Northwest State Community College

Basic Financial Statements

June 30, 2018

PLATTENBURG
Certified Public Accountants

Dave Yost · Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Northwest State Community College, Henry County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 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 Northwest State Community College is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

November 6, 2018

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NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY, OHIO

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Northwest State Community College (the College), a component unit of the State of Ohio, as of and for the year ended June 30, 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 above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 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.

8260 NORTHCREEK DRIVE, SUITE 330 / CINCINNATI, OH 45236 • (513) 891-2722 • FAX (513) 891-2760
TWO PRESTIGE PLACE, SUITE 240 / DAYTON, OH 45342 • (937) 433-0400 • FAX (937) 433-0429
www.plattenburg.com

Emphasis of Matters

As discussed in Note 16 to the financial statements, during the year ended June 30, 2018, the College adopted the provisions of Governmental Accounting Standards Board Statement 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 October 12, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 12, 2018

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
(UNAUDITED)

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

Structure of the Annual Report

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

Financial Highlights
The Statement of Net Position

Condensed Financial Information
Statement of Net Position

Assets:	**2018**	**2017**
Current & Other Assets	**$12,064,654**	**$10,371,300**
Capital Assets	**19,209,151**	**19,964,440**
Total Assets	**31,273,805**	**30,335,740**
Deferred Outflows of Resources	**6,213,915**	**6,585,630**
Liabilities		
Current Liabilities	**2,199,956**	**1,904,214**
Non-current Liabilities	**25,825,965**	**35,765,267**
Total Liabilities	**28,025,921**	**37,669,481**
Deferred Inflows of Resources	**2,757,350**	**261,516**
Net Position		
Invested in Capital Assets, Net of Related Debt	**19,209,151**	**19,957,950**
Restricted	**393,755**	**379,908**
Unrestricted	**(12,898,457)**	**(21,347,485)**
Total Net Position	**$6,704,449**	**$ (1,009,627)**

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.

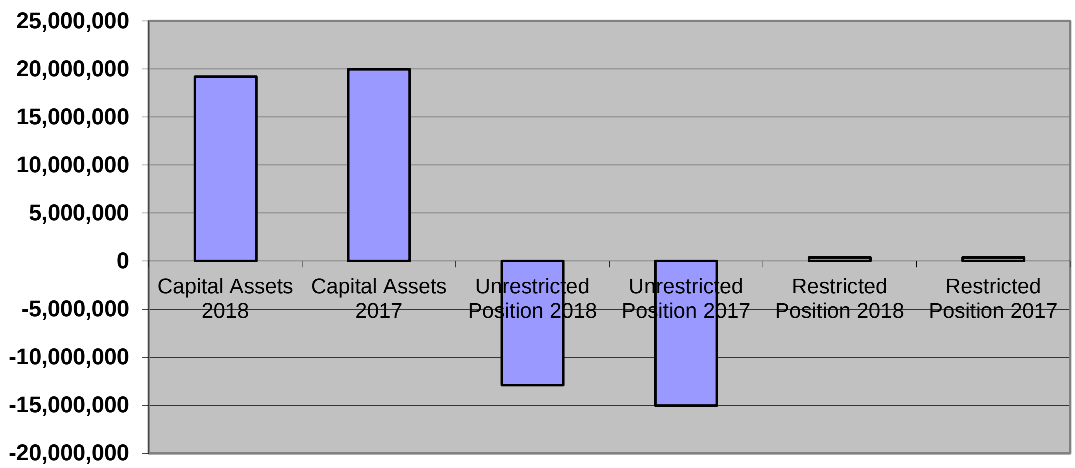
Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes 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 $5,286,140 to ($1,009,627).

This statement contains the College's assets, liabilities and net position for the fiscal years 2017 and 2018. The assets and the liabilities are reported using the accrual basis of accounting. The accrual basis allows the College to report the current year's revenues and expenses regardless of when the cash was received or paid out. This method of accounting is similar to the accounting methods used by the private business sector.

The net position of a governmental entity represents the entity's ownership in the assets. This graph presents the net position for the 2018 and 2017 fiscal years. From this presentation, the increases and decreases in the net position during the fiscal year of 2018 can be observed.



During fiscal year 2018 the College's net position in total increased $1,418,309 from $5,286,140 to $6,704,449 (26.83 percent). The net investment in capital assets decreased by $748,799 (3.75 percent) to a total of $19,209,151; the restricted net position increased by $13,847 (3.64 percent) to a total of $393,755; the unrestricted net position increased by $2,153,261 (14.31 percent) to a total of $(12,898,457).

The assets in the Statement of Net Position of a governmental entity represent the book value of the items employed by the College in its operations. The current assets increased by $1,509,667 (16.1 percent) for a total of $10,884,242. Included in this total is a $1,363,571 increase in cash and cash equivalents, $164,750 decrease in investments, $323,837 increase in accounts receivable, $15,445 decrease in inventories and $2,454 increase in prepaid expenses.

The non-current assets decreased by $571,602 (2.73 percent) for a total of $20,389,563. Included in this total is a $183,687 (18.43 percent) increase in investments, and $755,289 (3.78 percent) decrease in capital assets.

As of June 30, 2018 the College's investment with Huntington National Bank was fully vested and carrying a $4,016,334 investment in money markets and various other investments.

The liabilities in the Statement of Net Position of a governmental entity represent the difference between the assets and the net position. These amounts represent the obligations that the College owed to others. The College's total liabilities decreased by $3,325,047 (10.61 percent) to a total of $28,025,921. Included in this total is a $329,473 increase in accounts payable, $21,924 decrease in accrued liabilities, $6,490 decrease in Capital Lease Obligation, $4,184 (netted) decrease in compensated absence, a $17,845 decrease in unearned revenues and a $3,604,077 decrease in Net Pension Liability.

