North Central State College

Basic Financial Statements

June 30, 2017

PLATTENBURG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

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Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 1, 2017

The Management's Discussion and Analysis (MD&A) of the financial condition of North Central State College (hereafter referred to as the College) provides an overview of the financial performance for the year ended June 30, 2017. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes.

Financial Highlights

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

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. State appropriations are classified as non-operating revenues. The College generated an operating loss. For fiscal year 2017, the College had an increase in net position of $2,036,995 after including net non-operating revenue. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

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

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

The Statement of Net Position

Condensed Financial Information
Statement of Net Position

	2017	2016
Current Assets	$10,293,766	$9,207,151
Non-current Assets	23,219,474	23,295,156
Deferred Outflows	4,102,514	2,854,871
Total Assets and Deferred Outflows	37,615,754	35,357,178
Current Liabilities	4,833,300	5,243,335
Non-current Liabilities	22,761,733	20,774,346
Deferred Inflows	2,417,096	3,772,867
Total Liabilities and Deferred Inflows	30,012,129	29,790,548
Net Position		
Net Investment in Capital Assets	20,782,053	21,116,390
Unrestricted	(13,178,428)	(15,549,760)
Total Net Position	$7,603,625	$5,566,630

Assets and Deferred Outflows

As of June 30, 2017, the College's total assets and deferred outflows amounted to $37,615,754. Capital assets, net of related depreciation totaled $20,782,053, represented the College's largest asset. Student accounts receivable of $4,552,451 was the College's second largest asset. Unrestricted cash and cash equivalents including investments totaling $4,967,309 represented the next largest asset.

Liabilities and Deferred Inflows

At June 30, 2017, the College's liabilities and deferred inflows totaled $30,012,129, comprised of current liabilities of $4,746,878 and non-current liabilities totaling $22,848,155. Unearned tuition and fees represented $3,877,301 of liabilities and deferred inflows. Total liabilities and deferred inflows increased during the year ended June 30, 2017 by $221,580. This increase is mainly attributable to the Net Pension Liability.

Net Position

Unrestricted net position at June 30, 2017 totaled $(13,178,428). Net investment in capital assets totaled $20,782,053. Total net position increased by $2,036,995 during the year ended June 30, 2017.

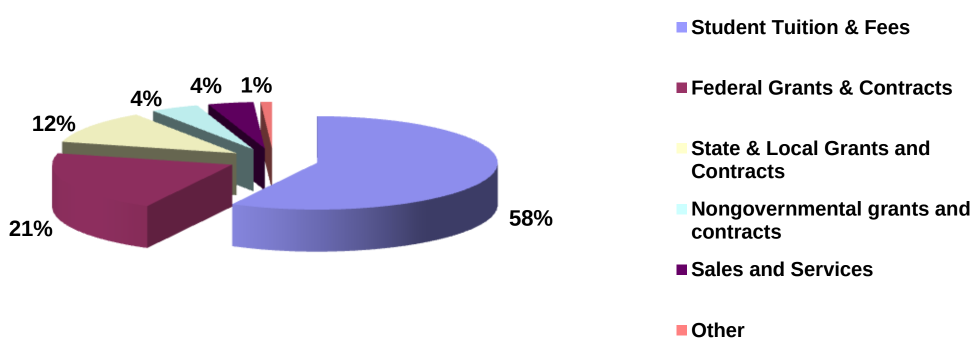
The Statement of Revenues, Expenses, and Changes in Net Position

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

	2017	2016
Total Operating Revenues	$10,852,643	$12,431,199
Total Operating Expenses	20,749,217	23,153,599
Operating Loss	(9,896,574)	(10,722,400)
Non-Operating Revenues (Expenses)	10,732,077	11,287,250
Capital Appropriations	1,201,492	2,089,806
Increase (Decrease) in Net Position	2,036,995	2,654,656
Net Position, Beginning of Year	5,566,630	2,911,974
Net Position, End of Year	$7,603,625	$5,566,630

Operating Revenues

Total operating revenues were $10,852,643 for the year ended June 30, 2017. The most significant sources of operating revenue for the College are net student tuition and fees, 58 percent, federal grants and contracts, 21 percent, nongovernmental grants and contracts, 4 percent, and state and local grants and contracts, 12 percent. It is important to note that tuition and fees appear net of scholarship allowances of $3,688,977. Total operating revenues decreased by $1,578,556 due mainly to the decrease in tuition and fees and non-government grants.

