STARK STATE COLLEGE

STARK COUNTY, OHIO

AUDIT REPORT

For the Year Ended June 30, 2018

Charles E. Harris
& Associates, Inc.
CPAs and Government Consultants

OHIO AUDITOR OF STATE
KEITH FABER

Board of Trustees
Stark State College
6200 Frank Avenue NW
North Canton, Ohio 44720

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

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

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

January 23, 2019

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Stark County

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INDEPENDENT AUDITOR'S REPORT

Stark State College
Stark County
6200 Frank Avenue NW
North Canton, Ohio 44720

To the Board of Trustees:

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 Stark State College, Stark County, Ohio (the College), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 College'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 College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Stark State College, Stark County, Ohio, as of June 30, 2018, and the 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2018, the College adopted new guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The Schedule of Expenditures of Federal Awards (the Schedule) is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Charles E. Harris & Associates, Inc.
January 16, 2019

The discussion and analysis of the financial statements of Stark State College (the "College") provides an overview of financial activities for the years ended June 30, 2018 and 2017. Management has prepared the financial statements and the related note disclosures along with this discussion and analysis. The responsibility for the completeness and fairness of this information rests with the preparers.

Using this Annual Report

The College is reporting its financial position in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities—an amendment of GASB Statement No. 34*, as amended by GASB Statements No. 37 and 38. Comparative condensed financial information has been presented for the current year and the prior year.

This report consists of three basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. These statements provide information on the College as a whole, and present a snapshot of the College's finances. The following functions are included in the College's basic financial statements:

- Instruction
- Research
- Public Service
- Academic Support
- Student Services
- Institutional Support
- Plant Operations
- Student Aid
- Bookstore Operations

These statements can help the reader understand what the financial health of the College is at the end of the fiscal year, as well as indicating the changes in financial position since the end of the prior year. Over time, increases in net position, which are the result of the College's keeping expenses lower than revenues, indicate a strengthening of the College's financial health.

GASB Statements No. 68, as amended by Statement No. 71, and Statement No. 75 required public entities to report net pension/OPEB liabilities in a new manner. The biggest changes from the new accounting pronouncements are that the College must show the net pension liability and other post-employment benefits of the public retirement systems on its financial statements. These are not legal liabilities of the College, but rather it is an accounting presentation. Ohio is one of six states where the employing entity is not the legally responsible party for public pension system obligations. As a statutory entity, there are no obligations on the College other than those provided for in statute.

STARK STATE COLLEGE
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2018
Unaudited

The Statement of Net Position acts much as a consolidated balance sheet does for a business. It shows the book value of all asset categories, and compares them to the amount of liabilities, with the residual difference, called net position, being detailed by the type of commitment that gave rise to the underlying assets.

Condensed Statement of Net Position
(in thousands)

Assets	2018	Restated 2017
Current Assets		
Cash and investments	$ 7,560	$ 10,626
Student accounts receivable, net	5,992	6,227
Intergovernmental and other receivables, net	4,492	3,730
Other current assets	1,641	1,448
Total current assets	19,685	22,031
Noncurrent Assets		
Cash and investments	15,808	17,683
Capital assets, net	110,587	100,586
Other noncurrent assets	215	89
Total noncurrent assets	126,610	118,358
Total assets	146,295	140,389
Deferred Outflow of Resources	18,861	19,268
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued liabilities	2,715	2,892
Deferred income	1,657	1,653
Other current liabilities	4,164	4,483
Total current liabilities	8,536	9,028
Noncurrent Liabilities		
Long-term liabilities	81,660	114,481
Total liabilities	90,196	123,509
Deferred Inflow of Resources	15,643	9,164
Net Position		
Invested in capital assets, net of related debt	108,958	98,019
Restricted	1,013	1,349
Unrestricted	(50,654)	(72,384)
Total net position	$ 59,317	$ 26,984

The Statement of Revenues, Expenses and Changes in Net Position acts as a statement of the College's operations. Revenues and expenses on the accrual basis of accounting are detailed by operating type, and the reconciliation between the beginning and ending net position is presented.

Condensed Statement of Revenues, Expenses and Changes in Net Position
(in thousands)