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

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

	2018	2017
Total Operating Revenue	**$13,896,462**	**$13,514,232**
Total Operating Expense	**20,662,933**	**28,755,960**
Operating Loss	**(6,766,471)**	**(15,241,728)**
Non-Operating Revenues/Expenses	**13,484,382**	**13,609,547**
Income Before Other Revenues, Gains and Losses	**6,717,911**	**(1,632,181)**
Total Other Revenue, Expenses, Gains or Losses	**996,165**	**1,185,537**
Change in Net Position	**7,714,076**	**(446,644)**
Net Position, Beginning of Year	**$ (1,009,627)**	**N/A**
Net Position, End of Year	**$ 6,704,449**	**$ (1,009,627)**

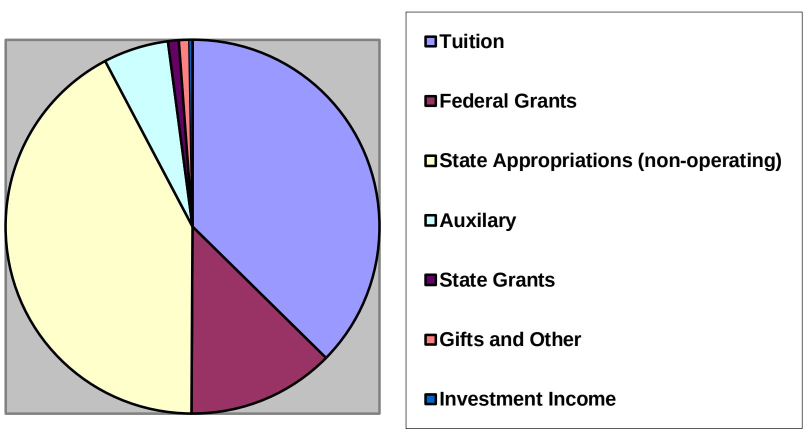
The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $22,746 computed under GASB 45. GASB 45 required recognizing 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 $527,841. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 operating expenses under GASB 75	$20,662,933
Negative OPEB expense under GASB 75	527,841
2018 contractually required contribution	35,965
Adjusted 2018 operating expenses	21,226,739
Total 2017 operating expenses under GASB 75	28,755,960
Change in operating expenses not related to OPEB	($7,529,221)

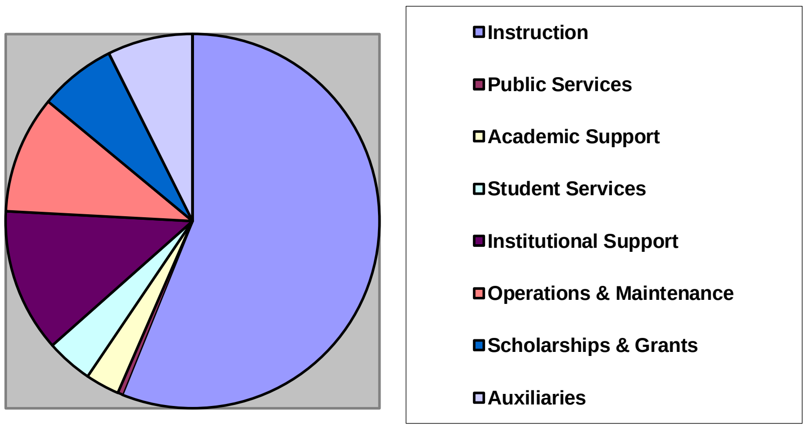
The statement reflects the various income and expense account balances for the 2017 and 2018 year.

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

Revenues:



Expenses:



The significant changes in the revenues between fiscal years 2017 and 2018 are stated below along with the rational for the changes. These changes include both the restricted and the unrestricted accounts:

* Total operating revenues increased by $382,230 (2.83 percent).

* Tuition and fees (net of scholarships) increased from $9,230,056 to $10,602,182 which represents an increase of $1,372,126, an increase of 14.87 percent. Overall full-time equivalent (FTE) enrollment declined by .15 percent however the college added new academic and student support fees of $336,903 and recorded $627,426 more tuition and fees due to less (net of scholarship) and increased Business and Industry training revenue by $450,904. The mix of FTE enrollment saw significant changes. Non-agency FTE declined 5.1 percent, agency FTE increased 7.0 percent and early admit FTE declined 13.1 percent.

* The investment income increased by $38,422 (101.69 percent). This number reflects higher returns in the Huntington Investment account due to an increase in the market conditions of the past year.

* The state grants and contracts decreased by $679,382 (72.27 percent). This is primarily the result of a decrease from FY 17 of $400,000 as the fiscal agent through a joint use agreement for the community project for the Napoleon Senior Center and a decrease of $391,809 for the Innovation grant award for the Advanced Manufacturing Training Center at the University of Toledo, Scott Park Campus and an increase of $77,627 for the STEM Public/Private Partnership grant award through the Ohio Department of Higher Education.

* Nongovernmental Gifts and Grants increased by $17,309 (77.42 percent). This is primarily due to being the recipient of $15,000 for the EASE (student services) grant and $7,272 for the LISC (Business and Industry training) grant.

* Contributions and fund raising decreased by $2,278 (82.84 percent). This reflects a decrease in donations to the college.

* Auxiliary enterprise decreased by $150,664 (8.63 percent). This reflects the declining traditional student enrollment along with the college efforts to reduce the textbook costs for students.

* Other operating revenues increased by $46,730 (40.23 percent). This reflects a $20,000 increase in other revenue from the RAPIDS grant partners, an increase of $4,524 for the Advanced Manufacturing Consortium, an increase of $6,415 for the Dean's Leadership Cluster and an increase of $3,592 from surplus fixture and furniture sales.

The significant changes in the expenses between fiscal years 2017 and 2018 are stated below along with the rationale for the changes. These changes include both the restricted and the unrestricted accounts.

* The total operating expenses decreased by $8,093,027 (28.14 percent).

* The expense for Education and General Instruction decreased by $4,689,153 (30.46 percent) primarily due to a decrease of $4,140,957 in the allocated proportionate share of net pension (GASB 68) and healthcare (GASB 75) liability expense.

* The expense for public service decreased by $426,998 (84.55 percent) due to $47,826 less received for the Manufacturing Enterprise Partnership grant and a decrease from FY 17 of $400,000 expense as fiscal agent for the Napoleon Senior Center community project.