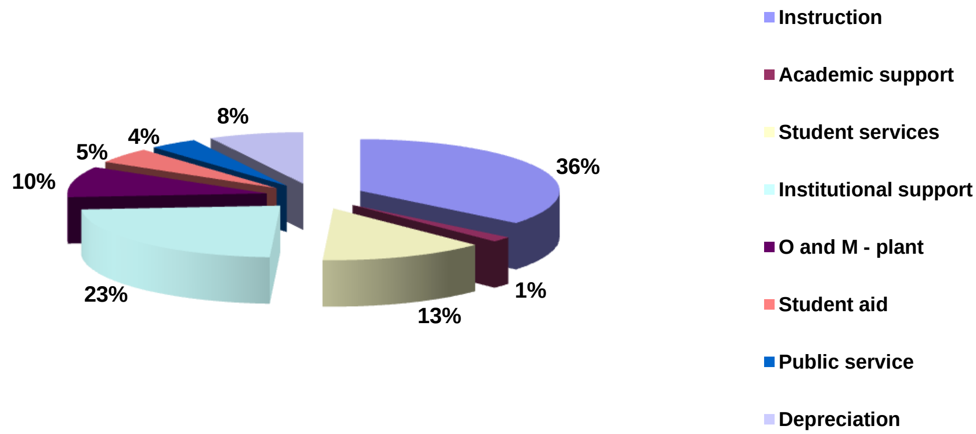


Non-operating Revenues

The other significant recurring sources of revenue essential to the operation of the College are state appropriations and some federal grants and contracts, which are considered non-operating revenue. The College's state appropriation for the fiscal year ended June 30, 2017, amounted to $7,682,431. This represents an increase of $93,064 from the College's appropriation for the prior year.

Operating Expenses

Operating expenses totaled $20,749,217. The majority of the College's operating funds are expended directly for the primary mission of the College instruction, 36 percent, academic support, 1 percent, and institutional support, 23 percent. For the year ended June 30, 2017, student aid totaled $1,003,684 or 5 percent. Operating expenses decreased $2,404,382 from prior year.



The Statement of Cash Flows

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

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

Major sources of cash inflows included in operating activities are grants and contracts $4,623,002 and student tuition and fees $6,439,187. The largest cash outflows for operating activities were to employees, for wages and benefits, $13,208,510, for student aid, $1,109,181, for utilities and maintenance, $1,680,655, and to suppliers, $2,107,136.

The largest cash receipts in the non-capital financing activities group are the non-operating appropriation from the State of Ohio, $7,682,431.

Capital Assets

Capital assets, net of accumulated depreciation, totaled $20,782,053 at June 30, 2017, a net decrease of $334,337 from the prior year-end. Depreciation expense for the year ended June 30, 2017 amounted to $1,599,921. More detailed information about the College's capital assets is presented in Note 5 to the financial statements.

Debt

As of June 30, 2017, the College had $914,648 in notes payable, $86,422 is due within one year.

Factors Impacting Future Periods

The College continues to remain prudent, conservative, and strategic in managing institutional resources to achieve its goals of providing educational services to the North Central Ohio region. The College over the next year will continue to rely mostly on enrollment demand and state support, as these two represent the most significant drivers of the College's revenue base, along with wise and effective resource planning and management.

The overall outlook for the U.S. Higher Education sector, per Moody's Investors Services, remains stable for 2017. This optimism however is tempered by the continuing pressures on the higher education sector for affordability and accountability that continue to hamper institutions' ability to raise tuition above the level of inflation. The fiscal challenge is expected to last as enrollment continues to be challenging and State resources continue to be constrained.

To remain successful, the College will continue its efforts to foster partnerships and relationships with a wide variety of constituents and in a variety of manners, positioning itself as the region's preferred provider of talent, knowledge, and innovation.

Finally, the College is fully committed to continue making sound fiscal decisions to withstand future economic uncertainties, and remains dedicated to its core mission of Access, Success, and Resources.

Final Analysis

In FY 2017, North Central State College received $7,682,431 in State Share of Instruction (SSI) or 1.23% increase over FY 2016, and $6,272,935 in net student tuition & fees or 8.60% decline over FY 2016. The 8.6% decline was due to larger than expected right offs caused by CCP payments from the State.

North Central State College during FY 2017 realized many important achievements as related to its core strategies. These are discussed below.

- After reaching a historic low reserve level of 6% in FY 2012, NC State has brought its reserves to the highest level in 10 years, but still trails its peers.
- The College has maintained a composite score of 4.0 for the second straight year in FY 2017 and remains in line with its peers.
- NCSC has made significant investments to upgrade its IT infrastructure, including moving most college-related information to a "cloud"-based system for hosting and maintenance.