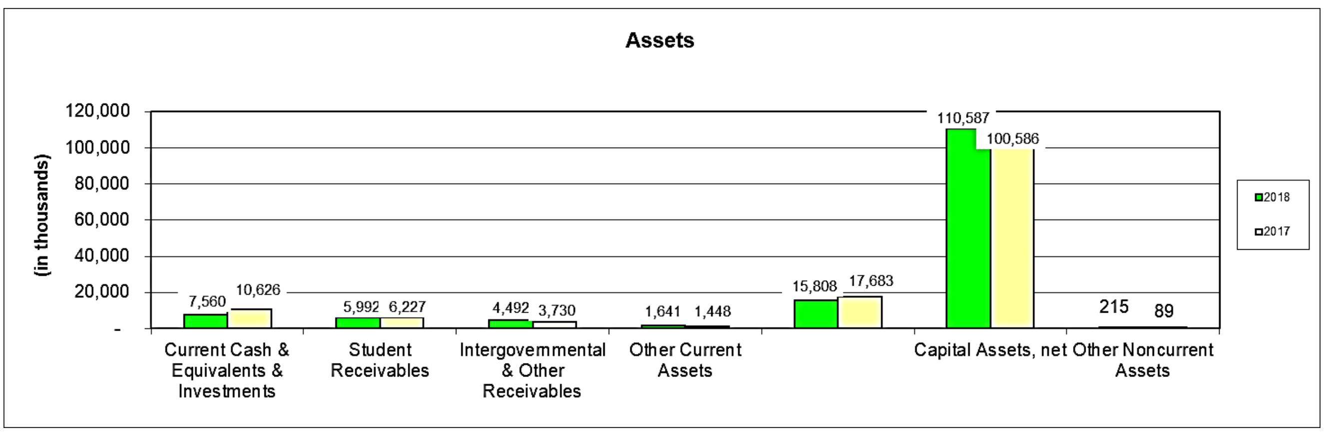
Revenues	2018	Restated 2017
Operating Revenues		
Tuition and fees, net	$ 18,240	$ 20,284
Federal grants and contracts	1,697	1,769
Auxiliary enterprises: bookstore	4,691	5,392
Other operating revenues	3,805	4,051
Total operating revenues	28,433	31,496
Expenses		
Operating Expenses		
Educational and general	47,052	74,877
Auxiliary enterprises: bookstore	4,280	4,774
Total operating expenses	51,332	79,651
Operating Loss	(22,899)	(48,155)
Nonoperating Revenues (Expenses)		
State appropriations	29,499	29,791
Federal grants	16,094	15,831
Other nonoperating revenues	739	757
Other nonoperating (expenses)	(280)	(160)
Net nonoperating revenues (expenses)	46,052	46,219
Income/(Loss) before other revenues, expenses, gains or losses	23,153	(1,936)
Capital appropriations, gifts and grants	9,180	658
Increase/(Decrease) in Net Position	32,333	(1,278)
Net Position, beginning of year	26,984	49,315
Prior Year Adjustment	-	(21,053)
Net Position, end of year	$ 59,317	$ 26,984

The Statement of Cash Flows presents the sources and uses of all cash transactions conducted by the College, broken down by type of functional activity. This statement assists the reader in determining the College's ability to generate future cash flows, meet its obligations as they become due and assess the need for additional funding or financing.

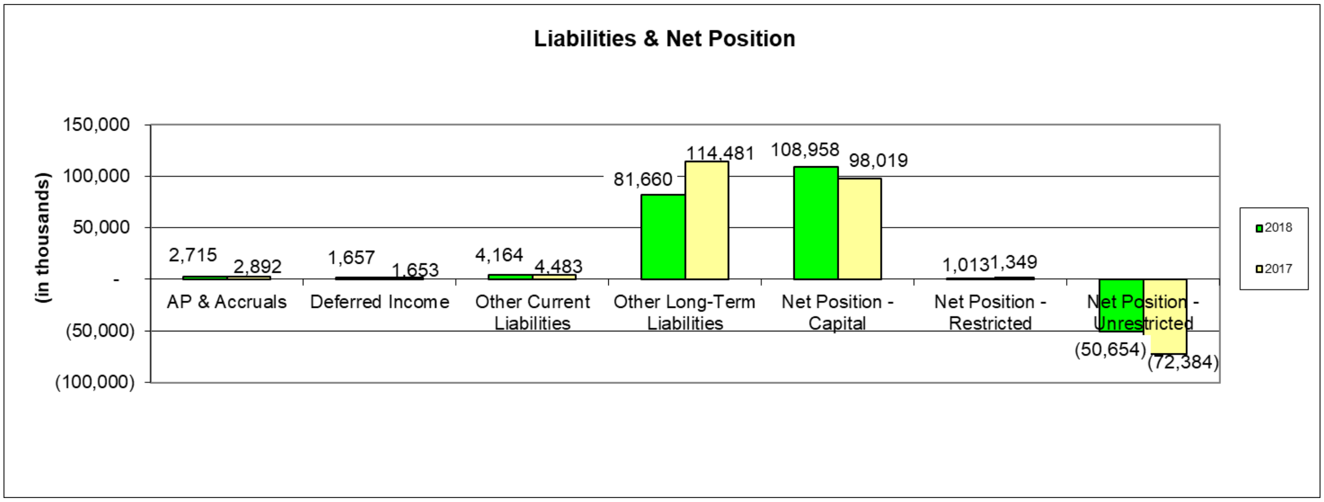
Condensed Statement of Cash Flows
(in thousands)

			Increase (Decrease)	
	2018	2017	$	%
Net cash provided (used) by Operating Activities	($45,146)	($39,181)	($5,965)	-15.2%
Net cash provided (used) by Noncapital Financing Activities	45,836	46,164	(328)	-0.7%
Net cash provided (used) by Capital Financing Activities	(6,331)	(5,721)	(610)	-10.7%
Net cash provided (used) by Investing Activities	367	(6,808)	7,175	105.4%
Net increase (decrease) in cash	(5,274)	(5,546)	272	4.9%
Cash - beginning of year	7,964	13,510	(5,546)	-41.1%
Cash - end of year	$2,690	$7,964	($5,274)	-66.2%

Analysis of Assets and Liabilities & Net Position



Total assets increased by $5,907,000 during the year to a year-end amount of $146,296,000. Of this amount, $10,001,000 was related to net capital asset increases. Current cash and cash equivalents and short-term investments decreased by $3,066,000, while long-term investments decreased $1,875,000 for a total decrease of $4,941,000 between cash and investments. Student Accounts decreased $235,000 and Intergovernmental and Other Receivables increased by $762,000. All other Current and Noncurrent Assets increased by $320,000.