* The expense for academic support decreased by $480,719 (46.29 percent) primarily due to a decrease of $375,303 in the allocated proportionate share of net pension (GASB 68) and healthcare (GASB 75) liability expense.

* The expense for student services decreased by $710,052 (48.2 percent) primarily due to a decrease of $675,388 in the allocated proportionate share of net pension (GASB 68) and healthcare (GASB 75) liability expense.

* The expense for institutional support decreased by $1,736,223 (42.38 percent). This was primarily due to a decrease of $1,319,201 in the allocated proportionate share of net pension (GASB 68) and healthcare (GASB 75) liability expense.

* Scholarships and Grants decreased by $195,322 (13.4 percent) as a result of the declining traditional financial aid eligible student enrollment.

* Auxiliary enterprises decreased by $384,933 (21.48 percent). This was primarily due to a decrease of $207,396 in the allocated proportionate share of net pension (GASB 68) and healthcare (GASB 75) liability expense along with bookstore and foodservice sales and

expenses being impacted by the declining traditional student enrollments and continuing efforts to find more affordable options for student textbooks.

* Northwest State Community College ended the year with an increase in net assets of $7,714,076 primarily due to a negative pension/OPEB expense of $5,741,559 related to the college's proportionate share of net pension (GASB 68) and healthcare (GASB 75) liability.

The Statement of Cash Flows

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

	2017-18	2016-17	Change
Cash flows from operating activities Net cash used by operating activities	$(12,260,563)	$(12,465,138)	$ 204,575
Cash flows from non-capital financing Net cash provided by noncapital financing activities	13,408,176	13,571,763	(163,587)
Cash flows from capital fin. activities Net cash used by capital financing activities	158,689	(1,444,090)	1,602,779
Cash flows from investing activities Net cash provided by investing activities	57,269	27,090	30,179
Net increase (decrease) in cash	1,363,571	(310,375)	1,673,946
Cash, Beginning of Year	$2,466,585	$2,776,960	$ (310,375)
Cash, End of Year	$3,830,156	$2,466,585	$ 1,363,571

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

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

Capital Assets

Capital assets, net of accumulated depreciation, totaled $19,209,151 at June 30, 2018, a net decrease of $755,289 from the prior year-end. Additions to capital assets during the year totaled $1,346,204 and disposals totaled $739,650 primarily due to the completion of the construction in progress for the renovation of building C. Depreciation expense for the year ended June 30, 2018 amounted to $1,592,765. More detailed information about the College's capital assets is presented in note 7 to the financial statements.

Long-Term Liabilities

As of June 30, 2018, the College's only long-term liability was compensated absences payable. The College has no debt outstanding at fiscal year end 2018. More detailed information about the College's long-term liabilities is presented in note 8 to the financial statements.

Economic factors that will affect the future:

Traditional student enrollment for summer 2018 and early fall 2018 is down 9.4%.

The College's support staff contract renewed 7/1/2018 for an additional three years until 6/30/2021 with strategic efforts being made to move all employees of the college to 90% of market rates.

The College was allocated $2.5 million in the State of Ohio capital funding process for 2017-2018 to be used for the renovation/addition of a welding/machine/fabrication shop separation and welding equipment upgrade at an expected cost of $2 million along with $500,000 for safety/security upgrades and access controls while both of these projects were started in FY 17-18 they will be completed in FY 18-19. Additionally, the College was allocated $2.3 million through the State of Ohio capital funding process for the 2019-2020 capital biennium for the renovation of Building B. Unfortunately, the original request for funding included adding an Innovation Center onto this building and full funding was not received, therefore FY 18-19 will be used to determine the strategic direction the college will move to raise the additional funds needed or how best utilize the funds allocated by the state.

The College was awarded a $2,248,760 Title III grant in October 2017 for five years to support the establishment of an advising center. The primary focus is to aid students in choosing their career pathway and creating an initial plan of study using guided pathways towards completion of their degree or certificate leading to transfer to a bachelor degree institution or employment in their field of study.

A partnership with JFS offices in Auglaize, Defiance, Henry, Paulding, Williams and Wood counties has funded two full-time positions to support workforce development and underprivileged youth in the region by identifying employment and training needs of employers and recruiting participants for educational and employment opportunities. This partnership will further enhance the Business and Industry revenue streams of the college.

Northwest State Community College
Henry County
Statement of Net Position
June 30, 2018

	Primary Institution Northwest State CC	Component Unit Northwest State Foundation	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	$ 3,830,156	$ 114,874	$ 3,945,030
Investments	2,835,922	-	2,835,922
Accounts Receivable, Net	3,748,966	35,662	3,784,628
Accounts Receivable (from NSCC FDA)	14,400	-	14,400
Inventories	415,064	-	415,064
Prepaid Expenses	39,734	-	39,734
Total Current Assets	10,884,242	150,536	11,034,778
Noncurrent Assets			
Investments	1,180,412	6,211,299	7,391,711
Capital Assets, Net	19,209,151	-	19,209,151
Total Noncurrent Assets	20,389,563	6,211,299	26,600,862
Total Assets	31,273,805	6,361,835	37,635,640
DEFERRED OUTFLOWS OF RESOURCES			
Other Postemployment Benefits	153,715	-	153,715
Pension	6,060,200	-	6,060,200
Total Deferred Outflows of Resources	6,213,915	-	6,213,915
LIABILITIES			
Current Liabilities			
Accounts Payable	967,489	580	968,069
Accounts Payable (from NSCC FDA)	-	14,400	14,400
Accrued Liabilities	314,821	-	314,821
Compensated Absences	322,966	-	322,966
Unearned Revenue	594,680	-	594,680
Total Current Liabilities	2,199,956	14,980	2,214,936
Noncurrent Liabilities			
Compensated Absences	702,477	-	702,477
Net Other Postemployment Benefits Liability	5,212,621	-	5,212,621
Net Pension Liability	19,910,867	-	19,910,867
Total Noncurrent Liabilities	25,825,965	-	25,825,965
Total Liabilities	28,025,921	14,980	28,040,901
DEFERRED INFLOWS OF RESOURCES			
Other Postemployment Benefits	673,054	-	673,054
Pension	2,084,296	-	2,084,296
Total Deferred Inflows of Resources	2,757,350	-	2,757,350
NET POSITION			
Net Investment in Capital Assets	19,209,151	-	19,209,151
Restricted for			
Nonexpendable			
Scholarships and Grants	452	1,023,419	1,023,871
Expendable			
Scholarships and Grants	14,529	5,103,297	5,117,826
Departmental Use	-	15,461	15,461
Loans	-	100,000	100,000
Capital Projects	366,061	28,885	394,946
Other	12,713	-	12,713
Unrestricted	(12,898,457)	75,793	(12,822,664)
Total Net Position	$ 6,704,449	$ 6,346,855	$ 13,051,304