- North Central State College's headcount enrollment increased 3% from FY 2016 to FY 2017, while credit hours increased 1%. Dual credit headcount enrollment grew by 19% and credit hours grew by 16% in the second year of Ohio's College Credit Plus program. However, post-high school students continued to decline by 5% headcount and 4% credit hours. These inverse trends appear to be occurring across the state. In the near future as the economy continues to recover, post-high school student enrollment is projected to stay flat or slightly decline.

Contacting the College's Financial Management

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

North Central State College
Statement of Net Position
As of June 30, 2017

	Primary Institution	Component Unit
ASSETS		
Current Assets		
Cash & Cash Equivalents	$ 2,934,239	$ 358,076
Investments	2,033,070	3,607,948
Student Accounts Receivable, Net	4,552,451	-
Intergovernmental Receivables	592,927	-
Prepaid Expenses & Deferred Charges	181,079	-
Contributions Receivable	-	339,938
Interest in Assets held by Richland Co Foundation	-	350,000
Total Current Assets	10,293,766	4,655,962
Noncurrent Assets		
Restricted Cash & Cash Equivalents	13,287	-
Other Receivables	2,424,134	-
Capital Assets, net	20,782,053	2,007
Total Noncurrent Assets	23,219,474	2,007
DEFERRED OUTFLOWS		
Pension	4,102,514	-
Total Defered Outflows	4,102,514	-
Total Assets and Deferred Outflows	37,615,754	4,657,969
LIABILITIES		
Current Liabilities		
Accounts Payable & Accrued Liabilities	107,793	28,175
Unearned Tuition and Fees	3,877,301	-
Accrued Wages	761,784	-
Notes Payable - Current Portion	86,422	-
Total Current Liabilities	4,833,300	28,175
Noncurrent Liabilities		
Compensated Absences	526,993	-
Net Pension Liability	21,406,514	-
Notes Payable - Long-Term Portion	828,226	-
Total Noncurrent Liabilities	22,761,733	-
DEFERRED INFLOWS		
Pension	2,417,096	-
Total Deferred Inflows	2,417,096	-
Total Liabilities and Deferred Inflows	30,012,129	28,175
NET POSITION		
Net Investment in Capital Assets	20,782,053	-
Restricted for		
Nonexpendable		
Scholarships	-	3,625,591
Expendable		
Student Grants and Scholarships	-	1,213,008
Unrestricted	(13,178,428)	(208,805)
Total Net Position	7,603,625	4,629,794
Total Liabilities, Deferred Inflows & Net Position	$ 37,615,754	$ 4,657,969

See accompanying notes to the basic financial statements.

North Central State College
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2017

	Primary Institution	Component Unit
REVENUES		
Operating Revenues:		
Tuition, Fees and Other Student Charges, Net	$ 6,272,935	$ -
Federal Grants and Contracts	2,295,221	-
State and Local Grants and Contracts	1,261,023	-
Nongovernmental Grants and Contracts	469,650	-
Sales and Services	444,741	-
Contributions	-	444,158
Fundraising	-	23,475
Other Operating Revenue	109,073	57,992
Total Operating Revenues	10,852,643	525,625
EXPENSES		
Operating Expenses		
Educational and General:		
Instruction	7,418,811	-
Academic Support	345,543	46,361
Student Services	2,786,409	-
Institutional Support	4,765,832	-
Operation and Maintenance of Plant	2,010,591	-
Student Aid and Scholarships	1,003,684	284,643
Public Service	818,426	-
Depreciation	1,599,921	-
Other Expenditures	-	64,917
Total Operating Expenses	20,749,217	395,921
Operating Income (Loss)	(9,896,574)	129,704
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	7,682,431	-
Federal Grants & Contracts	3,045,027	-
Investment Income, Net	11,298	275,106
Interest on Indebtedness	(6,679)	
Net Nonoperating Revenues (Expenses)	10,732,077	275,106
Income (Loss) Before Other Revenues and Expenses	835,503	404,810
Capital Appropriations	1,201,492	-
Change in Net Position	2,036,995	404,810
NET POSITION		
Net Position, Beginning of Year	5,566,630	4,224,984
Net Position, End of Year	$ 7,603,625	$ 4,629,794

See accompany notes to the basic financial statements.