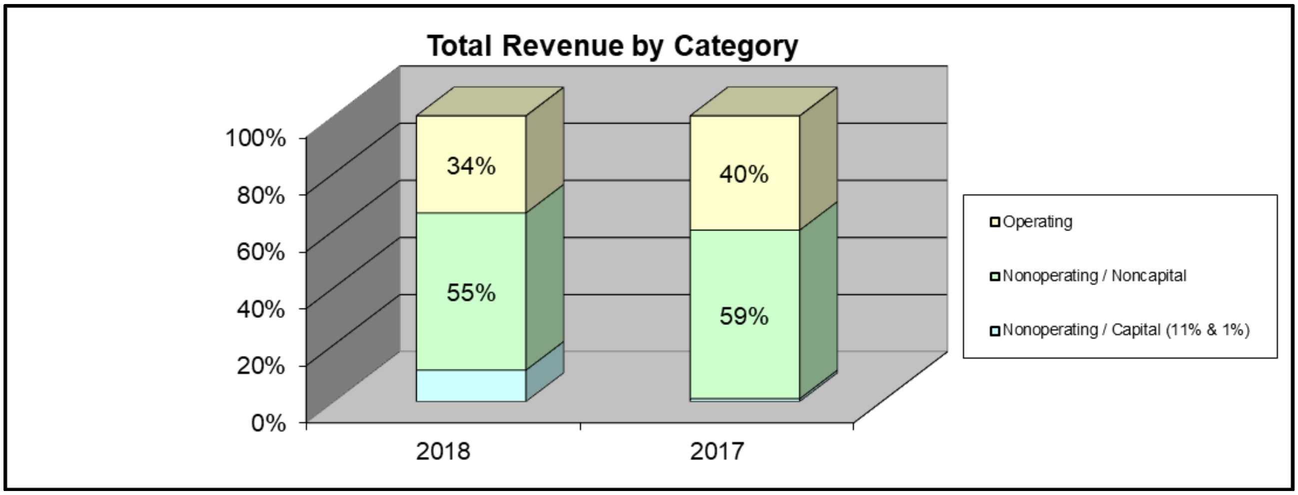


Total liabilities excluding net pension liability and net other postemployment benefit liability decreased since the beginning of the year by $1,387,000 to a year-end amount of $10,681,000. The noncurrent long-term liabilities excluding net pension liability and net other postemployment benefit liability decreased $895,000 to $2,145,000 due to debt payments on long-term construction bonds and a long-term capital lease-purchase for the land for a new campus in Akron, Ohio. Current liabilities decreased by $492,000 to $8,536,000. Deferred income increased $4,000, but all other categories of current liabilities decreased.

Total net position increased $11,280,000 following negative charges related to pension system liabilities under GASB Statements No. 68 and No. 75, which are not legal assets or obligations of the College. Unrestricted net position increased by $677,000, and net restricted position decreased $336,000. The increase in unrestricted net position resulted from favorable operating results, increases by GASB 68 and 75 changes, and reductions for transfers to Net Position - Capital.

Analysis of Revenues

The following chart provides categorical ratios of the College's revenue as a whole for the years ended June 30, 2018 and 2017:

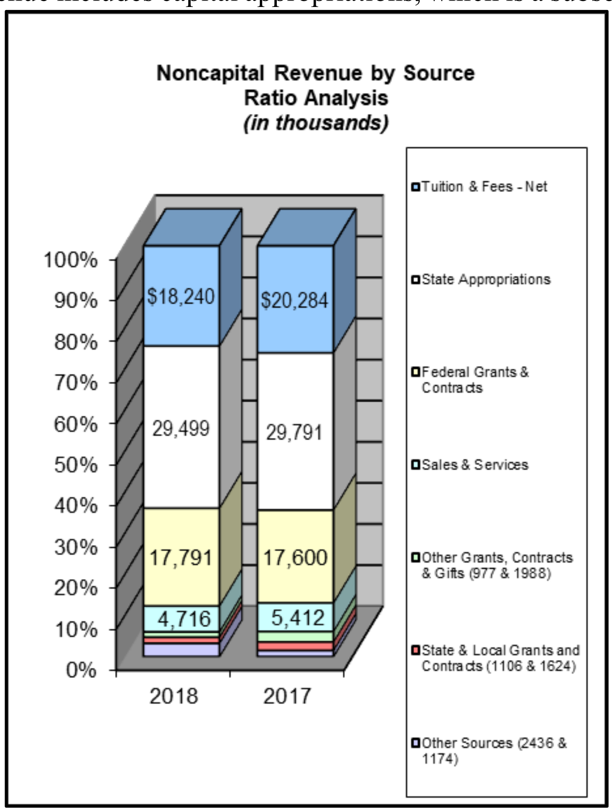


The State Share of Instruction appropriation is the statutory burden of the state of Ohio for operating the College. This is classified as nonoperating revenue under generally accepted accounting principles, and it accounted for 35% and 38% of total revenue in 2018 and 2017. Other revenue includes capital appropriations, which is a subset of nonoperating revenue.

A traditional comparison of College revenue focuses on noncapital revenue. These are the funds that are spent for ongoing operations. The total of these revenues decreased $3,108,000 this year (-4.0%). This analysis will focus on the traditional revenues used for ongoing operations that are comparable to prior years' financial statements.

The Board of Trustees has not increased tuition since the Summer term of 2014. Gross tuition and fees decreased $494,000 while the offsetting scholarship allowance increased $1,550,000. The result was that the Tuition and fees, net of scholarship allowance decreased $2,044,000 (-10.1%).