See accompanying notes to the financial statements

Northwest State Community College
Henry County
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018

	Primary Institution Northwest State CC	Component Unit Northwest State Foundation	Total
REVENUES			
Operating Revenues			
Tuition, Fees, and Other Student Charges (Net of Scholarship Allowances of $1,689,100)	$ 10,602,182	$ -	$ 10,602,182
Federal Grants and Contracts	1,236,138	-	1,236,138
State Grants and Contracts	260,619	-	260,619
Nongovernmental Gifts and Grants	39,667	-	39,667
Contributions and Fund Raising	472	433,136	433,608
Auxiliary Enterprises			
Food Service	231,677	-	231,677
Bookstore (Net of Scholarship Allowances of $265,842)	1,362,810	-	1,362,810
Other Operating Revenues	162,897	-	162,897
Total Operating Revenues	13,896,462	433,136	14,329,598
EXPENSES			
Operating Expenses			
Education and General			
Instruction	10,704,363	77,595	10,781,958
Public Service	78,043	-	78,043
Academic Support	557,750	-	557,750
Student Services	763,008	-	763,008
Institutional Support	2,360,353	171,512	2,531,865
Operation and Maintenance of Plant	1,937,335	-	1,937,335
Scholarships and Grants	1,262,576	337,866	1,600,442
Total Educational and General	17,663,428	586,973	18,250,401
Auxiliary Enterprises	1,406,740	-	1,406,740
Depreciation	1,592,765	-	1,592,765
Total Operating Expenses	20,662,933	586,973	21,249,906
Operating Gain (Loss)	(6,766,471)	(153,837)	(6,920,308)
NONOPERATING REVENUES (EXPENSES)			
Federal Grants and Contracts	2,378,965	-	2,378,965
State Appropriations	11,029,211	-	11,029,211
Investment Income (Net of Investment Expense)	76,206	410,594	486,800
Net Nonoperating Revenue (Expenses)	13,484,382	410,594	13,894,976
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	6,717,911	256,757	6,974,668
State Capital Appropriations	940,219	-	940,219
Capital Grants and Gifts (From Northwest State Foundation)	134,216	-	134,216
Loss on Disposal of Assets	(78,270)	-	(78,270)
Change in Net Position	7,714,076	256,757	7,970,833
NET POSITION			
Net Position - Beginning of Year, As Previously Reported	5,286,140	6,090,098	11,376,238
Cumulative Effect of Accounting Change	(6,295,767)	-	(6,295,767)
Net Position - Beginning of Year, Restated	(1,009,627)	6,090,098	5,080,471
Net Position - End of Year	$ 6,704,449	$ 6,346,855	$ 13,051,304

See accompanying notes to the financial statements

Northwest State Community College
Henry County
Statement of Cash Flows
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	$ 10,056,569
Grants and Contracts	1,861,302
Contributions and Fund Raising	472
Payments to Suppliers	(11,134,342)
Payments for Utilities	(377,112)
Payments to Employees	(9,664,589)
Payments for Benefits	(3,300,120)
Payments for Scholarships and Grants	(1,330,266)
Auxiliary Enterprises	
Food Service	231,677
Bookstore	1,300,194
Other Receipts (Payments)	95,652
Net Cash Provided (Used) by Operating Activities	(12,260,563)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal Grants and Contracts	2,378,965
State Appropriations	11,029,211
Net Cash Provided by Noncapital Financing Activities	13,408,176
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
NSCC Foundation Payments to NSCC	134,216
Capital Appropriations	940,219
Purchases of Capital Assets	(915,746)
Net Cash Provided (Used) by Capital Financing Activities	158,689
CASH FLOWS FROM CAPITAL INVESTING ACTIVITIES	
Purchase of Investments	(18,937)
Interest on Investments	76,206
Net Cash Provided by Investing Activities	57,269
Net Increase (Decrease) in Cash and Cash Equivalents	1,363,571
Cash - Beginning of Year	2,466,585
Cash - End of Year	$ 3,830,156

Reconciliation of Net Operating Revenue (Expenses) to Net Cash Used By Operating Activities:	
Operating Loss	$ (6,766,471)
Adjustments to Reconcile Operating Loss to Net Cash Used By Operating Activities	
Depreciation Expense	1,592,765
Change in Assets and Liabilities	
Receivables, Net	(323,837)
Inventories	15,445
Prepaid Expenses	(2,454)
Deferred Outflows of Resources	371,715
Accounts Payable	322,983
Accrued Liabilities	(21,924)
Compensated Absences	(4,184)
Net OPEB Liability	(1,105,892)
Net Pension Liability	(8,816,698)
Deferred Inflows of Resources	2,495,834
Unearned Revenue	(17,845)
Net Cash Provided (Used) By Operating Activities	$ (12,260,563)

See accompanying notes to the financial statements

NOTE 1 – REPORTING ENTITY

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

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

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

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

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

During the year ended June 30, 2018, the Foundation made distributions of $134,216 to or on behalf of the College for both temporarily restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Business Office at 22600 State Route, Archbold, Ohio 43502. Specific disclosures relating to the component unit can be found in Note 17.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