North Central State College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

	Primary Institution	Component Unit
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash Flows from Operating Activities:		
Tuition and Fees	$ 6,439,187	$ -
Gifts, Grants and Contracts	4,623,002	447,574
Payments to Suppliers	(2,107,136)	(60,629)
Payments to Employees and for Benefits	(13,208,510)	-
Payments for Scholarships and Fellowships	-	(284,643)
Payments for Utilities and Maintenance	(1,680,655)	-
Payments for Student Aid	(1,109,181)	-
Sales and Service of Educational Activities	444,741	-
Other Receipts (Payments)	(2,094,161)	48,716
Net Cash Provided (Used) by Operating Activities	(8,692,713)	151,018
Cash Flows from Non-Capital and Related Financing Activities:		
FFEL Loans Received	2,221,487	-
FFEL Loans Disbursed	(2,221,487)	-
Federal Grants & Contracts	3,045,027	-
State Appropriations	7,682,431	-
Net Cash Provided by Non-Capital and Related Financing Activities	10,727,458	-
Cash Flows from Capital and Related Financing Activities:		
Purchases of Capital Assets	(1,267,325)	-
Sale of Capital Assets	771	
Capital Appropriations	1,201,492	-
Payment of Note	(85,352)	-
Interest on Note Payable	(6,679)	-
Net Cash Used by Capital and Related Financing Activities	(157,093)	-
Cash Flows from Investing Activities:		
Sales (Purchases) of Investments	(11,298)	(274,659)
Interest on Investments	11,298	275,106
Net Cash Provided (Used) by Investing Activities	-	447
Net Increase in Cash and Cash Equivalents	1,877,652	151,465
Cash and Cash Equivalents, Beginning of Year	1,069,874	206,611
Cash and Cash Equivalents, End of Year	$ 2,947,526	$ 358,076

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	Primary Institution	Component Unit
Operating Income (Loss)	$ (9,896,574)	$ 129,704
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,599,921	-
Loss on Disposal of Assets	971	-
Change in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources Which Provided (Used) Cash		
Receivables, Net	581,773	8,139
Prepaid Expenses	(38,093)	-
Payables	(105,485)	13,175
Accrued Wages	(322,191)	-
Unearned Tuition and Fees	(68,781)	-
Compensated Absences	1,158	-
Net Pension Liability	2,158,003	-
Deferred Outflows of Resources - Net Pension Expense	(1,247,643)	-
Deferred Inflows of Resources - Net Pension Expense	(1,355,772)	-
Net Cash Provided (Used) by Operating Activities	$ (8,692,713)	$ 151,018

See accompanying notes to the basic financial statements.

NOTE 1 - DESCRIPTION OF THE ENTITY

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. <u>*Basis of Presentation*</u> – The College applies GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statement presentation required by GASB Statements No. 34/35 is intended to provide a comprehensive, entity-wide perspective of the College's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows.

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

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

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

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will

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

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

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

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

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

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

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

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

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

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

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

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

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

K. *Deferred Outflows and Inflows of Resources*

A deferred outflow of resources is a consumption of assets by the College that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of assets by the College that is applicable to a future reporting period.

For the College, deferred outflows and inflows of resources for pensions have been recorded on the statement of net position and is also explained further in the notes.

L. *Scholarship Allowances*

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

The scholarship allowance represents the difference between actual charges for goods and services provided by the College and the amount that is paid by the student or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as operating revenues in the Statement of Revenues, Expenses and Changes in Net Assets. 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.

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M. *Net Position*

The College's net position is classified as follows:

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

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

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

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

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

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

The College may also enter into repurchase agreements with any eligible depository for a period not exceeding thirty days. Public depositories must give security for all public funds on deposit.

These institutions may specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. State law does not require security for the public deposits and investments to be maintained in the College's name.

B. Cash on Hand - At June 30, 2017, the College had $2,200 in un-deposited cash on hand which is reported as part of cash and cash equivalents on the Statement of Net Position.

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

As of June 30, 2017, the carrying amount of the College's deposits was $2,945,326. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosure,* as of June 30, 2017, $3,548,908 of the College's bank balance of $3,825,869 was exposed to custodial credit risk as discussed above, while $276,961 was covered by FDIC.