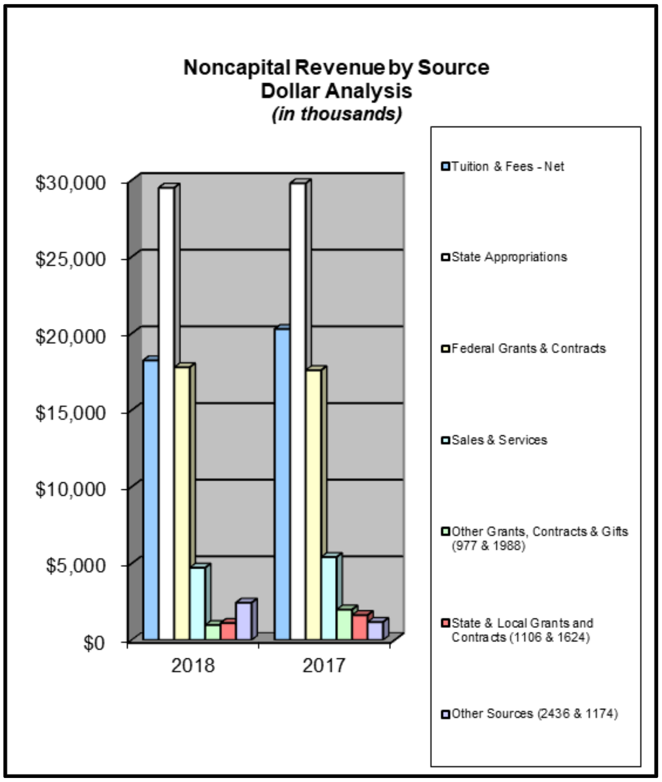
The state appropriations composed of the State Share of Instruction, which is the primary source of state funding dedicated to support the operations of the College, and other miscellaneous unrestricted support from the Ohio Department of Higher Education, decreased from prior year levels by $292,000 (-1.0%) as the College's share of the SSI appropriations decreased from FY2017 to FY2018.



Sales & Services, which include Auxiliary enterprise revenue from the College bookstore, decreased this year by $696,000 (-12.9%) due to decreased sales of textbooks, technology products and all categories of merchandise due to lower enrollment, net of textbook price inflation and lower margins for bundled inclusive access packages for online content required by textbook publishers.

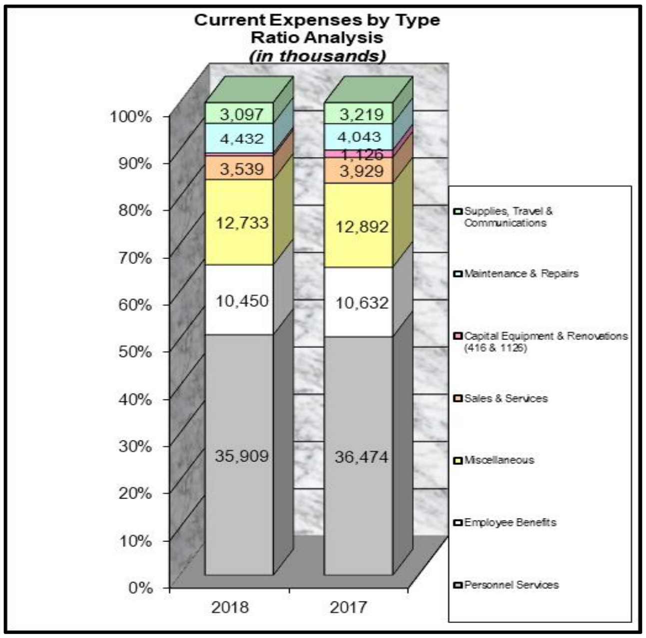
Increases in Federal grants totaling $191,000 (1.1%) were due mainly to the total federal student aid that tracked inflation.

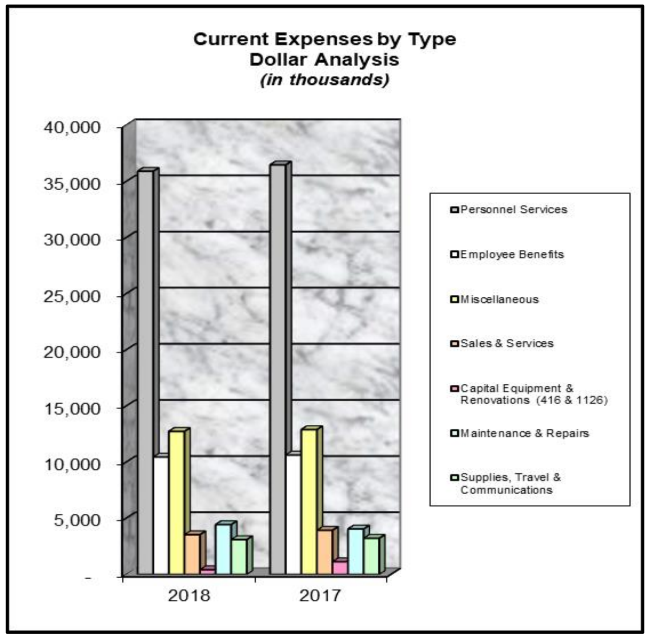
Other noncapital revenue consisting of State/Local/Other Grants, Contracts and Other Sources decreased in total by $267,000 (-5.6%) due to higher investment returns and increases in the 22+ Adult High School Completion pass-through grant program which were offset by lower state and local grant receipts and a decline in contract training.



Analysis of Expenses

This analysis focuses on the College's operating budget categories; known as current expenses, which are normally reported in fund financial statements. These expenses approximate the College's expenses reported in the Statement of Revenues, Expenses and Changes in Net Position adjusted for depreciation and reduced by the capital equipment and renovations category. Total full-time equivalent enrollment declined 2.8%, and expenses increased 2.0%.





Total salary and wages decreased 1.5%, although employees received a base pay increase of 2% effective July 1, 2017. The College decreased the usage of part-time instructors. Several full-time positions were vacated and the employees were not replaced compared to the prior fiscal year. Additionally, all part-time hourly employees had been limited to working no more than an average of 29 hours per week.