Fiduciary funds are reported in the accompanying financial statements as accrued liabilities. The College's only fiduciary fund is the agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Northwest State maintains an agency fund for multiple NSCC Student Body Organizations and Black Swamp Safety Council. At June 30, 2018, the amounts held for the NSCC Student Body Organizations and Black Swamp Safety Council are $29,160 and $7,620 respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

B. Basis of Accounting

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

C. Cash and Cash Equivalents

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

D. Investments

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

E. Receivables

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

F. Inventories

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

G. Capital Assets

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

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

H. Restricted Assets

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

L. Net Position
The College's net assets are classified as follows:

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

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

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the department management system in place at the College. Of the $393,755 of restricted net position, none is restricted by enabling legislation.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Revenue and Expense Recognition

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

O. Budgetary Process

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

P. Income Taxes

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

Q. Use of Estimates

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

R. Component Unit Reporting

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

S. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the College, deferred outflows of resources are reported on the statement of net position. (See Note 11 and Note 12)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the College, deferred inflows of resources relate to pension and/or other postemployment benefits (OPEB). The amount is deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported in the statement of net position/OPEB. (See Note 11 and 12)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. 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 position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans investments at fair value.

NOTE 3 – STATE SUPPORT

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

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

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

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

Deposits: Custodial credit risk is the risk that in the event of bank failure, the College's deposits may not be returned to it. The College's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds. Ohio law requires that deposits either be insured or 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% of the deposits being secured; or

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

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

The College's fair value and distribution of investments as of June 30, 2018 are as follows:

	Market Value	Maturity Date	Interest Rate	Fair Value Hierarchy
Huntington Conservative Deposit	$1,344,627		1.75%	Level 2
US Treasury Notes & Bonds	196,313	02/29/20	1.40%	Level 1
US Treasury Notes & Bonds	495,625	04/30/19	1.26%	Level 1
FNMA	495,950	02/26/19	1.01%	Level 2
FHLB	242,016	10/25/21	1.86%	Level 2
FHLB	496,789	02/11/20	2.14%	Level 2
FHLMC	499,719	07/25/18	1.00%	Level 2
FHLMC	245,295	06/29/20	1.66%	Level 2
Total	$4,016,334			

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

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

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

Credit Risk- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. At June 30, 2018, the college's investments in US Government Agency were rated AA+ by Standard & Poor's. Its investments in money market funds were rated A-, by Standard and Poor's. The College's investment policy does not address credit risk beyond the requirements of State law.

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

The investment policy places no limit on the amount the College may invest in any one issuer. The College held 17.23% of its investments in US Treasury Notes and Bonds, 12.35% in FNMA, 18.39% in FHLB, 18.55% in FHLMC, and 33.48% in Money Market Funds.

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

At June 30, 2018 the carrying amount of the College's deposits was $3,826,669. Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, as of June 30, 2018 $5,541,982 of the College's bank balance of $5,792,439 was exposed to custodial credit risk as discussed above, while $250,457 is covered by FDIC.

NOTE 5 – RECEIVABLES

Receivables at June 30, 2018 were as follows:

	Gross Receivables	Allowance For Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 2,867,936	$ (76,004)	$ 2,791,932
Intergovernmental	444,607		444,607
Other	526,827		526,827
Total Current Receivables	$ 3,839,370	$ (76,004)	$ 3,763,366

NOTE 6 – DONOR RESTRICTED ENDOWMENTS

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

At June 30, 2018, there was no net appreciation on donor restricted assets available to be spent.

NORTHWEST STATE COMMUNITY COLLEGE
HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 7 – CAPITAL ASSETS

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

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Capital Assets, Non-Depreciable:				
Land	$ 176,657	$ -	$ -	$ 176,657
Contruction in Progress	441,840	353,034	(430,458)	364,416
Library Books	537,427	13,130	(78,270)	472,287
Art/Collections	1,103,765	-	-	1,103,765
Total Non-Depreciabl	2,259,689	366,164	(508,728)	2,117,125
Capital Assets, Depreciable:				
Buildings	32,332,109	12,487	-	32,344,596
General Infrastructure	2,444,361	-	-	2,444,361
Machinery and Equipment	4,978,448	861,178	(210,156)	5,629,470
Motor Vehicles	209,427	106,376	(20,765)	295,038
Totals	39,964,345	980,041	(230,921)	40,713,465
Less: Acumulated Deprecation:				
Buildings	(16,409,901)	(1,034,156)	-	(17,444,057)
General Infrastructure	(1,883,306)	(87,939)	-	(1,971,245)
Machinery and Equipment	(3,778,214)	(424,707)	210,156	(3,992,765)
Motor Vehicles	(188,174)	(45,963)	20,765	(213,372)
Totals	(22,259,595)	(1,592,765)	230,921	(23,621,439)
Total Capital Assets, Depreciable,	17,704,750	(612,724)	-	17,092,026
Capital Assets, Net	$ 19,964,439	$ (246,560)	$ (508,728)	$ 19,209,151

NOTE 8– LONG-TERM LIABILITIES

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

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Current Portion
Captial Lease Obligation	$ 6,490	$ -	$ (6,490)	$ -	$ -
Compensated Absenses	1,029,627	-	(4,184)	$ 1,025,443	322,966
Net Pension Liability	28,727,565	-	(8,816,698)	$ 19,910,867	
Net OPEB Liability	6,318,513	-	(1,105,892)	$ 5,212,621	-
Total Long-Term Liability	$ 36,082,195	$ -	$ (9,933,264)	$ 26,148,931	$ 322,966

NOTE 9 – LEASE OBLIGATIONS

Operating Lease Obligations – Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2018

Fiscal Year Ending June 30, 2018	Amount
2019	$ 27,446
2020	7,192
2021	-
2022	-
2023	-
	$ 34,638

Rental expenses for all operating leases during the year were $53,654.