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

As of June 30, 2017, the primary government had the following investment (based on quoted market prices) and maturity (in years):

Investment Type	Fair Value	Less than 1	Percent of Portfolio
STAR Ohio	$2,033,070	$2,033,070	100%

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

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

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

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

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

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

<u>Level 2</u> – Inputs to the valuation methodology include:

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

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

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

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

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

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

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

NOTE 4 - RECEIVABLES

Receivables as of June 30, 2017 are summarized as follows:

	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable	Unearned Tuition and Fees
Student Accounts	$5,032,166	$479,715	$4,552,451	$3,877,301
Intergovernmental	592,927	0	592,927	0
Other	2,424,134	0	2,424,134	0
Total Receivables	$8,049,227	$479,715	$7,569,512	$3,877,301

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NOTE 5 - CAPITAL ASSETS

Capital assets as of June 30, 2017 are summarized as follows:

	Balance 7/1/2016	Additions	Deletions	Balance 6/30/2017
Non-Depreciable Assets				
Land	225,629	-	-	225,629
CIP	1,298,637	1,201,492	(2,440,843)	59,286
	1,524,266	1,201,492	(2,440,843)	284,915
Depreciable Assets				
Land Improvements	2,196,543	-	-	2,196,543
Buildings	14,809,029	-	-	14,809,029
Building Improvements	10,096,315	2,416,196	-	12,512,511
Infrastructure	674,536	-	-	674,536
Leasehold Improvements	4,427,362	-	-	4,427,362
Vehicles	173,014		(17,413)	155,601
Equipment	7,704,857	90,480	(419,974)	7,375,363
	40,081,656	2,506,676	(437,387)	42,150,945
Accumulated Depreciation				
Land Improvements	(1,097,252)	(86,777)	-	(1,184,029)
Buildings	(7,977,674)	(344,605)	-	(8,322,279)
Building Improvements	(2,944,970)	(461,696)	-	(3,406,666)
Infrastructure	(180,019)	(26,981)	-	(207,000)
Leasehold Improvements	(2,341,068)	(151,329)	-	(2,492,397)
Vehicles	(99,645)	(13,683)	15,672	(97,656)
Equipment	(5,848,904)	(514,850)	419,974	(5,943,780)
	(20,489,532)	(1,599,921)	435,646	(21,653,807)
	21,116,390	2,108,247	2,442,584	20,782,053

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NOTE 6 - STATE SUPPORT

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

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

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

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

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

NOTE 7 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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 bases 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.

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30 or $86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14.00 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The College's contractually required contribution to SERS was $548,224 for fiscal year 2017.

Plan Description - State Teachers Retirement System (STRS)

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

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

Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 of their annual covered salary. The College was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS was $620,868 for fiscal year 2017.

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

For the year ended June 30, 2017, the net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$7,409,746	$13,996,768	$21,406,514
Proportion of the Net Pension Liability - Prior Measurement Date	0.10861860%	0.04722145%	
Proportion of the Net Pension Liability - Current Measurement Date	0.10123880%	0.04181508%	
	0.00737980%	0.00540637%	
Total	$7,409,746	$13,996,768	$21,406,514
Pension Expense	487,956	235,724	723,680

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

Differences between expected and actual experience	$99,940	$565,537	$665,477
Changes of assumptions	494,641		$494,641
Net difference between projected and actual earnings on pension plan investments	611,197	1,162,107	1,773,304
District contributions subsequent to the measurement date	548,224	620,868	1,169,092
Total Deferred Outflows of Resources	$1,754,002	$2,348,512	$4,102,514
Deferred Inflows of Resources			
Changes in employer proportionate share of net pension liability	$489,813	$1,927,283	$2,417,096
Total Deferred Inflows of Resources	$489,813	$1,927,283	$2,417,096

$1,169,092 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	$103,660	($266,656)	($162,996)
2019	103,219	(266,656)	(163,437)
2020	333,392	179,278	512,670
2021	175,694	154,395	330,089
Total	$715,965	($199,639)	$516,326

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return, including inflation	7.50 percent net of investments expense
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are 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 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.

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 - 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 earnings 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 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	$9,810,042	$7,409,746	$5,400,598

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2017 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality Rates - Rates are 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.

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

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

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

* 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.50 percent

Discount Rate - The discount rate used to measure the total pension liability was 7.75% as of June 30, 2016. 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 rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

Sensitivity of Net Pension Liability to Changes in the Discount Rate – The following table presents the net pension liability as of June 30, 2016, calculated using the current period discount rate assumption of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current assumption.

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
College's proportionate share of the net pension liability	$18,600,567	$13,996,768	$10,113,192

Changes Between Measurement Date and Report Date

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

Plan Description – Alternative Retirement Plan (ARP)

The State of Ohio allows public institutions of higher education to offer an alternative retirement plan to those participating in SERS and STRS. The alternative retirement plans shall be defined-contribution plans, with the Ohio employer contribution rates of 6.0% and 4.5%, respectively. The College has implemented the alternative retirement plan. In fiscal years 2016, 2015, and 2014 the employer contribution was $325,297, $300,207, and $263,254, respectively.