Employee benefits decreased 1.7% from the prior year. Health care premiums increased 5.6%. Benefits driven as a percentage of wages for reduced levels of faculty and staff were slightly above 2017 levels. All benefits increased the average net benefit cost per labor unit slightly.

Miscellaneous expenses net of scholarship allowance reported parenthetically on the Statement of Revenues, Expenses and Changes in Net Position decreased 1.2% from the prior year. Net student aid accounted for 75% of the Miscellaneous category. While gross student aid increased 6.1%, the scholarship allowance shown in the note on the student tuition and fees line increased 13.2%. Grants from outside entities were the source for most of these costs. Professional services increased by 7.7% as a result of additional subcontracts with other educational institutions, contracts for services used to reduce deferred maintenance, and increased outside IT services. Student aid and professional services accounted for more than 100% of the net change in Miscellaneous expenses.

Sales & Services expenses decreased by 9.9% due to decreased sales in the college bookstore. This was primarily the result of decreasing sales of new books, computers and clothing that followed the reduced total enrollment.

The College must also resell textbooks bundled with online content with very little margin.

Maintenance and Repairs increased 9.6% over the prior year as the College completed planned maintenance projects to refresh the main campus and opened the temporary Akron facility for its first classes in January 2017. This category also includes rent expense, which increased with the lease of the temporary Akron facility.

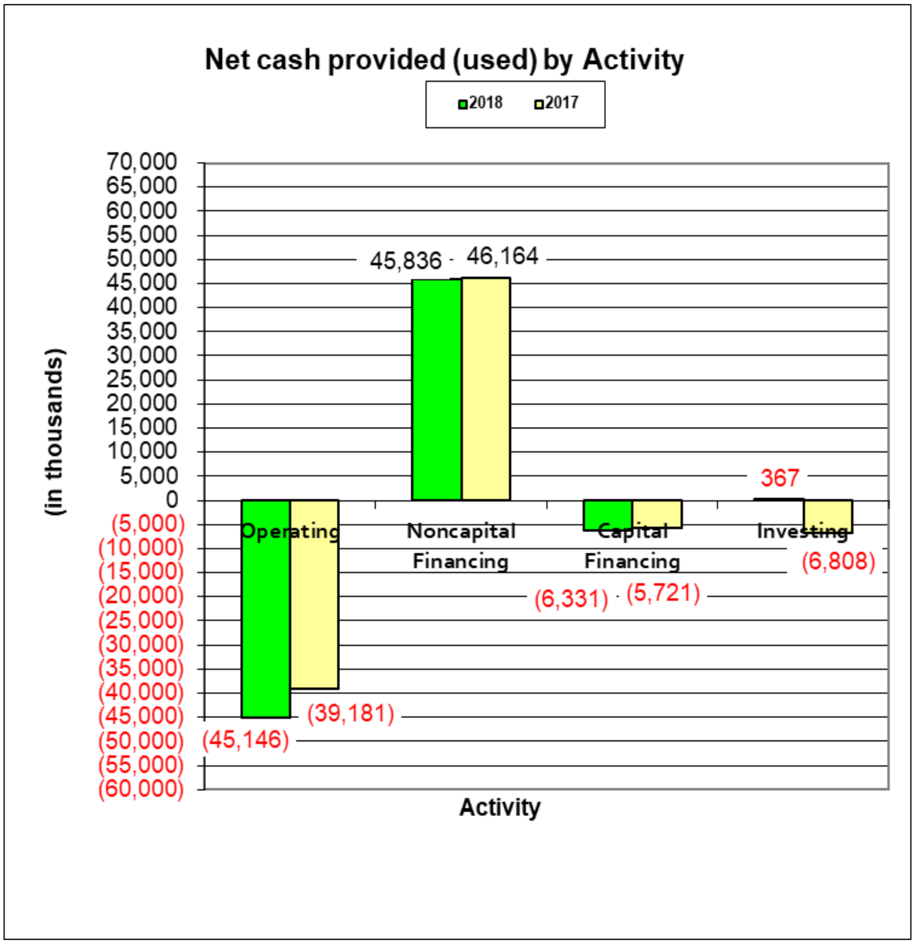
Equipment purchases from current funds decreased 63.1% in the year following a grant from the Timken Foundation that allowed for the acquisition of new IT and industrial training equipment in the prior year.

Communications expenses increased 3.6%. Advertising and membership costs were the only expenses that increased from the prior year for the marketing and public relations of the new Akron satellite, while all other expenses decreased, including publications and subscriptions, memberships, copying and printing, and telecommunications.

Total Supplies expense decreased 17.3%. The College's operating supplies included personal computer replacements that were not capitalized. These costs were not incurred in the current unrestricted educational and general fund in FY2018. Additionally, larger amounts of supplies were purchased from grant funds in the prior year that did not recur.

The College invested more heavily in professional development travel than in the prior year. The Instructional Division continued to develop additional in-house training while also funding additional professional development opportunities for faculty. The result was that total travel expenses increased by 11.4%.

Analysis of Cash Flows



The College's liquidity decreased during the year. Cash flows from operations were less than cash flows coming in from noncapital non-operating categories. State General Revenue funding for general operations decreased over the prior year. By definition, noncapital financing activities include the subsidy from the Ohio Department of Higher Education called State Share of Instruction (SSI). The College's portion of this state subsidy decreased due to the declining performance based funding metrics compared to the other public two-year colleges in Ohio over the last three years in accordance with the distribution formula in state law.

Operating activities created greater net cash outflow in total from the prior year. Gross tuition and fees decreased this year primarily because of decreases in enrollment. All categories of the use of cash declined this year except advance revenue.