NOTE 10 – OPERATING EXPENSES BY FUNCTION AND NATURAL CLASS

	Salaries & Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Instructional & Departmental Research	$ 3,458,589	$ -	$ -	$ 7,245,774	$ -	$ 10,704,363
Public Service	72,292	-	-	5,751	-	78,043
Academic Support	313,458	-	-	244,292	-	557,750
Student Services	564,093	-	-	198,915	-	763,008
Institutional Support	1,101,816	-	35,751	1,222,787	-	2,360,354
Operations & Maintenance	209,004	-	341,361	1,386,969	-	1,937,334
Scholarships & Grants	-	1,262,576	-	-	-	1,262,576
Auxillary Enterprises	173,221	-	-	1,233,519	-	1,406,740
Depreciation	-	-	-	-	1,592,765	1,592,765
Totals	$ 5,892,473	$1,262,576	$377,112	$ 11,538,007	$ 1,592,765	$ 20,662,933

NOTE 11 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS (CONTINUTED)

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30 or $86.00 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 retires 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 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5% was allocated to the Health Care Fund.

The College's contractually required contribution to SERS was $544,031 for fiscal year 2018. Of this amount $60,327 is reported as accrued liabilities.

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.

NOTE 11 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation 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 year of qualifying service credit, or 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 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions 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 services. 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.

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 that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

NOTE 11 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 percent 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 $733,485 for fiscal year 2018. Of this amount $0 is reported as accrued liabilities.

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	$7,491,477	$12,419,390	$19,910,867
Proporation of the Net Pension Liability			
Current Measurement Date	0.12538500%	0.05228069%	
Prior Measurement Date	0.13136910%	0.05709841%	
Change in Proporationate Share	-0.00598410%	-0.00481772%	
Pension Expense	(314,935)	(4,898,783)	(5,213,718)

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and			
Actual Experience	$322,407	$479,579	$801,986
Changes of Assumptions	387,390	2,716,257	3,103,647
Changes in Employer Proportionate Share of			
Net Pension Liability	316,888	560,164	877,052
Contributions Subsequent to the			
Measurement Date	544,031	733,485	1,277,516
Total Deferred Outflows of Resources	$1,570,716	$4,489,485	$6,060,201
Differences between Expected and			
Actual Experience	$0	$100,095	$100,095
Net Difference between Projected and Actual			
Earnings on Pension Plan Investments	35,560	409,854	445,414
Changes in Employer Proportionate Share of			
Net Pension Liability	407,918	1,130,869	1,538,787
Total Deferred Inflows of Resources	$443,478	$1,640,818	$2,084,296

$1,277,516 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:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$254,152	$464,171	$718,323
2020	465,158	1,206,022	1,671,180
2021	38,538	228,027	266,565
2022	(174,641)	216,962	42,321
Total	$583,207	$2,115,182	$2,698,389

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 11 – 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 11 – 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%)
College's proportionate share of the net pension liability	$10,396,223	$7,491,477	$5,058,159

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.

NOTE 11 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.

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:

NOTE 11 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Proportionate share of the net pension liability	$17,802,773	$12,419,390	$7,884,697

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 12 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

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.

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.

NOTE 12 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (CONTINUTED)

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 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 $15,816.

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 $35,965 for fiscal year 2018. Of this amount $0 is reported as accrued liabilities.

NOTE 12 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (CONTINUTED)

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.

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	$3,172,822	$2,039,800	$5,212,622
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.11822400%	0.05228069%	
Prior Measurement Date	0.12358142%	0.05709841%	
Change in Proportionate Share	-0.00535742%	-0.00481772%	
OPEB Expense	$94,596	($622,437)	($527,841)

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

NOTE 12 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (CONTINUTED)

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$117,750	$117,750
Contributions subsequent to the measurement date	35,965	0	35,965
Total Deferred Outflows of Resources	$35,965	$117,750	$153,715
Deferred Inflows of Resources			
Changes of assumptions	$301,084	$164,312	$465,396
Net difference between projected and actual earnings on pension plan investments	8,379	87,186	95,565
Changes in employer proportionate share of net penson liability	112,093	0	112,093
Total Deferred Inflows of Resources	$421,556	$251,498	$673,054

$35,965 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:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	($151,797)	($29,557)	($181,354)
2020	(151,797)	(29,557)	(181,354)
2021	(115,868)	(29,557)	(145,425)
2022	(2,094)	(29,557)	(31,651)
2023	0	(7,760)	(7,760)
Thereafter	0	(7,760)	(7,760)
Total	($421,556)	($133,748)	($555,304)

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.

NOTE 12 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (CONTINUTED)

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:

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.

NOTE 12 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (CONTINUTED)

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:

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%	

NOTE 12 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (CONTINUED)

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.

	1% Decrease 2.63%	Current Discount Rate 3.63%	1% Increase 4.63%
Proportionate share of the net OPEB liability	$3,831,586	$3,172,822	$2,650,912

	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	$2,574,507	$3,172,822	$3,964,701

NOTE 12 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (CONTINUTED)

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.

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.

NOTE 12 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (CONTINUTED)

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:

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.

NOTE 12 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (CONTINUTED)

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.

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	$2,738,398	$2,039,800	$1,487,678

	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB liability	$1,417,165	$2,039,800	$2,859,259

NOTE 12 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS (CONTINUTED)

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 13– LEGAL COMPLIANCE

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

NOTE 14 – RISK MANAGEMENT

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

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

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

NOTE 14 – RISK MANAGEMENT (CONTINUED)

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

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

NOTE 15 – GROUP PURCHASING POOLS

Northern Buckeye Health Plan (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the College to NBHP for employee insurance benefits during this fiscal year were $1,538,634. Financial information can be obtained from Northern Buckeye Educational Council, Robin Pfund, who serves as treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

The College participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the College paid an administrative fee of $0 to the NBEC to cover the costs of administering the program.

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2018, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 85, Omnibus 2017, 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 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 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 16 – CHANGE IN ACCOUNTING PRINCIPLES (CONTINUED)

Net Position June 30, 2017	$5,286,140
Adjustments:	
Net OPEB Liability	(6,318,513)
Deferred Outflow - Payments Subqequent to Measurement Date	22,746
Net Position June 30, 2017, Restated	($1,009,627)

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 17 – COMPONENT UNIT DISCLOSURES – NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION

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

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

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

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

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

For accounting purposes, the value of facilities is considered immaterial and it has not been recognized in the financial statements. However, the value of the services provided by the college personnel in the amount of $77,215 have been recognized in the statement of activities as supporting revenue and as “In-Kind” supporting expense as required by ASC 958-25.