NOTE 8 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, the health care allocation is 0.00 percent. An additional health care surcharge on employers is collected for employees earning less than and actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statue no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at $23,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The College's contributions assigned to health care for the years ended June 30, 2017, 2016, and 2015 were $0, $0, and $46,646, respectively.

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

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

State Teachers Retirement System

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

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

NOTE 9 - LONG-TERM LIABILITIES

Changes in long-term liabilities are as follows:

	Balance 7/1/2016	Additions	Subtractions	Balance 6/30/2017	Current Portion
Compensated Absences	$ 525,835	$ 526,993	$ 525,835	$ 526,993	$ -
Net Pension Liability	19,248,511	21,406,514	19,248,511	21,406,514	-
Note Payable	1,000,000	-	85,352	914,648	86,422
Total Long-Term Liabilities	$ 20,774,346	$ 21,933,507	$ 19,859,698	$ 22,848,155	$ 86,422

Note Payable

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

Maturity of outstanding debt is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Principal Balance
2018	$86,422	$6,698	$828,227
2019	87,505	6,048	740,721
2020	88,603	5,390	652,119
2021	89,714	4,723	562,405
2022	90,839	4,048	471,567
2023	91,978	3,365	379,589
2024	93,131	2,673	286,458
2025	94,299	2,602	192,159
2026	95,481	1,263	96,678
2027	96,678	544	0
	$914,648	$37,355	

NOTE 10 - OPERATING EXPENSES BY FUNCTION AND NATURAL CLASS

	Payroll and Benefits	Supplies and Other Services	Utilities and Maintenance	Student Aid and Scholarships	Depreciation Expense	Other Expense	Total
Instruction	$6,371,727	$595,474	$0	$0	$0	$451,610	$7,418,811
Academic Support	188,649	56	118,466	16,150	0	22,222	345,543
Student Services	2,029,296	410,134	78,109	57,083	0	211,787	2,786,409
Institutional Support	2,428,543	897,125	224,841	32,264	0	1,183,059	4,765,832
Operations & Maintenance of Plant	748,998	138,749	1,115,661	0	0	7,183	2,010,591
Student Aid	0	0	0	1,003,684	0	0	1,003,684
Public Service	674,852	66,569	0	0	0	77,005	818,426
Depreciation	0	0	0	0	1,599,921	0	1,599,921
Total Operating Expenses	$12,442,065	$2,108,107	$1,537,077	$1,109,181	$1,599,921	$1,952,866	$20,749,217

NOTE 11 - CONTINGENCIES

A. Federal and State Grants

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

B. Litigation

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

NOTE 12 - RISK MANAGEMENT

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

NOTE 13 – IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

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

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

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

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

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

DESCRIPTION OF THE FOUNDATION

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

Contributions Receivable
Contributions received, including unconditional promises to give, are recognized as revenue by net asset class when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. However, if a restriction is fulfilled in

the same time period in which the contribution is received, the Foundation reports the support as unrestricted. Conditional promises are recorded when donor stipulations are substantially met. The Foundation requires an initial minimum balance of $10,000 to establish a scholarship fund.

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

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

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

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

INVESTMENTS

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

At June 30, 2017, investments consisted of the following:

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		Maturity					
	Market / Carrying Value	Less Than One Year	1-2 years	3-5 years	6-7 Years	Various within Fund	No Maturity
Money Market Investments - US Government Obligations	$ 51,510	$ 51,510	$ -	$ -	$ -	$ -	$ -
Coporate Bonds	$ 49,789	$ 49,789	$ -	$ -	$ -	$ -	$ -
Mutual Funds - Fixed Income	$ 1,192,121	$ 4,495	$ 220,615	$ 93,966	$ 89,472	$ 783,573	$ -
Mututal Funds - Equity Securities	$ 1,706,856	$ -	$ -	$ -	$ -	$ 1,706,856	$ -
Common Stock	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ADR / Foreign Equities	$ 502,061	$ -	$ -	$ -	$ -	$ -	$ 502,061
Perferred Stock	$ 83,358	$ -	$ -	$ -	$ -	$ -	$ 83,358
ADR / Foreign Preferred	$ 6,522	$ -	$ -	$ -	$ -	$ -	$ 6,522
REIT	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Rights and Warrants	$ 15,731	$ -	$ -	$ -	$ -	$ -	$ 15,731
Marketable LLC	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Partnerships	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ 3,607,948	$ 105,794	$ 220,615	$ 93,966	$ 89,472	$ 2,490,429	$ 607,672