Noncapital financing decreased slightly by 0.7%. Inflows from grants increased over the prior year by a slight bit more than the amount of decrease in the state share of instruction appropriations.

Capital financing activities provided proceeds from state appropriations, and debt payments. Increased cash outflows were the result of payments on the construction of the Akron campus.

Cash flows from investing activities increased cash on hand throughout the year. Interest on investments increased this year. With limited additional investment of cash in government notes, the cash flow from all other Cash Flow Activities was positive compared to the prior year when large amounts of cash were invested in government debt.

Final Analysis

Stark State College is committed to establishing programs for in-demand fields that can increase enrollment and promote economic development in the College's service area. It is also committed to providing greater access through a revitalized satellite plan, academic outreach in Summit County and distance learning. Following the replacement of the facilities in downtown Canton and Alliance, the College entered into a lease-purchase Agreement for land owned by the City of Akron to build a new facility to serve the greater Akron/Summit County population. Following this transaction, the General Assembly modified in permanent law the service territory of the technical college district to incorporate Summit County. The new permanent campus facility has now been constructed on the City's land, and it opened for classes in August 2018.

The College is dependent on the State of Ohio for funding, and state revenue has been meeting the budget projections to this point of the year. The Legislature did not increase funding for the State Share of Instruction from FY2017 to FY2018, and they took additional steps to control the ability of institutions to raise fees. To overcome these limitations on our total resources, the College is working to increase productivity in the classroom, increase cost saving measures, and institute changes to the student fee schedule where permitted, change staffing strategies and implement additional cost reductions. The College is also working hard to grow enrollment by expanding the College's presence and stature in Summit County by continuing to operate in its temporary facility located on one major highway through Akron, after completing the construction of its permanent facility along the other major highway.

During the Fall term of 2018 academic term, most Ohio two-year colleges declined in enrollment compared to the prior academic year. Enrollment had been down at the College during each of the prior seven years until the Summer term of 2018, which overlapped fiscal years 2018 and 2019. Enrollment during the Fall term of 2018 semester has now exceeded enrollment at the same point a year ago following the opening of the permanent campus in Akron. The College has implemented new policies and procedures in the areas of financial aid and loan default prevention, as well as new practices across the spectrum of student services with the goal of improving student outcomes and retention rates. The College awarded more degrees in FY2018 than at any time in its history. Management has developed a wide-ranging set of contingency options to consider in the event of a continuing downturn in enrollment with the intent of not compromising its philosophy, goals, objectives and values.

Management firmly believes that its ability to manage the overall financial position of the College is strong, and that the College has demonstrated positive results from operations during the past year. The College's enrollment, reserves and cash position are sufficient to endure worsening conditions into the near term and to continue to invest in its new Akron campus, which has already been awarded additional state capital appropriations to complete an additional floor and the basement level to allow for continued growth into the future.

Stark State College

Statement of Net Position

June 30, 2018

Assets		
Current assets:		
Cash and cash equivalents	$	2,689,775
Investments		4,119,225
Student accounts receivable, net		5,991,830
Intergovernmental receivables		3,136,121
Other receivables, net		1,080,169
Foundation receivable		275,988
Advance payments and postponed charges		663,289
Insurance reserve		750,789
Inventories, at cost		977,493
Total current assets		19,684,679
Non-current assets:		
Investments, long-term		13,044,995
Endowment investments		314,500
Insurance reserve		2,448,143
Net pension asset		216,471
Capital assets not being depreciated		13,755,749
Capital assets, net of depreciation		96,830,896
Total non-current asset		126,610,754
Total assets		146,295,433
Deferred Outflow of Resources		
Pensions:		
Deferred outflows OPERS		2,742,609
Deferred outflows OPERS OPEB		779,965
Deferred outflows STRS		14,897,035
Deferred outflows STRS OPEB		441,084
Total deferred outflow of resources	$	18,860,693

(continued)

The accompanying notes are an integral part of these financial statements.

Stark State College

Statement of Net Position (continued)

June 30, 2018

Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	$	2,714,537
Deferred income		1,656,584
Accrued salaries and wages		2,131,536
Insurance claims payable		750,789
Compensated absences		208,750
Deposits held for others		193,635
Long-term liabilities – current portion		880,206
Total current liabilities		8,536,037
Non-current liabilities:		
Deposits		66,764
Long-term capital lease		669,212
Bonds payable		82,720
Executive compensation		122,012
Compensated absences		958,481
Lease rent payable		246,068
Net pension liability OPERS		14,752,582
Net OPEB liability OPERS		10,598,858
Net pension liability STRS		46,522,388
Net OPEB liability STRS		7,640,983
Total noncurrent liabilities		81,660,068
Total liabilities		90,196,105
Deferred Inflow of Resources		
Pensions:		
Deferred inflows OPERS		3,978,258
Deferred inflows OPERS OPEB		789,544
Deferred inflows STRS		9,606,182
Deferred inflows STRS OPEB		1,269,408
Total deferred inflow of resources	$	15,643,392

(continued)

The accompanying notes are an integral part of these financial statements.

Stark State College

Statement of Net Position (continued)

June 30, 2018

Net Position		
Invested in capital assets, net of related debt	$	108,958,311
Restricted for:		
Non-expendable:		
Scholarships		329,778
Expendable		
Student grants and scholarships		8,484
Public service		8,189
Instructional departments		313,921
Student services		277,808
Capital projects		69,227
Academic support		4,326
Institutional support		823
Total restricted		1,012,556
Unrestricted		(50,654,238)
Total net position	$	59,316,629

The accompanying notes are an integral part of these financial statements.