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

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

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

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

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

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

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

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

SUBSEQUENT EVENTS - Management has evaluated events and transactions from June 30, 2018 through October 12, 2018, for possible recognition or disclosure in these financial statements. This date is the date these financials were available to be issued. Management concluded there were no subsequent events that required recognition or disclosure.

MARKETABLE SECURITIES

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

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

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

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

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

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

	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observ-able Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds:			
DFA Emerging Markets (DFCEX)	279,421	-0-	-0-
DFA International Core (DFIEX)	833,721	-0-	-0-
DFA International Real Estate (DFITX)	180,829	-0-	-0-
DFA Real Estate (DFREX)	184,216	-0-	-0-
DFA U.S. Core Equity 2 (DFQTX)	2,243,363	-0-	-0-
DFA Five Year Global Fixed (DFGBX)	382,480	-0-	-0-
DFA Short Duration Real (DFAIX)	378,034	-0-	-0-
DFA Short Term Extended (DFEQX)	348,179	-0-	-0-
DFA Targeted Credit (DTCPX)	384,468	-0-	-0-
Vanguard Interm Term (VFIDX)	341,855	-0-	-0-
Vanguard Short Term Investment (VFSTX)	289,354	-0-	-0-
Vanguard Short Term Bond (VBIRX)	365,379	-0-	-0-
Total	$6,211,299	$-0-	$-0-

INVESTMENT RETURN

Cash and Cash Equivalents and Marketable Securities:

	Total
Interest and Dividend Income	$ 143,018
Net unrealized gain	267,576
Total investment return	$ 410,594

PLEDGES RECEIVABLE

Unconditional promises to give are valued at fair value based on the criteria in Note 2. Unconditional promises to give are discounted based on the Foundation's current total investment return on its investment portfolio, but are not discounted below zero. Total unamortized discount is $2,059 as of June 30, 2018. No allowance for uncollectible promises to give is considered necessary.

The fair value of the Foundation's unconditional promises to give as of June 30, 2018 is as follows:

	Level 1	Level 2	Level 3
Less than one year	$ 0	$ 30,362	$ 0
One to five years	0	0	0
Total	$ 0	$ 30,362	$ 0

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

RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes after June 30, 2018:

Student scholarships	$ 5,103,297
Loan funds	100,000
Technology programs	0
Capital Projects	44,346
Operating expenses	0
	$ 5,247,643

Permanently restricted net assets consist of endowment funds to be held indefinitely, income from which is to be used for scholarships. At June 30, 2018 endowments totaled $1,023,419.

DONOR RESTRICTED ENDOWMENTS

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

Changes in foundation fund net assets for the fiscal year ended June 30, 2018 are as follows:

Donor Restricted Endowment Fund			
	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Foundation Fund Net Assets, Beginning of Year	$ 260,751	$ 998,100	$1,258,851
Contributions	-	25,319	25,319
Net Unrealized Gain on Investment	51,059	-	51,059
Interest and Dividend Income	27,290	-	27,290
Investment Advisory Fees	(8,904)	-	(8,904)
Amounts Appropriated for Expenditure	(78,704)	-	(78,704)
Other Changes	(8,039)	-	(8,039)
Change in Foundation Fund Net Assets	(17,298)	25,319	8,021
Foundation Fund Net Assets End of Year	$ 243,453	$ 1,023,419	$1,266,872

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

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or Uniform Prudent Management of Institutional Funds Act (Ohio Revised Code §§ 1715.51 to 1715.59, hereafter UPMIFA) requires the Foundation to retain as a fund of perpetual duration. There were no fund deficiencies as of June 30, 2018.

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

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

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

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

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

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

Northwest State Community College
Henry County
Last 10 Fiscal Years*
Schedule of the College's Proportionate Share of the Net Pension Liability - STRS
June 30, 2018

	2018	2017	2016	2015
Proportion of the Net Pension Liability	0.05228069%	0.05709841%	0.05384952%	0.05378622%
Proportionate Share of the Net Pension Liability	$ 12,419,390	$ 19,112,559	$ 14,882,432	$ 13,082,670
College's Covered - Employee Payroll	$ 5,731,293	$ 6,222,653	$ 5,895,761	$ 5,768,749
Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	216.69%	307.14%	252.43%	226.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%

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

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

See accompanying notes to the required supplementary information

Northwest State Community College
Henry County
Last 10 Fiscal Years
Schedule of the College's Pension Contributions - STRS
June 30, 2018

	2018	**2017**	**2016**
Contractually Required Contributions	$ 733,485	$ 802,381	$ 844,414
Contributions in Relation to the Contractually Required Contributions	(733,485)	(802,381)	(844,414)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Employee Payroll	$ 5,239,179	$ 5,731,293	$ 6,220,393
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.57%

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010	2009
$ 790,351	$ 752,236	$ 825,697	$ 878,573	$ 945,005	$ 874,775	$ 796,814
(790,351)	(752,236)	(825,697)	(878,573)	(945,005)	(874,775)	(796,814)
$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 5,834,868	$ 5,377,620	$ 5,891,576	$ 6,268,804	$ 6,742,823	$ 6,241,400	$ 5,684,527
13.55%	13.99%	14.01%	14.02%	14.01%	14.02%	14.02%

Northwest State Community College
Henry County
Last 10 Fiscal Years*
Schedule of the College's Proportionate Share of the Net Pension Liability - SERS
June 30, 2018

	2018	2017	2016	2015
Proportion of the Net Pension Liability	0.12538500%	0.13136910%	0.11955920%	0.12824300%
Proportionate Share of the Net Pension Liability	$ 7,491,477	$ 9,615,006	$ 6,822,164	$ 6,490,305
College's Covered - Employee Payroll	$ 4,196,821	$ 4,271,333	$ 3,401,990	$ 3,747,635
Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	178.50%	225.11%	200.53%	173.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%