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

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

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

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

The fair value of investments held by the Foundation at June 30, 2017 is summarized as follows:

Investment Type	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Investments - US Government Obligations	$ -	$ 51,510	$ -
Corporate Bonds	$ 49,789	$ -	$ -
Mutual Funds - Fixed Income	$ 1,192,121	$ -	$ -
Mutual Funds - Equity Securities	$ 1,706,856	$ -	$ -
Common Stock	$ -	$ -	$ -
ADR / Foreign Equities	$ 502,061	$ -	$ -
Preferred Stock	$ 83,358	$ -	$ -
ADR / Foreign Preferred	$ 6,522	$ -	$ -
REIT	$ -	$ -	$ -
Rights and Warrants	$ 15,731	$ -	$ -
Marketable LLC	$ -	$ -	$ -
Partnerships	$ -	$ -	$ -
Total	$ 3,556,438	$ 51,510	$ -

CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the financial statements as contributions receivable and contributions of the appropriate net asset category. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount rate on those amounts is computed using a risk free interest rate applicable to the years in which the promises are to be received. The discount rate used for the year ended June 30, 2017 was 3.25%. The amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until conditions of those promises have been met.

Contributions receivable consisted of the following at June 30, 2017:

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

Unrestricted	$5,380
Temporarily restricted	254,340
Permanently restricted	140,628
Gross unconditional promises to give	400,348
Less: Unamortized discount	(20,375)
Less: Allowance for uncollectible contributions	(40,035)
Amounts due:	
Less than one year	$339,938

TEMPORARILY RESTRICTED NET ASSETS

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

Scholarships for Students	$79,247
Grants	0
Other	205,396
Total Released Net Assets	$284,643

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

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

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Scholarships for Students:	
Avita Health	701.00
ADA Ford Educ Aid	7,031.00
Alumni Association	2,687.00
Bennett	1,749.00
Brown Respiratory Care	2,216.00
Cardwell Neer	1,207.00
Carter Memorial	3,177.00
Cobey	1,719.00
Coleman	4,638.00
Cress	2,836.00
Emerson	9,388.00
Diab	432.00
Dewald	1,848.00
Faculty	1,156.00
Forty Et Eight	83.00
Galion FOP	2,831.00
Garber	3,479.00
Gimble - Health Chair	89,526.00
G-R Civic	2,071.00
G-R Rupp	5,609.00
Gubkin	909.00
Haring	4,169.00
Jenko	79,286.00
Kroger	3,532.00
MIMA - Urban Center	2,731.00
Martin Speech	869.00
Necessities	31,847.00
Necessities - Crawford	14,847.00
Necessities - Shelby	15,527.00
Necessities - Wayne	7,559.00
Nursing	18,563.00
Orange and Blue	23,217.00
PTA Fund	2,406.00

Phillips Fund	5,610.00
Phillips E Troop	2,892.00
Plotts	26.00
President Emeritus	1,838.00
Preston	2,613.00
RMC	3,778.00
Scheaffer	818.00
Searle - PTA	14,441.00
Searle - RN	16,685.00
Welsh	6,178.00
Vetter	893.00
YES Entrepreneur	5,348.00
ADA Ford Summer Access	65,600.00
Ambassador	2,003.00
CDC Small Steps	884.00
Gimbel Scholarship	17,469.00
Gorman Fund	59,036.00
Scholarships (General)	28,309.00
Mansfield University	3,850.00
NCSC Student Need Fund	5,264.00
Innovation Fund	82.00
Rable Machine Scholarship	261.00
Tuition Freedom	9,431.00
Radiology Merit Scholarship	2,091.00
Tech Prep	10,900.00
Double Dollars Campaign	3,433.00
Equipment	14,568.00
College Project Fund	14,240.00
Restricted Projects	673.00
Urban Center Fund	63,063.00
Temporarily Restricted Other	150,885.00
	863,008.00