Stark State College

Statement of Financial Position - Component Unit

June 30, 2018

Assets		
Cash and cash equivalents	$	1,056,769
Unconditional promises to give:		
Unrestricted		1,019
Restricted to student services		33,318
Restricted to scholarships		50,599
Investments held for others		304,948
Endowment assets:		
Cash and cash equivalents		170,267
Long-term investments		6,404,822
Total assets		8,021,742
Liabilities		
Accounts payable		939
Amounts due to College		275,988
Investments held for others		304,948
Total liabilities		581,875
Net Assets		
Unrestricted		106,439
Temporarily restricted		1,877,132
Permanently restricted		5,456,296
Total net assets		7,439,867
Total net assets and liabilities	$	8,021,742

The accompanying notes are an integral part of these financial statements.

Stark State College

Statement of Revenues, Expenses, and Changes in Net Position

For the year ended June 30, 2018

Revenues		
Operating revenues:		
Student tuition and fees (net of scholarship allowances of $13,284,155)	$	18,239,641
Federal grants and contracts		1,696,759
State and local grants and contracts		948,857
Non-governmental grants and contracts		662,433
Sales and services of educational departments		24,929
Auxiliary enterprises: bookstore		4,691,296
Other operating revenues		2,169,147
Total operating revenues		28,433,062
Expenses		
Operating expenses:		
Educational and general:		
Instruction		4,007,986
Academic support		6,512,975
Student services		6,187,865
Institutional support		9,428,561
Operation and maintenance of plant		7,156,208
Student aid		8,346,013
Public service		907,035
Depreciation		4,505,095
Auxiliary enterprises: bookstore		4,280,331
Total operating expenses		51,332,069
Operating loss	$	(22,899,007)

(continued)

The accompanying notes are an integral part of these financial statements.

Stark State College

Statement of Revenues, Expenses, and Changes in Net Position (continued)

For the year ended June 30, 2018

Non-operating revenues (expenses):		
State appropriations	$	29,498,845
Federal grants		16,093,961
State and local grants		156,881
Gifts		314,626
Investment income		267,240
Interest on capital asset-related debt		(63,079)
Other non-operating revenues (expenses)		(216,915)
Net non-operating revenues (expenses)		46,051,559
Income (loss) before other revenues, expenses, gains, or losses		23,152,552
Capital appropriations		5,994,949
Capital grants and gifts		3,184,938
Total capital contributions		9,179,887
Increase in net position		32,332,439
Net Position		
Net position, beginning of year, restated		26,984,190
Net position, end of year	$	59,316,629

The accompanying notes are an integral part of these financial statements.

Stark State College

Statement of Activities – Component Unit

For the year ended June 30, 2018

Unrestricted Net Assets		
Support:		
Individuals	$	8,555
Corporations and foundations		1,900
In-kind donations		81,262
Investment income		12,433
Investment gain		2,817
Net assets released from restrictions:		
Restrictions satisfied by payments		589,411
Total unrestricted support, revenues and gains		696,378
Expenses:		
Supporting college activities:		
Scholarships and loans for students		446,742
Instructional equipment and supplies		112,935
Aesthetics		473
Professional development		8,481
Student services		102,047
Operations:		
Management and general		15,360
Total unrestricted expenses		686,038
Increase in unrestricted net assets		10,340
Temporarily Restricted Net Assets		
Support for instructional departments		20,640
Support for scholarships and loans for students		340,568
Support for student services		188,895
Support for aesthetics		2,000
Investment income		94,359
Investment gains		230,432
Net assets released from restrictions:		
Restrictions satisfied by payments		(589,411)
Increase in temporarily restricted net assets	$	287,483

(continued)

The accompanying notes are an integral part of these financial statements.

Stark State College

Statement of Activities – Component Unit (continued)

For the year ended June 30, 2018

Permanently Restricted Net Assets		
Endowment fund support	$	497,476
Investment income		138
Investment gains		401
Increase in permanently restricted net assets		498,015
Increase in net assets		795,838
Net assets at beginning of year		6,644,029
Net assets at end of year	$	7,439,867

The accompanying notes are an integral part of these financial statements.

Stark State College

Statement of Cash Flows

For the year ended June 30, 2018

Cash Flows from Operating Activities		
Tuition and fees	$	18,478,422
Grants and contracts		3,044,150
Payments to suppliers		(17,624,099)
Payments to employees including benefits		(47,016,403)
Payments for student aid		(8,346,013)
Loans issued to students		3,310
Auxiliary enterprise charges: bookstore		4,691,296
Sales and service of educational activities		24,929
Other cash receipts		1,598,147
Net cash used by operating activities		(45,146,261)
Cash Flows from Non-Capital Financing Activities		
State appropriations		29,498,845
Gifts and grants other than capital purposes		16,348,553
Stafford, PLUS, NEALP and other loans received		15,443,595
Stafford, PLUS, NEALP and other loans disbursed		(15,443,595)
Agency transactions		(10,877)
Net cash provided by non-capital financing activities		45,836,521
Cash Flows from Capital Financing Activities		
Capital appropriations		9,179,887
Purchases of capital assets		(14,514,158)
Principal paid on capital debt and leases		(934,105)
Interest paid on capital debt and leases		(63,079)
Net cash used by capital financing activities		(6,331,455)
Cash Flows from Investing Activities		
Proceeds from sale and maturities of investments		130,879
Interest on investments		267,240
Purchase of investments		(31,042)
Net cash used by investing activities		367,077
Net decrease in cash		(5,274,118)
Cash, beginning of year		7,963,893
Cash, end of year	$	2,689,775

(continued)

The accompanying notes are an integral part of these financial statements.

