656,242
College's Proportionate Share of the Net OPEB Liability as a percentage of its Covered Payroll	71.24%	64.61%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.05%

State Teachers Retirement System of Ohio	**2017**	**2016**
College's Proportion of the Net OPEB Liability	0.03543870%	0.03734797%
College's Proportionate Share of the Net OPEB Liability	$ 1,382,688	$ 1,997,379
College's Covered Payroll	$ 3,785,307	$ 3,804,950
College's Proportionate Share of the Net OPEB Liability as a percentage of its Covered Payroll	36.53%	52.49%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.11%	37.30%

(1) Information prior to 2016 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each fiscal year were determined as of the College's measurement date, which is the prior fiscal year-end.

Notes to Required Supplementary Information
Year Ended June 30, 2018

Changes of benefit terms – There were no changes in benefit terms affecting the STRS and the OPERS plans for the plan years ended June 30, 2017 and December 31, 2017, respectively.

Changes of assumptions – There were changes in assumptions or plan amendments affecting the STRS plan for the plan year ended June 30, 2017 as the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), and the long-term expected rate of return was reduced from 7.75% to 7.45%. Valuation electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2017 the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

There were no changes in assumptions or plan amendments affecting the OPERS plan for the plan year ended December 31, 2017.

Ohio Public Employees Retirement System	2018	2017	2016
Contractually Required Contribution	$ -	$ 34,256	$ 65,433
Contributions in Relation to the Contractually Required Contribution	-	(34,256)	(65,433)
Contribution Deficiency (Excess)	$ -	$ -	$ -
College Covered Payroll	$ 3,742,956	$ 3,665,736	$ 3,656,242
Contributions as a Percentage of College Covered Payroll	0.50%	1.50%	2.00%

State Teachers Retirement System of Ohio	2018	2017	2016
Contractually Required Contribution	$ -	$ -	$ -
Contributions in Relation to the Contractually Required Contribution	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -
College Covered Payroll	$ 3,786,036	$ 3,785,307	$ 3,804,950
Contributions as a Percentage of College Covered Payroll	0.00%	0.00%	0.00%

(1) Information prior to 2016 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

SUPPLEMENTAL INFORMATION

CLARK SCHAEFER HACKETT
CPAs & Advisors

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INDEPENDENT AUDITORS' 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
Edison State Community College
Piqua, 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 discretely presented component unit of Edison State Community College (the "College"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 11, 2018, wherein we noted the College adopted the provisions of GASB Statement No. 75 for fiscal year 2018.

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 College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 11, 2018

CLARK SCHAEFER HACKETT
CPAs & Advisors

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Edison State Community College
Piqua, Ohio

Report on Compliance for Each Major Federal Program
We have audited the Edison 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, 2018. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 each of its major federal programs for the year ended June 30, 2018.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 11, 2018

Edison State Community College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Pass Through Grantor/Program Title	Grant or Pass Through Number	Federal CFDA Number		Expenditures
U.S. Department of Education				
Title IV Program				
Student Financial Aid Cluster:				
Supplemental Educational Opportunity Grant	N/A	84.007	$	38,970
College Work Study	N/A	84.033		49,931
Pell Grant	N/A	84.063		3,320,869
Federal Direct Student Loans	N/A	84.268		3,624,463
Total Student Financial Aid Cluster				7,034,233
Title I Program				
Passed through the State of Ohio				
Department of Education:				
Career and Technical Education - Basic Grants to States	U.S.A.S #524	84.048		64,499
Total Title I Program				64,499
Total U.S. Department of Education				7,098,732
TOTAL EXPENDITURES OF FEDERAL AWARDS			$	7,098,732

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

NOTE 1 - GENERAL

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Edison State Community College under programs of the federal government for the year ended June 30, 2018. 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). Because the Schedule presents only a selected portion of the operations of Edison State Community College, it is not intended to and does not present the financial position, changes in net position, or cash flows of Edison State Community College.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the College’s financial statements. Expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. In addition, the College did not pass-through any federal awards to subreceipients during the year ended June 30, 2018.

The College has elected not to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance

NOTE 3 – FEDERAL WORK-STUDY AND FEDERAL SEOG WAIVER

For the year ended June 30, 2018, the College received a waiver from the Department of Education for the Institutional Share Requirement under the Federal Work-study and Federal Supplemental Educational Opportunity Grant programs.

NOTE 4 – LOAN PROGRAMS

The College originates but does not provide funding under the Direct Loan Program. The amount presented represents the value of new Direct Loans awarded by the Department of Education during the year.

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major program:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors' report issued on compliance for major federal program:	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	None noted

Identification of major program:

Student Financial Aid Cluster:
CFDA# 84.007 – Supplemental Educational Opportunity Grant
CFDA# 84.033 – College Work Study
CFDA# 84.063 – Pell Grant
CFDA# 84.268 – Federal Direct Student Loans

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

Section II – Financial Statement Findings

None noted

Section III – Federal Awards Findings and Questioned Costs

None noted

Section IV – Summary of Prior Audit Findings and Questioned Costs

None noted

Dave Yost • Auditor of State

EDISON STATE COMMUNITY COLLEGE

SANDUSKY 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 8, 2018

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