* Fiscal year 2015 was the first year of implementation, therefore only four years are presented.
Note - Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Northwest State Community College
Henry County
Last 10 Fiscal Years
Schedule of the College's Pension Contributions - SERS
June 30, 2018

	2018	2017	2016
Contractually Required Contributions	$ 544,031	$ 587,555	$ 607,810
Contributions in Relation to the Contractually Required Contributions	(544,031)	(587,555)	(607,810)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Employee Payroll	$ 4,029,859	$ 4,196,821	$ 4,271,333
Contributions as a Percentage of Covered-Employee Payroll	13.50%	14.00%	14.23%

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010	2009
$ 531,885	$ 551,132	$ 577,671	$ 643,044	$ 628,173	$ 566,935	$ 512,181
(531,885)	(551,132)	(577,671)	(643,044)	(628,173)	(566,935)	(512,181)
$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 3,773,285	$ 3,930,425	$ 4,018,643	$ 4,585,551	$ 4,476,319	$ 4,039,003	$ 3,752,876
14.10%	14.02%	14.37%	14.02%	14.03%	14.04%	13.65%

Northwest State Community College
Henry County
Last 10 Fiscal Years*
Schedule of the College's Proportionate Share of the Net OPEB Liability - STRS
June 30, 2018

	2018	2017
Proportion of the Net OPEB Liability	0.05228069%	0.05709841%
Proportionate Share of the Net OPEB Liability	$ 2,039,800	$ 2,795,985
College's Covered - Employee Payroll	$ 5,731,293	$ 6,220,393
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Employee Payroll	35.59%	44.95%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

* Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

Northwest State Community College
Henry County
Last 10 Fiscal Years*
Schedule of the College's OPEB Contributions - STRS
June 30, 2018

	2018	2017	2016
Contractually Required Contributions	$ -	$ -	$ -
Contributions in Relation to the Contractually Required Contribution	$ -	$ -	$ -
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Employee Payroll	$ 5,239,179	$ 5,731,293	$ 6,220,393
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%

* Information prior to 2016 is not available.

See accompanying notes to the required supplementary information

Northwest State Community College
Henry County
Last 10 Fiscal Years*
Schedule of the College's Proportionate Share of the Net OPEB Liability - SERS
June 30, 2018

	2018	2017
Proportion of the Net OPEB Liability	0.11822400%	0.12358143%
Proportionate Share of the Net OPEB Liability	$ 3,172,822	$ 3,522,528
College's Covered - Employee Payroll	$ 4,196,821	$ 4,271,333
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Employee Payroll	75.60%	82.47%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

* Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

Northwest State Community College
Henry County
Last 10 Fiscal Years*
Schedule of the College's OPEB Contributions - SERS
June 30, 2018

	2018	2017	2016
Contractually Required Contributions (1)	$ 35,965	$ 22,746	$ 21,570
Contributions in Relation to the Contractually Required Contribution	$ (35,965)	$ (22,746)	$ (21,570)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Employee Payroll	$ 4,029,859	$ 4,196,821	$ 4,271,333
Contributions as a Percentage of Covered-Employee Payroll	0.89%	0.54%	0.50%

* Information prior to 2016 is not available.
(1) 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.

Northwest State Community College

Single Audit Reports

June 30, 2018

PLATTENBURG
Certified Public Accountants

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

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
United States Department of Education			
Direct from Federal Agency			
Student Financial Aid Cluster:			
Federal Work Study Program	NA	84.033	$ 44,877
Federal Supplemental Educational Opportunity Grants	NA	84.007	41,623
Federal Direct Loans	NA	84.268	2,366,576
Federal Pell Grant Program	NA	84.063	2,292,465
Total Student Financial Aid Cluster			4,745,541
Higher Education Institutional Aid	NA	84.031	159,837
Passed through the Ohio Department of Education			
Career and Technical Education: Basic Grants to States	3L90	84.048	78,172
Total United States Department of Education			4,983,550
United States Department of Commerce			
Passed through the Center for Innovative Food Technology			
Manufacturing Extension Partnership	NA	11.611	155,031
Total United States Department of Commerce			155,031
United States Department of Defense			
Direct from Federal Agency			
GenCyber Grants Program	NA	12.903	26,708
Total United States Department of Defense			26,708
United States Department of Health & Human Services			
Direct from Federal Agency			
TANF Cluster:			
Temporary Assistance for Needy Families	NA	93.558	70,075
Total TANF Cluster			70,075
Total United States Department of Health & Human Services			70,075
United States Department of Labor			
Direct from Federal Agency			
Trade Adjustment Assistance Community College and Career Training Grants	NA	17.282	680,505
Total United States Department of Labor			680,505
National Science Foundation			
Direct from Federal Agency			
Education & Human Resources	NA	47.076	65,810
Total National Science Foundation			65,810
Total Federal Financial Assistance			$ 5,981,679

See accompanying notes to the Schedule of Expenditures of Federal Awards

Northwest State Community College
Henry County
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FEDERAL DIRECT STUDENT LOANS

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

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

CFDA Number	Program Name	Amount	
84.268	Federal Subsidized Loans	$	1,606,661
84.268	Federal Unsubsidized Loans	$	736,820
84.268	Federal Plus Loans	$	23,095
	Total Federal Direct Student Loans	$	2,366,576

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Northwest State Community College (the College), a component unit of the State of Ohio, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 12, 2018, wherein we noted the College adopted GASB No. 75 as disclosed in Note 16.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 12, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited the Northwest State Community College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 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 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.

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 October 12, 2018, which contained unmodified opinions on those financial statements, wherein we noted the College adopted GASB No. 75 as disclosed in Note 16. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 12, 2018

NORTHWEST STATE COMMUNITY 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:

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

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

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

None

Section III – Federal Award Findings and Questioned Costs

None

NORTHWEST STATE COMMUNITY COLLEGE
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2018

Summary of Prior Audit Findings:

None Noted

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NORTHWEST STATE COMMUNITY COLLEGE

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 20, 2018

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov