# North Central State College

North Central State College

**Basic Financial Statements**

**June 30, 2018**

PLATTENBURG

Certified Public Accountants

OHIO AUDITOR OF STATE
**KEITH FABER**

January 15, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

Ohio Auditor of State

Keith Faber

88 East Broad Street, Columbus, Ohio 43215
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# Dave Yost • Auditor of State

Board of Trustees
North Central State College
2441 Kenwood Circle
Mansfield, Ohio 44906

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

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

Dave Yost

Dave Yost
Auditor of State

January 2, 2019

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# INDEPENDENT AUDITOR'S REPORT

Board of Trustees
North Central State College, Richland County, Ohio

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.


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**Emphasis of Matters**

As discussed in Note 13 to the financial statements, during the year ended June 30, 2018, the College adopted the provisions of Governmental Accounting Standards No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

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

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

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

Plattenburg & Associates, Inc.

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

The Management's Discussion and Analysis (MD&A) of the financial condition of North Central State College (hereafter referred to as the College) provides an overview of the financial performance for the year ended June 30, 2018. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes.

## Financial Highlights

The Statement of Net Position includes all assets, liabilities, deferred inflows and deferred outflows. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when earned and expenses and liabilities are recognized when an obligation has been incurred, regardless of when cash is exchanged.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. State appropriations are classified as non-operating revenues. The College generated an operating loss. For fiscal year 2018, the College had an increase in net position of $6,743,098 after including net non-operating revenue. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

An important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they become due. The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related, non-capital and related, and investing financing activities.

The financial statements include not only the College itself (known as the primary institution), but also one organization for which the College is financially accountable, which is the North Central State College Foundation. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

## The Statement of Net Position

Condensed Financial Information
Statement of Net Position

| | 2018 | 2017 - Restated |
|---|---|---|
| Current Assets | $13,603,451 | $10,293,766 |
| Non-current Assets | 22,190,363 | 23,219,474 |
| Deferred Outflows | 4,177,384 | 4,139,396 |
| Total Assets and Deferred Outflows | 39,971,198 | 37,652,636 |
| | | |
| Current Liabilities | 6,607,990 | 4,833,300 |
| Non-current Liabilities | 21,060,375 | 27,914,038 |
| Deferred Inflows | 3,071,533 | 2,417,096 |
| Total Liabilities and Deferred Inflows | 30,739,898 | 35,164,434 |
| | | |
| Net Position | | |
| Net Investment in Capital Assets | 19,941,059 | 20,782,053 |
| Unrestricted | (10,709,759) | (18,293,851) |
| Total Net Position | $9,231,300 | $2,488,202 |

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

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

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the College District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the College is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the College's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the College is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $7,603,625 to $2,488,202.

## Assets and Deferred Outflows

As of June 30, 2018, the College's total assets and deferred outflows amounted to $39,971,198. Capital assets, net of related depreciation totaled $19,941,059, represented the College's largest asset. Cash and cash equivalents including investments totaling $7,617,610 was the College's second largest asset. Student accounts receivable of $5,101,241 represented the next largest asset.

## Liabilities and Deferred Inflows

At June 30, 2018, the College's liabilities and deferred inflows totaled $30,739,898, comprised of current liabilities of $6,607,990 and non-current liabilities totaling $21,060,375. Unearned income represented $5,471,217 of liabilities and deferred inflows. Total liabilities and deferred inflows decreased during the year ended June 30, 2018 by $4,424,536. This decrease is mainly attributable to the net pension liability.

## Net Position

Unrestricted net position at June 30, 2018 totaled $(10,709,759). Net investment in capital assets totaled $19,941,059. Total net position increased by $6,743,098 during the year ended June 30, 2018.

## The Statement of Revenues, Expenses, and Changes in Net Position

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

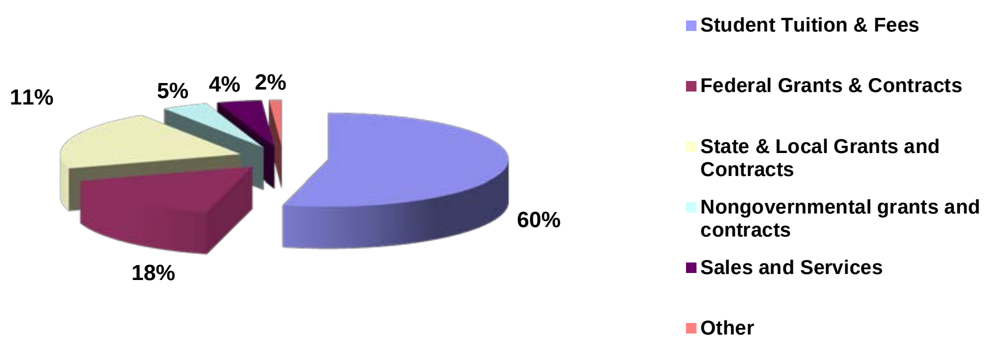
| | 2018 | 2017 - Restated |
|---|---|---|
| Total Operating Revenues | $9,877,704 | $10,852,643 |
| Total Operating Expenses | 15,121,861 | 20,749,217 |
| Operating Loss | (5,244,157) | (9,896,574) |
| Non-Operating Revenues | 10,940,232 | 10,732,077 |
| Capital Appropriations | 1,047,023 | 1,201,492 |
| Increase (Decrease) in Net Position | 6,743,098 | 2,036,995 |
| Net Position, Beginning of Year | 2,488,202 | N/A |
| Net Position, End of Year | $9,231,300 | $2,488,202 |

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $36,882 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $408,989. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

| | |
|---|---|
| Total 2018 operating expenses under GASB 75 | $15,121,861 |
| Negative OPEB expense under GASB 75 | 408,989 |
| 2018 contractually required contribution | 44,149 |
| Adjusted 2018 operating expenses | 15,574,999 |
| Total 2017 operating expenses under GASB 45 | 20,749,217 |
| Change in operating expenses not related to OPEB | ($5,174,218) |

## Operating Revenues

Total operating revenues were $9,877,704 for the year ended June 30, 2018. The most significant sources of operating revenue for the College are net student tuition and fees, 60 percent, federal grants and contracts, 18 percent, nongovernmental grants and contracts, 5 percent, and state and local grants and contracts, 11 percent. It is important to note that tuition and fees appear net of scholarship allowances of $4,461,894. Total operating revenues decreased by $974,939 due mainly to the decrease in federal grants and contracts.

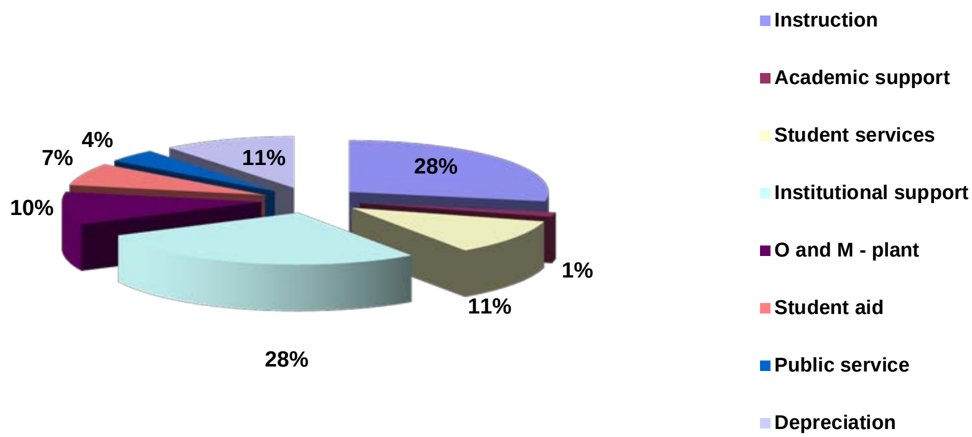



## Non-operating Revenues

The other significant recurring sources of revenue essential to the operation of the College are state appropriations and some federal grants and contracts, which are considered non-operating revenue. The College's state appropriation for the fiscal year ended June 30, 2018, amounted to $7,782,066. This represents an increase of $99,635 from the College's appropriation for the prior year.

## Operating Expenses

Operating expenses totaled $15,121,861. The majority of the College's operating funds are expended directly for the primary mission of the College instruction, 28 percent, academic support, 1 percent, and institutional support, 28 percent. For the year ended June 30, 2018, student aid totaled $1,058,974 or 7 percent. Operating expenses decreased $5,627,356 from prior year.




## The Statement of Cash Flows

The primary purpose of the statement of cash flows is to provide information about the cash receipts and cash payments made by the College during the period. The statement of cash flows also helps financial statement readers assess:

- the College's ability to generate future net cash flows,
- the College's ability to meet obligations as they become due, and
- the College's need for external financing.

Major sources of cash inflows included in operating activities are grants and contracts $4,196,814 and student tuition and fees $5,898,396. The largest cash outflows for operating activities were to employees, for wages and benefits, $13,147,331, for student aid, $1,122,517, for utilities and maintenance, $1,111,113, and to suppliers, $2,027,508.

The largest cash receipts in the non-capital financing activities group are the non-operating appropriation from the State of Ohio, $7,782,066.

## Capital Assets

Capital assets, net of accumulated depreciation, totaled $19,941,059 at June 30, 2018, a net decrease of $840,994 from the prior year-end. Depreciation expense for the year ended June 30, 2018 amounted to $1,629,312. More detailed information about the College's capital assets is presented in Note 5 to the financial statements.

## **Debt**

As of June 30, 2018, the College had $828,227 in notes payable.

## Factors Impacting Future Periods

Fiscal concerns continue to be the dominant challenge as community colleges strive to stem the enrollment falloff. Throughout Ohio and the Midwest, enrollments have been declining for the past few years, in part because of a demographic decline, strong economy and low unemployment.
North Central State College's headcount enrollment decreased 2% from FY 2017 to FY 2018, while credit hours increased 2%. Dual credit headcount enrollment grew by 4% and credit hours grew by 9%. However, post-high school students continued to decline by 6% headcount while credit hours remained flat. These inverse trends appear to be occurring across the State. In the near future as the economy continues to remain strong, post-high school student enrollment is projected to stay flat or slightly decline. Just like any other institutions in the State, the College is making up for the decline in adult enrollment with dual-enrollment high school students (CCP).

Another challenge facing community colleges in general and North Central State College in particular is the ability to keep up with competition and emerging technologies as more and more universities and online institutions are targeting the same students the College traditionally serves. As we have done over the past few years, the College is continuing to respond to these challenges by innovatively coming up with new revenue sources as well some strategic new initiatives. The College is also starting to do more to offer online courses.

## Final Analysis

In FY 2018, North Central State College received $7,782,066 in State Share of Instruction (SSI) or 1.30% increase over FY 2017 and $5,961,769 in net student tuition & fees or 4.96% decline over FY 2017. Just like in the previous year, the 4.96% decline was due to larger than expected right offs caused by CCP payments from the State.

After bringing the reserve from its historic low level of 6% in FY 2012 to 31% in FY 2017, the College in FY 2018 has increased its reserve ratio to 43%, matching the State average in FY 2017. The composite score in FY 2018 remained the same as in FY 2017 (4.50).

## Contacting the College's Financial Management

This financial report is designed to provide the Ohio Department of Higher Education, our citizens, taxpayers, investors, and creditors with a general overview of the College's finances, and demonstrate the College's accountability for the money it received. If you have questions about this report or need additional financial information, contact **Koffi C. Akakpo, Vice President for Business, Administrative and Student Services at 419-755-4702.**

**North Central State College**
Statement of Net Position
As of June 30, 2018

| | Primary Institution | Component Unit |
|---|---|---|
| ASSETS | | |
| Current Assets | | |
| Cash & Cash Equivalents | $ 2,523,022 | $ 739,259 |
| Investments | 5,089,588 | 3,869,095 |
| Student Accounts Receivable, Net | 5,101,241 | - |
| Intergovernmental Receivables | 852,077 | - |
| Prepaid Expenses & Deferred Charges | 37,523 | - |
| Contributions Receivable | - | 250,862 |
| Interest in Assets held by Richland Co Foundation | - | 350,000 |
| Total Current Assets | 13,603,451 | 5,209,216 |
| Noncurrent Assets | | |
| Restricted Cash & Cash Equivalents | 5,000 | - |
| Other Receivables | 2,244,304 | - |
| Capital Assets, net | 19,941,059 | 2,007 |
| Total Noncurrent Assets | 22,190,363 | 2,007 |
| DEFERRED OUTFLOWS | | |
| Other postemployment benefits | 136,157 | - |
| Pension | 4,041,227 | - |
| Total Defered Outflows | 4,177,384 | - |
| Total Assets and Deferred Outflows | 39,971,198 | 5,211,223 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable & Accrued Liabilities | 245,973 | 62,919 |
| Unearned Income | 5,471,217 | - |
| Accrued Wages | 803,295 | - |
| Notes Payable - Current Portion | 87,505 | - |
| Total Current Liabilities | 6,607,990 | 62,919 |
| Noncurrent Liabilities | | |
| Compensated Absences | 549,369 | - |
| Net OPEB Liability | 4,183,831 | |
| Net Pension Liability | 15,586,453 | |
| Notes Payable - Long Term Portion | 740,722 | - |
| Total Noncurrent Liabilities | 21,060,375 | - |
| DEFERRED INFLOWS | | |
| Other postemployment benefits | 614,611 | - |
| Pension | 2,456,922 | - |
| Total Deferred Inflows | 3,071,533 | - |
| Total Liabilities and Deferred Inflows | 30,739,898 | 62,919 |
| NET POSITION | | |
| Net Investment in Capital Assets | 19,941,059 | - |
| Restricted for | | |
| Nonexpendable | | |
| Scholarships | - | 3,765,786 |
| Expendable | | |
| Student Grants and Scholarships | - | 1,462,498 |
| Unrestricted | (10,709,759) | (79,980) |
| Total Net Position | 9,231,300 | 5,148,304 |
| Total Liabilities, Deferred Inflows & Net Position | $ 39,971,198 | $ 5,211,223 |

See accompanying notes to the basic financial statements.

**North Central State College**
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2018

| | Primary Institution | Component Unit |
|---|---|---|
| REVENUES | | |
| Operating Revenues: | | |
| Tuition, Fees and Other Student Charges, Net | $ 5,961,769 | $ - |
| Federal Grants and Contracts | 1,763,382 | - |
| State and Local Grants and Contracts | 1,129,098 | - |
| Nongovernmental Grants and Contracts | 454,986 | - |
| Sales and Services | 443,791 | - |
| Contributions | - | 447,166 |
| Fundraising | - | 51,450 |
| Other Operating Revenue | 124,678 | 81,836 |
| Total Operating Revenues | 9,877,704 | 580,452 |
| EXPENSES | | |
| Operating Expenses | | |
| Educational and General: | | |
| Instruction | 4,218,695 | - |
| Academic Support | 205,991 | 54,379 |
| Student Services | 1,682,564 | - |
| Institutional Support | 4,150,141 | - |
| Operation and Maintenance of Plant | 1,554,402 | - |
| Student Aid and Scholarships | 1,058,974 | 204,041 |
| Public Service | 621,782 | - |
| Depreciation | 1,629,312 | - |
| Other Expenditures | - | 41,338 |
| Total Operating Expenses | 15,121,861 | 299,758 |
| Operating Income (Loss) | (5,244,157) | 280,694 |
| NONOPERATING REVENUES (EXPENSES) | | |
| State Appropriations | 7,782,066 | - |
| Federal Grants & Contracts | 3,108,345 | - |
| Investment Income, Net | 56,519 | 237,816 |
| Interest on Indebtedness | (6,698) | |
| Net Nonoperating Revenues (Expenses) | 10,940,232 | 237,816 |
| Income (Loss) Before Other Revenues and Expenses | 5,696,075 | 518,510 |
| Capital Appropriations | 1,047,023 | - |
| Change in Net Position | 6,743,098 | 518,510 |
| NET POSITION | | |
| Net Position, Beginning of Year, As Previously Reported | 7,603,625 | 4,629,794 |
| Cummulative Effect of Accounting Changes | (5,115,423) | - |
| Net Position, Beginning of Year, Restated | 2,488,202 | 4,629,794 |
| Net Position, End of Year | $ 9,231,300 | $ 5,148,304 |

See accompany notes to the basic financial statements.

**North Central State College**
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

| | Primary Institution | Component Unit |
|---|---|---|
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | |
| *Cash Flows from Operating Activities:* | | |
| Tuition and Fees | $ 5,898,396 | $ - |
| Gifts, Grants and Contracts | 4,196,814 | 536,241 |
| Payments to Suppliers | (2,027,508) | (31,654) |
| Payments to Employees and for Benefits | (13,147,331) | - |
| Payments for Scholarships and Fellowships | - | (205,041) |
| Payments for Utilities and Maintenance | (1,111,113) | - |
| Payments for Student Aid | (1,122,517) | - |
| Sales and Service of Educational Activities | 443,791 | - |
| Other Receipts (Payments) | (1,594,514) | 104,969 |
| Net Cash Provided (Used) by Operating Activities | (8,463,982) | 404,515 |
| *Cash Flows from Non-Capital and Related Financing Activities:* | | |
| FFEL Loans Received | 2,025,437 | - |
| FFEL Loans Disbursed | (2,025,437) | - |
| Federal Grants & Contracts | 3,108,345 | - |
| State Appropriations | 7,782,066 | - |
| Net Cash Provided (Used) by Non-Capital and Related Financing Activities | 10,890,411 | - |
| *Cash Flows from Capital and Related Financing Activities:* | | |
| Purchases of Capital Assets | (800,543) | - |
| Sale of Capital Assets | 705 | |
| Capital Appropriations | 1,047,023 | - |
| Payment of Note | (86,421) | - |
| Interest on Note Payable | (6,698) | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | 154,066 | - |
| *Cash Flows from Investing Activities:* | | |
| Sales (Purchases) of Investments | (3,056,518) | (261,148) |
| Interest on Investments | 56,519 | 237,816 |
| Net Cash Provided (Used) by Investing Activities | (2,999,999) | (23,332) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (419,504) | 381,183 |
| Cash and Cash Equivalents, Beginning of Year | 2,947,526 | 358,076 |
| Cash and Cash Equivalents, End of Year | $ 2,528,022 | $ 739,259 |

| | Primary Institution | Component Unit |
|---|---|---|
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | |
| Operating Income (Loss) | $ (5,244,157) | $ 280,694 |
| Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 1,629,312 | - |
| Loss on Disposal of Capital Assets | 11,520 | |
| Change in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources Which Provided (Used) Cash | | |
| Receivables, Net | (628,110) | 89,076 |
| Prepaid Expenses | 143,556 | - |
| Payables | 138,180 | 34,745 |
| Accrued Wages | 41,511 | - |
| Unearned Income | 1,593,916 | - |
| Compensated Absences | 22,376 | - |
| Net Pension Liability | (5,820,061) | - |
| Net OPEB Liability | (968,474) | |
| Deferred Outflows of Resources - Net Pension Expense | 61,287 | - |
| Deferred Outflows of Resources - Net OPEB Expense | (99,275) | |
| Deferred Inflows of Resources - Net Pension Expense | 39,826 | - |
| Deferred Inflows of Resources - Net OPEB Expense | 614,611 | |
| Net Cash Provided (Used) by Operating Activities | $ (8,463,982) | $ 404,515 |

See accompanying notes to the basic financial statements.

## NOTE 1 - DESCRIPTION OF THE ENTITY

North Central Ohio Technical Institute (the "College") was chartered in 1969 under provisions of Section 3357 of the Ohio Revised Code. This action of the Ohio Board of Regents and the Secretary of State created the Technical College College in the contiguous counties of Ashland, Crawford, and Richland. In August of 1999, the Board of Trustees changed the name of the College to North Central State College. The College is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The College offers associate degree programs and certificate programs that prepare individuals to be technicians and paraprofessionals in business technologies, engineering technologies, health technologies, and public service technologies. The College also offers noncredit continuing education classes and customized contract-training services to companies and employees in the service area. The College is directed by a Board of Trustees, the members of which are public representatives of Ashland, Crawford and Richland Counties.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14 which was implemented by the College, further clarifies that certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government. The College has determined that the North Central State College Foundation (the "Foundation") meets this definition and is therefore included as a discretely presented component unit in the College's financial statements. The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the FASB. See Note 14 for additional disclosures regarding the Foundation.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the College have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the College's accounting policies are described below:

*A.* Basis of Presentation – The College applies GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statement presentation required by GASB Statements No. 34/35 is intended to provide a

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

comprehensive, entity-wide perspective of the College's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows.

*B.* *Basis of Accounting* - The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The College reports as a "business type activity" as defined by GASB Statement No. 34. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The full scope of the College's activities is considered to be a single business type activity and accordingly, is reported within a single column in the basic financial statements.

*C.* *Budgetary Process* - The budget is an annual plan for the financial operations of the College that establishes a basis of control and evaluation of activities financed through the current funds of the College. Formal adoption of the budget into the accounting records is not legally mandated and, thus, the College does not integrate the budget into its accounts.

*D.* *Cash and Investments* - For purposes of presentation on the Statement of Net Position and the Statement of Cash Flows, investments with maturities of three months or less at the time they are purchased are considered to be cash equivalents. During the fiscal year, investments were limited to STAR Ohio. These investments are reported as cash equivalents on the Statement of Net Position. Investments are reported at fair value which is based on quoted market prices.

*E.* *Accounts Receivable* - Receivables at year end, consist primarily of student tuition and fees, and grants due from other agencies. Student tuition and fees are reported net using the direct write-off method.

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*F.* <u>*Capital Assets*</u> - Donated land, buildings, improvements, and equipment are recorded at their acquisition value on the date of the gift. The College capitalizes assets other than land and building improvements that have a value or cost in excess of $2,500 and an expected useful life of one or more years. Land and building improvements that significantly increase the value or useful life of the asset of more than $12,500 and $25,000, respectively, are also capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost. Infrastructure assets, consisting of sidewalks, parking lots, lighting systems and signage, are capitalized and reported. Capital assets, with the exception of land, are depreciated using the straight-line method and full-month convention over the following useful lives:

| | |
|---|---|
| Land Improvements | 20-30 years |
| Buildings | 40 years |
| Building Improvements | 7-30 years |
| Equipment | 5-20 years |
| Vehicles | 5-10 years |
| Infrastructure | 25 years |
| Leasehold Improvements | 7-30 years |

*G.* <u>*Noncurrent Long-Term Liabilities*</u> - Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.

*H.* <u>*Unearned Tuition and Fees*</u> – Unearned tuition and fees is principally comprised of receipts relating to tuition and fees received in advance of the sessions that are primarily or fully conducted in the next accounting period. The College recognizes this revenue in the fiscal year that the sessions are predominately conducted.

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

1. The employees' rights to receive compensation are attributable to services already rendered.

2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Other compensated absences with characteristics similar to vacation leave are those which are not contingent on a specific event outside the control of the employer and employee. Further, sick leave and other similar compensated absences are those which are contingent on a specific event that is outside the control of the employer and employee. The College has accrued a liability for these compensated absences using the termination method when the following criteria are met:

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The benefits are earned by the employees and it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' retirement ("termination payments").

The sick leave liability has been based on the College's past experience of making termination payments for sick leave.

### *J. Operating and Non-Operating Revenues and Expenses*

The College presents its revenues and expenses as operating or non-operating based on recognition definitions per GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trusts Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include all charges to customers, grants received for student financial assistance, and interest earned on loans. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the College. Revenues from non-exchange transactions and state appropriations that represent subsidies or gifts to the College, as well as investment income, are considered non-operating since these are investing, capital, or noncapital financial activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor non-operating activities and are presented after non-operating activities on the accompanying Statement of Revenues, Expenses and Changes in Net Position.

### *K. Deferred Outflows and Inflows of Resources*

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the College, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 7 and 8.

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. Deferred inflows of resources related to pension and OPEB plans are reported on the statement of net position. (See Notes 7 and 8).

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## NOTE 2 - 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 pension/OPEB plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

*L.* *Scholarship Allowances*

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

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

*M.* *Net Position*

The College's net position is classified as follows:

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

*Unrestricted* – Net position whose use by the College is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

*N.* *Income Taxes* – Income taxes have not been provided on the general operations of the College because, as a state institution, its income is exempt from Federal income taxes under Section 115 of the Internal Revenue Code.

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

## NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

*B. Cash on Hand* - At June 30, 2018, the College had $2,200 in un-deposited cash on hand which is reported as part of cash and cash equivalents on the Statement of Net Position.

*C. Deposits* - Custodial credit risk for deposits is the risk that in the event of bank failure, the College will not be able to recover deposits or collateral securities that are in the possession of an outside party. The College has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by: Eligible securities pledged to the College and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

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## NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

At June 30, 2018, $3,062,971 of the College's bank balance of $3,324,212 was exposed to custodial credit risk because it was uninsured and collateralized. The College's financial institution was approved for a reduced collateral rate through the Ohio Pooled Collateral System.

*D. Investments* - The State Treasurer's Investment Pool (STAR Ohio) is authorized as an investment under both the College's policy and the Ohio Revised Code.

As of June 30, 2018, the primary government had the following investment (based on quoted market prices) and maturity (in years):

| Investment Type | Fair Value | Less than 1 | Percent of Portfolio |
|---|---|---|---|
| STAR Ohio | $5,089,588 | $5,089,588 | 100% |

*Interest rate risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's policy is to invest in allowable investments per the Ohio Revised Code. The Ohio Revised Code limits the purchase of securities to those with a maturity of no more than five years from the date of purchase unless matched to a specific obligation or debt of the College. The College's investment policy also allows the entering into a repurchase agreement with any eligible depository for a period not exceeding thirty days.

*Credit risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Ohio Revised Code limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations at the time of purchase. Standard & Poor's has assigned STAR Ohio a rating of AAAm.

*Concentration of credit risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College does not have an investment policy that provides for diversification to avoid concentration in securities of one type or securities of one financial institution. 100% has been invested in STAR Ohio.

*Custodial credit risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College is not exposed to custodial credit risk for its investments.

## NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets and liabilities in active markets that the College has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liability in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the College's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the College's own data.

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

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

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

In instances whereby inputs used to measure fair value fall into difference levels in the above fair value hierarchy, fair value measurement 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 and liability.

## NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

The College only invests with the State Treasurer's Investment Pool (STAR Ohio). Star Ohio is reported at its share price.

## NOTE 4 - RECEIVABLES

Receivables as of June 30, 2018 are summarized as follows:

| | Gross Receivable | Allowance for Doubtful Accounts | Net Receivable | Unearned Tuition and Fees |
|---|---|---|---|---|
| Student Accounts | $5,446,668 | $345,427 | $5,101,241 | $4,317,719 |
| Intergovernmental | 852,077 | 0 | 852,077 | 0 |
| Other | 2,244,304 | 0 | 2,244,304 | 0 |
| Total Receivables | $8,543,049 | $345,427 | $8,197,622 | $4,317,719 |

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## NOTE 5 - CAPITAL ASSETS

### Capital assets as of June 30, 2018 are summarized as follows:

| | Balance 7/1/2017 | Additions | Deletions | Balance 6/30/2018 |
|---|---|---|---|---|
| *Non-Depreciable Assets* | | | | |
| Land | 225,629 | - | - | 225,629 |
| CIP | 59,286 | 1,047,022 | 894,964 | 211,344 |
| | 284,915 | 1,047,022 | 894,964 | 436,973 |
| *Depreciable Assets* | | | | |
| Land Improvements | 2,196,543 | - | - | 2,196,543 |
| Buildings | 14,809,029 | - | - | 14,809,029 |
| Building Improvements | 12,512,511 | 40,222 | - | 12,552,733 |
| Infrastructure | 674,536 | - | - | 674,536 |
| Leasehold Improvements | 4,427,362 | - | - | 4,427,362 |
| Vehicles | 155,601 | 22,200 | 53,085 | 124,716 |
| Equipment | 7,375,363 | 586,063 | 69,095 | 7,892,331 |
| | 42,150,945 | 648,485 | 122,180 | 42,677,250 |
| *Accumulated Depreciation* | | | | |
| Land Improvements | (1,184,028) | (79,547) | - | (1,263,575) |
| Buildings | (8,322,279) | (336,959) | - | (8,659,238) |
| Building Improvements | (3,406,666) | (522,689) | - | (3,929,355) |
| Infrastructure | (207,000) | (26,982) | - | (233,982) |
| Leasehold Improvements | (2,492,397) | (151,181) | - | (2,643,578) |
| Vehicles | (97,656) | (14,093) | 40,860 | (70,889) |
| Equipment | (5,943,780) | (497,861) | 69,094 | (6,372,547) |
| | (21,653,806) | (1,629,312) | 109,954 | (23,173,164) |
| | 20,782,054 | 66,195 | 1,127,098 | 19,941,059 |

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## NOTE 6 - STATE SUPPORT

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

In addition to the student subsidies, the State of Ohio provides the funding for and constructs major plant facilities on the College's campus. The funding is obtained from the issuance of special obligation bonds by the Ohio Public Facilities Commission, which in turn causes the construction and subsequent lease of the facility by the Ohio Board of Regents. Upon completion of the facility, the Board of Regents turns over control to the College which capitalizes the cost thereof. Neither the obligation for the special obligation bonds issued by the Ohio Public Facilities Commission nor the annual debt service charges for principal and interest on the bonds are reflected in the financial statements of the College.

These are currently being funded through appropriations to the Ohio Board of Regents by the Ohio General Assembly. Construction in progress for any portion of the facilities being financed by the state agencies for use by the College is recorded on the College's books of account as costs are incurred.

The facilities are not pledged as collateral for the special obligation 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 pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State.

Outstanding debt issued by the Ohio Public Facilities Commission is not included on the College's Statement of Net Position. In addition, the appropriations by the Ohio General Assembly to the Board of Regents for payment of debt services are not shown as appropriation revenue received by the College and the related debt service payments are not recorded in the accounts of the College.

## NOTE 7 - DEFINED BENEFIT PENSION PLANS

### Net Pension Liability

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

## NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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 obligation for this liability to annually required payments. The college cannot control benefit terms or the manner in which pensions are financed; however, the college does receive the benefit of employees' services in exchange for compensation including pension.

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

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

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

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

## NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire on or after August 1, 2017 |
|---|---|---|
| Full Benefits | Any age with 30 years of service credit<br>Age 65 with 5 years of service credit | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit<br>Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or<br>Age 60 with 25 years of service credit |

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.20% for the first thirty years of service and 2.50% for years of service credit over 30 or $86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

Post-Retirement Increases – Before January 1, 2018; on each anniversary of the initial date of retirement, the allowances of all retirees and survivors are increased by 3% of the base benefit. On or after January 1, 2018; on each anniversary of the initial retirement, the allowance of all retirees and survivors are increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0% nor greater than 2.5%. COLA's shall be suspended for calendar years 2018, 2019, and 2020.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the employer is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% was allocated to the Health Care Fund.

The contractually required contribution to SERS was $409,679 for fiscal year 2018.

## NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

## NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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 10 years of qualifying service credit to 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 the fiscal year ended June 30, 2018, plan members were required to contribute 14% of their annual covered salary. The employer was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The contractually required contribution to STRS was $577,057 for fiscal year 2018.

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on the share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | SERS | STRS | Total |
|---|---|---|---|
| Proportionate Share of the Net Pension Liability | $5,882,146 | $9,704,307 | $15,586,453 |
| Proportion of the Net Pension Liability: | | | |
| Current Measurement Date | 0.09844960% | 0.04085127% | |
| Prior Measurement Date | 0.10123880% | 0.04181508% | |
| Change in Proportionate Share | -0.00278920% | -0.00096381% | |
| Pension Expense | ($375,598) | ($4,356,614) | ($4,732,212) |

## NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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

| | SERS | STRS | Total |
|---|---|---|---|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | $253,147 | $374,735 | $627,882 |
| Changes of assumptions | 304,170 | 2,122,439 | 2,426,609 |
| Contributions subsequent to the measurement date | 409,679 | 577,057 | 986,736 |
| Total Deferred Outflows of Resources | $966,996 | $3,074,231 | $4,041,227 |
| Differences between expected and actual experience | $0 | $78,213 | $78,213 |
| Net difference between projected and actual earnings on pension plan investments | 27,921 | 320,254 | 348,175 |
| Changes in employer proportionate share of net pension liability | 417,209 | 1,613,325 | 2,030,534 |
| Total Deferred Inflows of Resources | $445,130 | $2,011,792 | $2,456,922 |

$986,736 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Fiscal Year Ending June 30: | SERS | STRS | Total |
|---|---|---|---|
| 2019 | ($15,652) | ($159,991) | ($175,643) |
| 2020 | 211,055 | (31,037) | 180,018 |
| 2021 | 53,910 | 506,880 | 560,790 |
| 2022 | (137,126) | 169,530 | 32,404 |
| Total | $112,187 | $485,382 | $597,569 |

### Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

## NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

| | |
|---|---|
| Inflation | 3.00% |
| Future Salary Increases, including inflation | 3.50% - 18.20% |
| COLA or Ad Hoc COLA | 0.0% - 2.5% indexed to CPI-W, three year suspension/2018-2020 |
| Investment Rate of Return | 7.50% net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal (Level Percent of Payroll) |
| Actuarial Assumptions Experience Study Date | 5 year period ended June 30, 2015 |

Prior to 2017, an assumption of 3.0% was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

## NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Cash | 1.00% | 0.50% |
| US Stocks | 22.50% | 4.75% |
| Non-US Stocks | 22.50% | 7.00% |
| Fixed Income | 19.00% | 1.50% |
| Private Equity | 10.00% | 8.00% |
| Real Assets | 15.00% | 5.00% |
| Multi-Asset Strategies | 10.00% | 3.00% |
| Total | 100.00% | |

### Discount Rate

The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return 7.50%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.50%, or one percentage point higher 8.50% than the current rate.

| | 1% Decrease 6.50% | Current Discount Rate 7.50% | 1% Increase 8.50% |
|---|---|---|---|
| Proportionate share of the net pension liability | $8,162,890 | $5,882,146 | $3,971,558 |

## NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

### Changes in Benefit Terms

The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

### Actuarial Assumptions - STRS

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

| | July 1, 2017 | July 1, 2016 |
|---|---|---|
| Inflation | 2.50% | 2.75% |
| Projected 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 | 7.45%, net of investment expenses, including inflation | 7.75%, net of investment expenses, including inflation |
| Payroll Increases | 3.00% | 3.50% |
| Cost-of-Living Adjustments (COLA) | 0%, effective July 1, 2017 | 2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1 2013, or later, 2% COLA commences on fifth anniversary of retirement date. |

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, dated July 1, 2012.

## NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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

| Asset Class | Target Allocation | Long-Term Expected 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% | |

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

### Discount Rate

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

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

The following table represents the net pension liability as of June 30, 2017, calculated using the current period discount rate assumption of 7.45%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.45% or one percentage point higher 8.45% than the current assumption:

## NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

| | 1% Decrease 6.45% | Current Discount Rate 7.45% | 1% Increase 8.45% |
|---|---|---|---|
| Proportionate share of the net pension liability | $13,910,793 | $9,704,307 | $6,160,972 |

### Changes in Assumptions

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

### Changes in Benefit Terms

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

## NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

### Net Other Postemployment Benefits (OPEB) Liability

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

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

## NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

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

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

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

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

Health Care Plan Description - The college contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the

## NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the surcharge obligation was $28,976.

The surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The college's contractually required contribution to SERS was $44,149 for fiscal year 2018.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 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 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

## NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

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

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

| | SERS | STRS | Total |
|---|---|---|---|
| Proportionate Share of the Net OPEB Liability | $2,589,965 | $1,593,866 | $4,183,831 |
| Proportion of the Net OPEB Liability: | | | |
| Current Measurement Date | 0.09650590% | 0.04085127% | |
| Prior Measurement Date | 0.10230332% | 0.04181508% | |
| Change in Proportionate Share | -0.00579742% | -0.00096381% | |
| OPEB Expense | $84,736 | ($493,725) | ($408,989) |

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

| | SERS | STRS | Total |
|---|---|---|---|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | $0 | $92,008 | $92,008 |
| Contributions subsequent to the measurement date | 44,149 | 0 | 44,149 |
| Total Deferred Outflows of Resources | $44,149 | $92,008 | $136,157 |
| Deferred Inflows of Resources | | | |
| Changes of assumptions | $245,774 | $128,391 | $374,165 |
| Net difference between projected and actual earnings on pension plan investments | 6,840 | 68,126 | 74,966 |
| Changes in employer proportionate share of net penson liability | 121,299 | 44,181 | 165,480 |
| Total Deferred Inflows of Resources | $373,913 | $240,698 | $614,611 |

$44,149 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

## NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

| Fiscal Year Ending June 30: | SERS | STRS | Total |
|---|---|---|---|
| 2019 | ($134,707) | ($30,459) | ($165,166) |
| 2020 | (134,707) | (30,459) | (165,166) |
| 2021 | (102,788) | (30,459) | (133,247) |
| 2022 | (1,711) | (30,459) | (32,170) |
| 2023 | 0 | (13,427) | (13,427) |
| Thereafter | 0 | (13,427) | (13,427) |
| Total | ($373,913) | ($148,690) | ($522,603) |

### Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

## NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

| | |
|---|---|
| Wage Inflation | 3.00% |
| Future Salary Increases, including inflation | 3.50% to 18.20% |
| Investment Rate of Return | 7.50% net of investments expense, including inflation |
| Municipal Bond Index Rate: | |
| Measurement Date | 3.56% |
| Prior Measurement Date | 2.92% |
| Single Equivalent Interest Rate, net of plan investment expense, including price inflation: | |
| Measurement Date | 3.63% |
| Prior Measurement Date | 2.98% |
| Medical Trend Assumption | |
| Medicare | 5.50% to 5.00% |
| Pre-Medicare | 7.50% to 5.00% |

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

## NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Cash | 1.00% | 0.50% |
| US Stocks | 22.50% | 4.75% |
| Non-US Stocks | 22.50% | 7.00% |
| Fixed Income | 19.00% | 1.50% |
| Private Equity | 10.00% | 8.00% |
| Real Assets | 15.00% | 5.00% |
| Multi-Asset Strategies | 10.00% | 3.00% |
| Total | 100.00% | |

### Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value 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 projection of future benefit payments for all current plan members was until the benefit payments ran out.

### Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

## NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

| | 1% Decrease 2.63% | Current Discount Rate 3.63% | 1% Increase 4.63% |
|---|---|---|---|
| Proportionate share of the net OPEB liability | $3,127,712 | $2,589,965 | $2,163,931 |

| | 1% Decrease 6.50% decreasing to 4.00% | Current Trend Rate 7.50% decreasing to 5.00% | 1% Increase 8.50% decreasing to 6.00% |
|---|---|---|---|
| Proportionate share of the net OPEB liability | $2,101,562 | $2,589,965 | $3,236,374 |

### Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:
Fiscal year 2018 3.56 percent
Fiscal year 2017 2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
Fiscal year 2018 3.63 percent
Fiscal year 2017 2.98 percent

### 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% |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 |
| Investment Rate of Return | 7.45%, net of investment expenses, including inflation |
| Payroll Increases | 3.00% |
| Cost-of-Living Adjustments (COLA) | 0.00%, effective July 1, 2017 |
| Blended Discount Rate of Return | 4.13% |
| Health Care Cost Trends | 6.00% to 11.00% initial, 4.5% ultimate |

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

**NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)**

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

Also 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.

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

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## NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

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

*10 year annualized geometric nominal returns, which includes 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 actual rate of return, without net value added by management.

### Discount Rate

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

## NOTE 8 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (Continued)

### Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) or one percentage point higher (5.13%) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

| | 1% Decrease 3.13% | Current Discount Rate 4.13% | 1% Increase 5.13% |
|---|---|---|---|
| Proportionate share of the net OPEB liability | $2,139,739 | $1,593,866 | $1,162,447 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| Proportionate share of the net OPEB liability | $1,107,350 | $1,593,866 | $2,234,178 |

### Changes in Assumptions – STRS

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

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

## NOTE 9 - LONG-TERM LIABILITIES

Changes in long-term liabilities are as follows:

| | Balance 7/1/2017 | Additions | Subtractions | Balance 6/30/2018 | Current Portion |
|---|---|---|---|---|---|
| Compensated Absences | $ 526,993 | $ 549,369 | $ 526,993 | $ 549,369 | $ - |
| Net OPEB Liability | 5,152,305 | - | 968,474 | 4,183,831 | - |
| Net Pension Liability | 21,406,514 | - | 5,820,061 | 15,586,453 | - |
| Note Payable | 914,648 | - | 86,421 | 828,227 | 87,505 |
| Total Long-Term Liabilities | $ 28,000,460 | $ 549,369 | $ 7,401,949 | $ 21,147,880 | $ 87,505 |

Note Payable

During fiscal year 2015, the College entered into an Energy Loan agreement with the Ohio Development Services Agency to upgrade certain building components to provide energy efficiencies and other improvements. The total borrowing amount authorized under this agreement is $1 million. Principal, interest and service fee payments are scheduled to be made semi-annually of $48,791.81. This note bears interest of 1% and the final payment is scheduled for January 1, 2027.

Maturity of outstanding debt is a follows:

| Fiscal Year Ending June 30, | Principal | Interest | Principal Balance |
|---|---|---|---|
| 2019 | 87,505.38 | 6,048.14 | 740,721.36 |
| 2020 | 88,602.62 | 5,389.80 | 652,118.74 |
| 2021 | 89,713.61 | 4,723.21 | 562,405.13 |
| 2022 | 90,838.54 | 4,048.25 | 471,566.59 |
| 2023 | 91,977.58 | 3,364.82 | 379,589.01 |
| 2024 | 93,130.89 | 2,672.84 | 286,458.12 |
| 2025 | 94,298.65 | 2,602.18 | 192,159.47 |
| 2026 | 95,481.07 | 1,262.73 | 96,678.40 |
| 2027 | 96,678.40 | 544.38 | - |
| | 828,226.74 | 30,656.35 | |

## NOTE 10 - OPERATING EXPENSES BY FUNCTION AND NATURAL CLASS

| | Payroll and Benefits | Supplies and Other Services | Utilities and Maintenance | Student Aid and Scholarships | Depreciation Expense | Other Expense | Total |
|---|---|---|---|---|---|---|---|
| Instruction | 3,364,173 | 621,724 | - | - | - | 232,798 | 4,218,695 |
| Academic support | 71,182 | 1,619 | 108,037 | - | - | 25,153 | 205,991 |
| Student services | 1,176,608 | 219,199 | 36,936 | 63,543 | - | 186,278 | 1,682,564 |
| Institutional support | 1,650,995 | 959,574 | 250,155 | - | - | 1,289,417 | 4,150,141 |
| Operation & maintenance of plant | 395,847 | 146,384 | 997,721 | - | - | 14,450 | 1,554,402 |
| Student aid | - | - | - | 1,058,974 | - | - | 1,058,974 |
| Public service | 380,327 | 79,008 | - | - | - | 162,447 | 621,782 |
| Depreciation | - | - | - | - | 1,629,312 | - | 1,629,312 |
| Total operating expenses | 7,039,132 | 2,027,508 | 1,392,849 | 1,122,517 | 1,629,312 | 1,910,543 | 15,121,861 |

## NOTE 11 - CONTINGENCIES

A. Federal and State Grants

The College participates in certain state and federally-assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. In the opinion of the College, no material grant disbursements will be disallowed.

B. Litigation

The College is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the College's counsel that resolutions of these matters will not have a material adverse effect on the financial condition of the College.

## NOTE 12 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft; damage to or destruction of assets; errors and omissions; employee injuries; and natural disasters. By maintaining comprehensive insurance coverage with private carriers, the College has addressed these various types of risk. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years. There has not been a significant reduction of coverage from the prior fiscal year.

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## NOTE 13 – IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2018, the College has implemented GASB Statement No. 81, Irrevocable Split-Interest Agreements, and GASB No. 86, Certain Debt Extinguishment Issues, and GASB Statement No. 85, Omnibus 2017, GASB 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 Statement No. 81 sets out to improve accounting and financial reporting for irrevocable split interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the College.

GASB 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/fund balance.

GASB Statement No. 86 sets out to improve consistency in 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 also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the College.

GASB 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

## NOTE 13 – IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION (Continued)

| | |
|---|---|
| Net Position June 30, 2017 | $7,603,625 |
| Adjustments: | |
| Net OPEB Liability | (5,152,305) |
| Deferred Outflow - Payments Subqequent to Measurement Date | 36,882 |
| Net Position June 30, 2017, Restated | $2,488,202 |

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

## NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION

### DESCRIPTION OF THE FOUNDATION

North Central State College Foundation, Inc. (the Foundation) financial statements have been prepared on an accrual basis of accounting, under the provisions of FASB Accounting Standards Codification (ASC) No. 958 “Not-for-Profit Entities”. The Foundation is a not-for-profit organization established in accordance with Section 501(c) (3) of the Internal Revenue Code. The Foundation operates under a Board of Trustees who is appointed, not to be less than twelve, but not to exceed forty members. The Foundation is organized primarily to engage in activities and programs to provide support and services to the North Central State College (the College).

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Contributions*
The Foundation reports unconditional promises to give, with payments due in future periods, as receivables and support in either unrestricted, temporarily restricted, or permanently restricted net assets as appropriate in the period received at their net present value. The accumulated discount of net present value of the pledge is accounted for as contribution income of the related class of net assets.  Conditional promises to give are not recorded as support until the condition upon which they depend has been substantially met by the Foundation.

*Financial Statement Presentation*
The Foundation reports amounts for each of three classes of net assets: unrestricted, temporarily restricted and permanently restricted, be presented in an aggregated statement of financial position and that the amounts of changes in each of those classes of net assets be presented in a statement of activities. This statement requires that resources be classified into three net asset categories according to donor-imposed restrictions. A description of each of the categories is as follows:

## NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION (Continued)

**Unrestricted Net Assets**
Assets which are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in temporarily or permanently restricted net assets.

**Temporarily Restricted Net Assets**
Assets which include gifts and pledges receivable for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds are not permanently restricted.

**Permanently Restricted Net Assets**
Assets that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. The income from these assets is included in the investment income of unrestricted and restricted funds, as appropriate, in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets.

When a donor restriction expires, that is, when a stipulated time restriction expires or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Revenues, Expenses, and Changes in Net Assets as net assets released from restrictions.

There are terminology differences due to the College implementing GASB Statements 63 and 65. During fiscal year 2013 the College implemented the above mentioned statements which resulted in a terminology change for reporting from the term “net assets” to “net position”. The Statements of Financial Position and the Statement of Activities use this terminology to be consistent with the College’s reporting. However, the terminology has not been changed in this footnote.

With the exceptions of the above mentioned presentation adjustments to conform to the College’s GASB reporting format, no modifications have been made to the Foundation’s financial information in the College’s financial report.

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

*Investments*
The Foundation reports investments in marketable securities with readily determined fair values and all investments in debt securities are reported at their fair values in the Statement of Net Assets. Unrealized gains and losses are included in the change in net assets. Investments of the unrestricted, temporarily restricted, and permanently restricted funds are pooled for making investment transactions and are carried at market value. Interest and dividend income, as well as realized and unrealized gains and losses, are allocated to unrestricted, temporarily restricted, and permanently restricted funds.

## NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION (Continued)

*Donated Service and Facilities*
The Foundation has no employees or property (other than cash and investments). Substantially all clerical and management duties are presently performed by business office personnel who are employees of North Central State College, utilizing equipment and facilities of North Central State College.

For accounting purposes, the value of facilities is considered immaterial and it has not been recognized in the financial statements. However, the value of the services provided by College personnel have been recognized in the Statement of Revenues, Expenses, and Changes in Net Assets as personnel reimbursement expenses as required by the accrual basis of accounting.

*Contributions Receivable*
Contributions received, including unconditional promises to give, are recognized as revenue by net asset class when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted. Conditional promises are recorded when donor stipulations are substantially met. The Foundation requires an initial minimum balance of $10,000 to establish a scholarship fund.

*Prepaid Expenses*
Certain payments to vendors for fundraising activities reflect costs applicable to future accounting periods and are recorded as prepaid items.

*Capital Assets*
Capital assets acquired by the Foundation consist of office equipment. All expenditures for capital assets in excess of $1,000 are capitalized. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets not to exceed ten years.

*Deferred Income*
Deferred income results from various fundraising activities. It represents amounts received from sponsors, vendors, and sales of admission tickets in advance. Deferred income is recognized as revenue in the period that the fundraising activity actually occurs.

*Estimates*
The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results may differ from those estimates.

## NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION (Continued)

### INVESTMENTS

The various investments in fixed income securities, mutual funds and other investment securities are exposed to various risks, such as interest rate, market fluctuations, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities could occur in the near term and those changes could materially affect the amounts reported in the financial statements.

At June 30, 2018, investments consisted of the following:

| | | Maturity | | | | | |
|---|---|---|---|---|---|---|---|
| | Market / Carrying Value | Less Than One Year | 1-2 years | 3-5 years | 6-7 Years | Various within Fund | No Maturity |
| Money Market Investments - US Government Obligations | $ 158,371 | $ 158,371 | $ - | $ - | $ - | $ - | $ - |
| Coporate Bonds | $ 88,289 | $ - | $ 14,986 | $ 73,303 | $ - | $ - | $ - |
| Mututal Funds - Fixed Income | $ 763,285 | $ 30,525 | $ 230,131 | $ 82,626 | $ 53,886 | $ 366,117 | $ - |
| Mutual Funds - Equity Securities | $ 1,878,719 | $ - | $ - | $ - | $ - | $ 1,878,719 | $ - |
| Common Stock | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| ADR / Foreign Equities | $ 876,649 | $ - | $ - | $ - | $ - | $ - | $ 876,649 |
| Perferred Stock | $ 62,953 | $ - | $ - | $ - | $ - | $ - | $ 62,953 |
| ADR / Foreign Preferred | $ 6,353 | $ - | $ - | $ - | $ - | $ - | $ 6,353 |
| REIT | $ 11,670 | $ - | $ - | $ - | $ - | $ 11,670 | $ - |
| Rights and Warrants | $ 22,806 | $ - | $ - | $ - | $ - | $ - | $ 22,806 |
| Marketable LLC | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Partnerships | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Total | $ 3,869,095 | $ 188,896 | $ 245,117 | $ 155,929 | $ 53,886 | $ 2,256,506 | $ 968,761 |

The Foundation determines the fair market values of its financial instruments based on the fair value hierarchy established in ASC No. 820, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the Foundation's own assumptions based on market data and on assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The Standard describes three levels within its hierarchy that may be used to measure fair value:

## NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION (Continued)

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

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

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

The fair value of investments held by the Foundation at June 30, 2018 is summarized as follows:

| Investment Type | Quoted Prices In Active Markets For Identical Assets (Level 1) | Significant Other Oberservable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|
| Money Market Investments - US Government Obligations | $ 158,371 | $ - | $ - |
| Coporate Bonds | $ 88,289 | $ - | $ - |
| Mututal Funds - Fixed Income | $ 763,285 | $ - | $ - |
| Mututal Funds - Equity Securities | $ 1,878,719 | $ - | $ - |
| ADR / Foreign Equities | $ 876,649 | $ - | $ - |
| Perferred Stock | $ 62,953 | $ - | $ - |
| ADR / Foreign Preferred | $ 6,353 | $ - | $ - |
| REIT | $ 11,670 | $ - | $ - |
| Rights and Warrants | $ 22,806 | $ - | $ - |
| Total | $ 3,869,095 | $ - | $ - |

### CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the financial statements as contributions receivable and contributions of the appropriate net asset category. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount rate on those amounts is computed using a risk free interest rate applicable to the years in which the promises are to be received. The discount rate used for the year ended June 30, 2018 was 3.25%. The amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until conditions of those promises have been met.

## NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION (Continued)

Contributions receivable consisted of the following at June 30, 2018:

Unconditional promises to give before unamortized discount and allowance for uncollectible contributions:

| | |
|---|---|
| Unrestricted | $5,280 |
| Temporarily restricted | 174,271 |
| Permanently restricted | 113,000 |
| Gross unconditional promises to give | 292,551 |
| Less: Unamortized discount | (12,434) |
| Less: Allowance for uncollectible contributions | (29,255) |
| Amounts due: | |
| Less than one year | $250,862 |

### TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by donors.

| | |
|---|---|
| Scholarships for Students | $120,028 |
| Grants | 0 |
| Other | 85,013 |
| Total Released Net Assets | $205,041 |

Temporarily and permanently restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Temporarily restricted net assets are available for the use of providing scholarships to the College's students, providing professional development funds to the College staff and for purchasing equipment for the benefit of the College. Permanently restricted net assets are restricted to investment in perpetuity and the income from which is expendable for scholarships to the College's students.

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## NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION (Continued)

The different types of temporarily restricted net assets are classified as follows:

| | |
|---|---|
| **Scholarships for Students:** | |
| ADA Ford Educ Aid | $ 8,181 |
| ADA Ford Summer Access | 40,602 |
| Alumni Association | 3,921 |
| Ambassador | 1,234 |
| Avita Health | 1,276 |
| Bennett | 2,930 |
| Brown Respiratory Care | 1,913 |
| Cardwell Neer | 1,290 |
| Carter Memorial | 4,974 |
| CC Project Fund | 500 |
| CDC Small Steps | 968 |
| Cobey | 2,323 |
| Coleman | 5,005 |
| College Project Fund | 14,240 |
| Crawford Cty Project Fund | 6,794 |
| Cress | 3,377 |
| Dewald | 4,190 |
| Diab | 1,156 |
| Double Dollars Campaign | 7,216 |
| Emerson | 13,564 |
| Equipment | 14,568 |
| Faculty | 1,863 |
| Forty Et Eight | 1,520 |
| Galion FOP | 3,600 |
| Garber | 3,673 |
| Gimbel Scholarship | 20,458 |
| Gimble - Health Chair | 131,659 |
| Gorman Fund | 64,638 |
| G-R Civic | 2,363 |
| G-R Rupp | 6,367 |
| Gubkin | 1,243 |
| Hahn | 343 |
| Haring | 5,568 |

## NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION (Continued)

| | |
|---|---|
| Innovation Fund | 171 |
| Jenko | 117,529 |
| Kroger | 5,609 |
| Mansfield University | 5,722 |
| Martin Speech | 1,591 |
| MIMA - Urban Center | 3,965 |
| NCSC Student Need Fund | 19,685 |
| Necessities | 40,209 |
| Necessities - Crawford | 18,007 |
| Necessities - Shelby | 19,102 |
| Necessities - Wayne | 9,070 |
| Nursing | 28,217 |
| Orange and Blue | 38,659 |
| Phillips E Troop | 3,503 |
| Phillips Fund | 5,846 |
| Plotts | 601 |
| President Emeritus | 2,507 |
| Preston | 3,754 |
| PTA Fund | 4,381 |
| Rable Machine Scholarship | 161 |
| Radiology Merit Scholarship | 1,091 |
| Restricted Projects | 70,983 |
| RMC | 3,964 |
| Scheaffer | 1,488 |
| Scholarships (General) | 32,950 |
| Searle - PTA | 15,191 |
| Searle - RN | 21,046 |
| Student Need Fund | 6,123 |
| Tech Prep | 571 |
| Title III | 2,297 |
| Tuition Freedom | 56,088 |
| Tuition Freedom - Shelby | 8,400 |
| Urban Center Fund | 59,307 |
| Vetter | 1,340 |
| Welsh | 7,764 |
| Women's Leadership | 1,260 |
| YES Entrepreneur | 5,261 |
| Temporarily Restricted | 105,568 |
| | 1,112,498 |

## NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION (Continued)

### PERMANENTLY RESTRICTED NET ASSETS

| **Endowed Scholarships for Students** | |
|---|---|
| ADA Ford Educ Aid | 20,000 |
| Alumni Association | 21,851 |
| Avita Health | 10,000 |
| Bennett | 21,028 |
| Brown Respiratory Care | 12,116 |
| Cardwell Neer | 10,175 |
| Carter Memorial | 31,267 |
| Chambers | 4,880 |
| Cobey | 19,201 |
| Coleman | 24,094 |
| Cress | 26,800 |
| Dewald | 42,979 |
| Diab | 14,365 |
| Emerson | 107,402 |
| Faculty | 12,572 |
| Forty Et Eight | 25,000 |
| Galion FOP | 13,376 |
| Garber | 29,835 |
| Gimble - Health Chair | 760,000 |
| G-R Civic | 22,463 |
| G-R Rupp | 56,661 |
| Gubkin | 11,263 |
| Hahn | 10,754 |
| Haring | 24,334 |
| Jenko | 699,933 |
| Kroger | 36,129 |
| Martin Speech | 12,824 |
| MIMA - Urban Center | 17,336 |
| Necessities | 148,030 |
| Necessities - Crawford | 54,950 |
| Necessities - Shelby | 62,166 |
| Necessities - Wayne | 26,275 |
| Nursing | 237,523 |
| Orange and Blue | 366,043 |
| Phillips | 48,000 |

## NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION (Continued)

| | |
|---|---|
| Phillips E Troop | 28,473 |
| Plotts Endowment | 10,000 |
| President Emeritus | 20,620 |
| Preston | 37,235 |
| PTA Fund | 34,374 |
| RMC | 29,797 |
| Searle - RN | 100,000 |
| Searle - PTA | 100,000 |
| Sheaffer | 11,658 |
| Tech Prep | 12,798 |
| Title III | 100,000 |
| Vetter | 12,125 |
| Welsh | 53,678 |
| YES Entrepreneur | 40,835 |
| Restricted Contributions | 132,568 |
| | 3,765,786 |

Interpretation of UPMIFA: The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization

**NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION (Continued)**

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. The Foundation had no such amounts totaled as of June 30, 2018.

| | | | | |
|---|---|---|---|---|
| Endowment Composition: | | | | |
| | | | | |
| Endowment Net Assets Composition by Type of Fund as of June 30, 2018 | | | | |
| | | | | |
| | Unrestricted Enndowment | Temporarily Restricted Endowment | Permenetly Restricted Endowment | Total Endowment |
| | | | | |
| Done-restricted endowment funds | $ - | $ - | $ 3,765,786 | $ 3,765,786 |
| Board-designated endowment funds | $ - | $ - | $ - | $ - |
| Total Funds | $ - | $ - | $ 3,765,786 | $ 3,765,786 |
| | | | | |
| | | | | |
| Change in Endowment Net Assets for the Fiscal Year Ended June 30, 2018 | | | | |
| | | | | |
| | Unrestricted Enndowment | Temporarily Restricted Endowment | Permenetly Restricted Endowment | Total Endowment |
| | | | | |
| Endowment net assets, beginning of year | $ - | $ - | $ 3,625,591 | $ 3,625,591 |
| Investment income, including realized and unrealized gains and losses | $ - | $ (5,117) | $ - | $ (5,117) |
| Contributioins | $ - | $ - | $ 140,195 | $ 140,195 |
| Appropriation of endowment assets for expenditure | $ - | $ 5,117 | $ - | $ 5,117 |
| Endowment net assets, end of year | $ - | $ - | $ 3,765,786 | $ 3,765,786 |

## NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION (Continued)

### RICHLAND COUNTY FOUNDATION

During 1991, the Foundation established a "Direct Fund" in which an irrevocable gift was made to the Richland County Foundation. This fund is identified by the Richland County Foundation as the North Central State College Foundation "Endowment Fund" and is subject to the provisions contained within the fund agreement dated December 31, 1991. This fund is the property of the Richland County Foundation, whereby, those funds will be held in perpetuity, and the investment income will be distributed to the Foundation annually to benefit the North Central State College. One of the provisions in this fund agreement, the variance power, concerns the power to vary some of the terms of the agreement. As defined by United States Treasury Regulations, the Richland County Foundation has the right to modify the terms of the fund agreement if in the judgment of the Richland County Foundation's Board of Trustees, the restrictions and conditions in the agreement become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

The portion of this fund contributed by the Foundation is considered a reciprocal transfer because the Foundation is also the beneficiary of this fund. This balance is shown on the Richland County Foundation's Statement of Financial Position as a liability called "Funds Held as Agency Endowments". This amounted to $350,000 at June 30, 2018.

Also, the portion of this fund contributed by unrelated third party donors is considered a contribution to the Richland County Foundation and is included in the net assets of Richland County Foundation. The amount recognized in the Statement of Financial Position of the Richland County Foundation at June 30, 2018 totaled $340,493.

### INCOME TAXES

The Foundation is a not-for-profit corporation as described in Section 501 (c) (3) of the Internal Revenue Code, and the organization is exempt from federal and state income taxes.

### RELATED PARTY

As previously described in Note 13, the Foundation is affiliated with the College. During the year ended June 30, 2018, the College provided the Foundation with professional services valued at $54,379. The value of those services is included as personnel reimbursement expenses in the financial statements.

During the year ended June 30, 2018, the Foundation provided scholarships and support to the College of $205,041.

# REQUIRED SUPPLEMENTARY INFORMATION

**North Central State College**

Required Supplementary Information

Schedule of the College's Proportionate Share of the Net Pension Liability

State Teachers Retirement System of Ohio

Last Five Fiscal Years (1)

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| College's Proportion of the Net Pension Liability | 0.04085127% | 0.04181508% | 0.04722145% | 0.05130503% | 0.05130503% |
| College's Proportionate Share of the Net Pension Liability | $9,704,307 | $13,996,768 | $13,050,628 | $12,479,159 | $14,792,503 |
| College's Covered-Employee Payroll | $4,434,771 | $4,293,236 | $4,331,450 | $5,394,746 | $5,599,092 |
| College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 218.82% | 326.02% | 301.30% | 231.32% | 264.19% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.30% | 66.80% | 72.10% | 74.70% | 69.30% |

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

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

See accompanying notes to the required supplementary information

**North Central State College**
Required Supplementary Information
Schedule of the College's Proportionate Share
of the Net Pension Liability
School Employees Retirement System of Ohio
Last Five Fiscal Years (1)

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| College's Proportion of the Net Pension Liability | 0.09844960% | 0.10123880% | 0.10861860% | 0.11448500% | 0.11448500% |
| College's Proportionate Share of the Net Pension Liability | $5,882,146 | $7,409,746 | $6,197,883 | $5,794,021 | $6,810,796 |
| College's Covered-Employee Payroll | $3,915,886 | $3,144,079 | $3,096,077 | $3,365,354 | $3,373,172 |
| College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 150.21% | 235.67% | 200.19% | 172.17% | 201.91% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 69.50% | 62.98% | 69.16% | 71.70% | 65.52% |

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

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

See accompanying notes to the required supplementary information

**North Central State College**

Required Supplementary Information

Schedule of College Contributions for Pension

State Teachers Retirement System of Ohio

Last Five Fiscal Years (1)

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Contractually Required Contribution | $577,057 | $620,868 | $601,053 | $606,403 | $701,317 |
| Contributions in Relation to the Contractually Required Contribution | (577,057) | (620,868) | (601,053) | (606,403) | (701,317) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 | $0 |
| College Covered-Employee Payroll | $4,121,836 | $4,434,771 | $4,293,236 | $4,331,450 | $5,394,746 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.00% | 14.00% | 14.00% | 14.00% | 13.00% |