PERMANENTLY RESTRICTED NET ASSETS

Endowed Scholsrhips for Students	
Avita Health	10,000.00
ADA Ford Educ Aid	20,000.00
Alumni Association	21,435.00
Bennett	20,449.00
Brown Respiratory Care	12,116.00
Cardwell Neer	10,121.00
Carter Memorial	31,267.00
Chambers	4,615.00
Cobey	19,201.00
Coleman	23,712.00
Cress	26,800.00
Diab	10,878.00
Dewald	32,979.00
Emerson	107,402.00
Faculty	12,252.00
Forty Et Eight	25,000.00
Galion FOP	13,376.00
Garber	29,510.00
Gimble - Health Chair	710,000.00
G-R Civic	22,463.00
G-R Rupp	56,661.00
Gubkin	10,213.00
Hahn	4,504.00
Haring	24,334.00
Jenko	699,933.00
Kroger	36,129.00
MIMA - Urban Center	17,066.00
Martin Speech	12,539.00
Necessities	145,496.00
Necessities - Crawford	54,950.00
Necessities - Shelby	62,166.00
Necessities - Wayne	26,275.00
Nursing	237,473.00
Title III	50,000.00
Orange and Blue	345,843.00

PTA Fund	34,349.00
Phillips	48,000.00
Phillips E Troop	27,473.00
Plotts Endowment	10,000.00
President Emeritus	20,320.00
Preston	37,235.00
RMC	27,672.00
Sheaffer	11,658.00
Searle - PTA	100,000.00
Searle - RN	100,000.00
Welsh	53,677.00
Vetter	12,125.00
YES Entrepreneur	40,835.00
Restricted Contributions	155,089.00
	3,625,591.00

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

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

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

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

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. The Foundation had no such amounts totaled as of June 30, 2017.

Endowment Composition:

Endowment Net Assets Composisition by Type of Fund as of June 30, 2017

	Unrestricted Endowment	Temporarily Restricted Endowment	Permanently Restricted Endowment	Total Endowment
Donor -restricted endowment funds	$ -	$ -	$ 3,625,591	$ 3,625,591
Board-designated endowment funds	-	-	-	-
Total Funds	$ -	$ -	$ 3,625,591	$ 3,625,591

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2017

	Unrestricted Endowment	Temporarily Restricted Endowment	Permanently Restricted Endowment	Total Endowment
Endowment net assets, beginning of year	$ -	$ -	$ 3,468,829	$ 3,468,829
Investment income, including realized and unrealized gains and losses	-	(1,582)	-	(1,582)
Contributions	-	-	156,762	156,762
Appropriation of endowment assets for expenditure	-	1,582	-	1,582
Endowment net assets, end of year	$ -	$ -	$ 3,625,591	$ 3,625,591

RICHLAND COUNTY FOUNDATION

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

The portion of this fund contributed by the Foundation is considered a reciprocal transfer because the Foundation is also the beneficiary of this fund. This balance is shown on the Richland County Foundation's Statement of Financial Position as a liability called "Funds Held as Agency Endowments". This amounted to $350,000 at June 30, 2017.

Also, the portion of this fund contributed by unrelated third party donors is considered a contribution to the Richland County Foundation and is included in the net assets of Richland County Foundation. The amount recognized in the Statement of Financial Position of the Richland County Foundation at June 30, 2017 totaled $328,867.

INCOME TAXES

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

RELATED PARTY

As previously described in Note 14, the Foundation is affiliated with the College. During the year ended June 30, 2017, the College provided the Foundation with professional services valued at $46,361. The value of those services is included as personnel reimbursement expenses in the financial statements.

During the year ended June 30, 2017, the Foundation provided scholarships and support to the College of $284,643.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

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

See accompanying notes to the Required Supplementary Information.

North Central State College

Required Supplementary Information

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

School Employees Retirement System of Ohio

Last Four Fiscal Years (1)

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

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

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

See accompanying notes to the Required Supplementary Information.

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

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

(1) - Information prior to 2014 is not available

See accompanying notes to the Required Supplementary Information.

North Central State College
Required Supplementary Information
Schedule of College Contributions
School Employees Retirement System of Ohio
Last Four Fiscal Years (1)

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

(1) - Information prior to 2014 is not available

See accompanying notes to the Required Supplementary Information.

NOTE 1 – SERS CHANGE IN ASSUMPTIONS

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (1) discount rate was reduced from 7.75% to 7.50%, (2) the assumed rate of inflation was reduced from 3.25% to 3.00%, (3) payroll growth assumption was reduced from 4.00% to 3.50%, (4) assumed real wage growth was reduced from 0.75% to 0.50%, (5) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (6) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (7) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (8) mortality among disabled members was updated to 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.

Note 2 – STRS CHANGE IN ASSUMPTIONS

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2017. See the notes to the basic financials for the methods and assumptions in this calculation.