(1) - Information prior to 2014 is not available

See accompanying notes to the required supplementary information

**North Central State College**

Required Supplementary Information

Schedule of College Contributions for Pension

School Employees Retirement System of Ohio

Last Five Fiscal Years (1)

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Contractually Required Contribution | $409,679 | $548,224 | $440,171 | $408,063 | $466,438 |
| Contributions in Relation to the Contractually Required Contribution | (409,679) | (548,224) | (440,171) | (408,063) | (466,438) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 | $0 |
| College Covered-Employee Payroll | $3,034,659 | $3,915,886 | $3,144,079 | $3,096,077 | $3,365,354 |
| Contributions as a Percentage of Covered-Employee Payroll | 13.50% | 14.00% | 14.00% | 13.18% | 13.86% |

(1) - Information prior to 2014 is not available

See accompanying notes to the required supplementary information

**North Central State College**

Required Supplementary Information

Schedule of the College's Proportionate Share of the Net OPEB Liability

State Teachers Retirement System of Ohio

Last Two Fiscal Years (1)

| | 2018 | 2017 |
|---|---|---|
| Proportion of the Net OPEB Liability | 0.04085127% | 0.04181508% |
| Proportionate Share of the Net OPEB Liability | $1,593,866 | $2,236,281 |
| College's Covered-Employee Payroll | $4,434,771 | $4,293,236 |
| Proportionate Share of the Net OPEB Liability as a Percentage of Covered Employee Payroll | 35.94% | 52.09% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 47.10% | 37.30% |

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

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

See accompanying notes to the required supplementary information

**North Central State College**

Required Supplementary Information

Schedule of the College's Proportionate Share

of the Net OPEB Liability

School Employees Retirement System of Ohio

Last Two Fiscal Years (1)

| | 2018 | 2017 |
|---|---|---|
| Proportion of the Net OPEB Liability | 0.09650590% | 0.10230332% |
| Proportionate Share of the Net OPEB Liability | $2,589,965 | $2,916,023 |
| College's Covered-Employee Payroll | $3,915,886 | $3,144,079 |
| Proportionate Share of the Net OPEB Liability as a Percentage of Covered Employee Payroll | 66.14% | 92.75% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 12.46% | 11.49% |

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

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

See accompanying notes to the required supplementary information

**North Central State College**
Required Supplementary Information
Schedule of College Contributions for OPEB
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1)

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Contractually Required Contributions | $0 | $0 | $0 |
| Contributions in Relation to the Contractually Required Contribution | 0 | 0 | 0 |
| Contribution Deficiency (Excess) | $0 | $0 | $0 |
| Covered Employee Payroll | $4,121,836 | $4,434,771 | $4,293,236 |
| Contributions as a Percentage of Covered-Employee Payroll | 0.00% | 0.00% | 0.00% |

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

See accompanying notes to the required supplementary information

**North Central State College**

Required Supplementary Information

Schedule of College Contributions for OPEB

School Employees Retirement System of Ohio

Last Three Fiscal Years (1)

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Contractually Required Contributions (2) | $44,149 | $36,882 | $50,515 |
| Contributions in Relation to the Contractually Required Contribution | (44,149) | (36,882) | (50,515) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 |
| Covered Employee Payroll | $3,034,659 | $3,915,886 | $3,144,079 |
| Contributions as a Percentage of Covered-Employee Payroll | 1.45% | 0.94% | 1.61% |

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information

## NOTE 1 – SERS CHANGE IN ASSUMPTIONS – NET PENSION LIABILITY

The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

## NOTE 2 – STRS CHANGE IN ASSUMPTIONS AND BENEFIT TERMS – NET PENSION LIABILITY

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

**Changes in Benefit Terms -** Effective July 1, 2017, the COLA was reduced to zero.

## NOTE 3 – SERS CHANGE IN ASSUMPTIONS – NET OPEB LIABILITY

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:

| | |
|---|---|
| Fiscal year 2018 | 3.56 percent |
| Fiscal year 2017 | 2.92 percent |

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

| | |
|---|---|
| Fiscal year 2018 | 3.63 percent |
| Fiscal year 2017 | 2.98 percent |

## NOTE 4 – STRS CHANGE IN ASSUMPTIONS – NET OPEB LIABILITY

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

The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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

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# North Central State College

Single Audit Reports

June 30, 2018

PLATTENBURG
Certified Public Accountants

## North Central State College

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**North Central State College**

*Schedule of Expenditures of Federal Awards*

*For the Fiscal Year Ended June 30, 2018*

| Federal Grantor/Pass Through Grantor Program Title | CFDA # | Pass Through Entity Number | Disbursements |
|---|---|---|---|
| **United States Department of Education** | | | |
| *Direct Awards:* | | | |
| Student Financial Assistance Cluster: | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | N/A | 94,388 |
| Federal Direct Student Loans | 84.268 | N/A | 2,025,437 |
| Federal Work-Study Program | 84.033 | N/A | 75,519 |
| Federal Pell Grant Program | 84.063 | N/A | 3,082,010 |
| *Total Federal Student Financial Assistance Cluster* | | | 5,277,354 |
| TRIO Cluster: | | | |
| TRIO - Student Support Services | 84.042 | N/A | 201,807 |
| *Total TRIO Cluster* | | | 201,807 |
| Higher Education Institutional Aid | 84.031 | N/A | 400,453 |
| *Passed Through the Office of Vocational & Adult Education:* | | | |
| Career and Technical Education - Basic Grants to States | 84.048 | 3L90 | 53,355 |
| Total United States Department of Education | | | 5,932,969 |
| **United States Department of Health and Human Services** | | | |
| *Direct Awards:* | | | |
| Head Start | 93.600 | N/A | 533,906 |
| Total United States Department of Health and Human Services | | | 533,906 |
| **United States Department of Labor** | | | |
| *Direct Awards:* | | | |
| Trade Adjustment Assistance Community College and Career Training Grants | 17.282 | N/A | 75,887 |
| Total United States Department of Labor | | | 75,887 |
| **United States Department of Agriculture** | | | |
| *Passed Through the Ohio Department of Education* | | | |
| Child and Adult Care Food Program | 10.558 | 3L80 | 22,495 |
| Total United States Department of Agriculture | | | 22,495 |
| **United States Department of Defense** | | | |
| *Direct Awards:* | | | |
| Science, Technology, Engineering & Mathematics (STEM) Education, Outreach and Workforce Program | 12.330 | N/A | 38,241 |
| Total United States Department of Defense | | | 38,241 |
| **United States Department of Commerce** | | | |
| *Direct Awards:* | | | |
| Economic Development Cluster: | | | |
| Economic Adjustment Assistance | 11.307 | N/A | 13,918 |
| *Total Economic Development Cluster* | | | 13,918 |
| Total United States Department of Commerce | | | 13,918 |
| Total Federal Financial Assistance | | | $6,617,416 |

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**NORTH CENTRAL STATE COLLEGE**
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**For the Fiscal Year Ended June 30, 2018**

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

The accompanying schedule of expenditures of federal awards includes federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The College did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

## NOTE 2: FEDERAL DIRECT STUDENT LOANS

The College participates in the Federal Direct Student Loan Program. The dollar amounts listed in the schedule of federal awards expenditures represents new loans advanced during the current fiscal year. The College is a direct lender of these loan funds; however the College is not responsible for collecting these loans in future periods.

| CFDA Number | Program Name | Amount |
|---|---|---|
| 84.268 | Federal Subsidized Loans | $ 1,188,176 |
| 84.268 | Federal Unsubsidized Loans | $ 837,261 |
| | Total Federal Direct Student Loans | $ 2,025,437 |

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

Board of Trustees
North Central State College, Richland County, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the North Central State College (the College), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated November 19, 2018, wherein we noted the College adopted GASB No. 75 as disclosed in Note 13.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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


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**Purpose of this Report**

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

Plattenburg & Associates, Inc.

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

PLATTENBURG
Certified Public Accountants

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

To the Board of Trustees
North Central State College, Richland County, Ohio

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on 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 of the College's internal control over compliance.


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

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

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

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

We have audited the financial statements of the business-type activities and the discretely presented component unit of the College, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated November 19, 2018, which contained unmodified opinions on those financial statements, wherein we noted the College adopted GASB No. 75 as disclosed in Note 13. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

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

**NORTH CENTRAL STATE COLLEGE**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**Year Ended June 30, 2018**

**Section I – Summary of Auditor's Results**

**Financial Statements**

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

**Federal Awards**

| | |
|---|---|
| Internal control over major federal programs: | |
| • Material weakness(es) identified? | No |
| • Significant Deficiency(s) identified? | None reported |
| Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| Identification of major federal programs: | |
| Student Financial Assistance Cluster 84.007, 84.033, 84.063, and 84.268 | |
| Dollar threshold used to distinguish between Type A and Type B Programs | $750,000 |
| Auditee qualified as low-risk auditee? | Yes |

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

None

**Section III – Federal Award Findings and Questioned Costs**

None

**NORTH CENTRAL STATE COLLEGE**
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**
**JUNE 30, 2018**

Summary of Prior Audit Findings:

None Noted.

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OHIO AUDITOR OF STATE
**KEITH FABER**

**NORTH CENTRAL STATE COLLEGE**

**RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**JANUARY 15, 2019**