Stark State College

Statement of Cash Flows (continued)

For the year ended June 30, 2018

Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$	(22,899,007)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation expense		4,505,095
Change in allowance for uncollectible receivables		
Changes in assets and liabilities:		
Receivable, net		(526,396)
Inventories		(189,934)
Other assets		(349,118)
Net pension asset		(130,003)
Deferred outflows – pensions		408,582
Accounts payable		(123,404)
Advance revenue		3,285
Compensated absences		(397,640)
Net pension liability		(29,049,036)
Net OPEB liability		(2,878,183)
Deferred inflows – pensions		6,479,498
Net cash used by operating activities	$	(45,146,261)

The accompanying notes are an integral part of these financial statements.

Note 1: Description of the Entity

Stark State College (the "College") was originally chartered in 1966 under provisions of the Ohio Revised Code as a Technical College. The College offers more than 230 associate degrees, options, one-year and career enhancement certificates in business and entrepreneurial studies; education and human services; engineering, industrial and emerging technologies; health sciences; information technologies; liberal arts; mathematics; and sciences. Degrees awarded are: associate of arts, associate of science, associate of applied science, associate of applied business and associate of technical studies. The College also offers associate degrees in conjunction with Kent State University. A wide range of short-term career enhancement certificates help employees improve skills and gain a competitive edge in a society with rapidly changing technology. Career enhancement certificates lead to associate degrees and one-year certificates in various fields of study. The College also offers non-credit continuing education classes and customized contract- training services to companies and employees in the region. A seven-member Board of Trustees governs the College, which is a political subdivision of the State of Ohio.

Component units are legally separate organizations for which the College is financially accountable or for which the nature and significance of their relationship with the College are such that exclusion would cause the College's financials to be misleading. Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, requires the College to reflect the Stark State College Foundation (the "Foundation") as a discretely presented component unit in the financial statements based on the significance of the relationship with the College. The Foundation is a legally separate, not-for-profit organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. The Foundation is a tax-exempt entity that acts primarily as a fund-raising organization that receives gifts and bequests, administers those resources, and distributes payments to or on behalf of the College for scholarships and programs. It is reported separately to emphasize that it is legally separate from the College. Complete financial statements may be obtained from the Foundation office at 6200 Frank Avenue N.W. North Canton, Ohio 44720.

The Foundation uses non-governmental generally accepted accounting principles in the United States of America (GAAP) as a reporting model. Therefore, the Foundation's Statement of Position and Statement of Activities are reported on a separate page following the College's Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position. The economic resources received or held by the Foundation that the College is entitled to or has the ability to access are significant to the College.

Note 2: Summary of Significant Accounting Policies

The financial statements of the College have been prepared in conformity with GAAP as prescribed by the GASB, which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant College accounting policies are described below:

Note 2: Summary of Significant Accounting Policies (continued)

Basis of Presentation - The College follows the "business-type activities" reporting requirements of GASB Statement No. 35. In accordance with GASB Statement No. 35, *Basic Financial Statements-and Management Discussion and Analysis- for Public Colleges and Universities*, the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows are reported on a College-wide basis.

Measurement Focus - The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. All significant inter-fund transactions have been eliminated.

Operating and Non-Operating Revenues and Expenses - Operating revenues and expenses are those that generally result from exchange transactions such as payments received for providing goods and services and payments made for goods or services. Non-operating revenues and expenses result from financing activities, including state appropriations, and investing activities.

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. A portion of the student tuition and fees for the summer session 2018 and all of the payments of student tuition and fees resulting from early registration for the fall session 2018 are included in unearned revenue.

Deferred Outflow/Inflow of Resources - In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. Deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resource (expense/expenditure) until then. For the College, deferred outflow of resources includes a deferred charge for pension and other postemployment benefit plans. Deferred outflow of resources related to pension and other postemployment benefit plans are explained in Notes 9 and 10.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflow of resources. Deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the College, deferred inflow of resources includes pension and other postemployment benefit plans. Deferred inflow of resources related to pension and other postemployment benefit plans are explained in Notes 9 and 10.

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

Investments - Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts such as overnight repurchase agreements are reported at cost.

Note 2: Summary of Significant Accounting Policies (continued)

The College adheres to GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3.* This statement amends certain custodial risk provisions of GASB Statement No. 3 and addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

During fiscal year 2018, investments were limited to STAR Ohio, U.S. Treasury and Agency items, mutual funds, corporate notes and corporate stock.

During fiscal year 2018, the College invested in STAR Ohio. 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 College measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, 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 $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

For purposes of the presentation on the Statement of Net Position, investments with original maturities of three months or less at the time they are purchased by the College are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Inventory – Inventory consists of supplies and merchandise in the College's bookstore that is valued at cost on a first-in, first-out basis.

Grants and Scholarships – Student tuition and fees are presented net of grants and scholarships applied directly to student accounts.

Capital Assets – Land, land improvements, buildings and leasehold improvements, infrastructure, equipment, software and library books are stated at original acquisition costs. Donated capital assets are capitalized at acquisition value on the date of the gift. When capital assets are sold or otherwise disposed of, the acquisition value of such assets is removed from the accounts and the net investment in capital assets component of net position is adjusted accordingly. Capital assets, with the exception of land, are depreciated on the straight-line method over the following estimated useful lives and capitalization limits:

	Estimated Useful Life	Capitalization Threshold
Land Improvements	20 to 30 years	$ 25,000
Buildings and Leasehold Improvements	7 to 40 years	50,000
Equipment and Software	5 to 15 years	5,000
Library Books	10 years	5,000
Infrastructure	20 to 50 years	250,000

Note 2: Summary of Significant Accounting Policies (continued)

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.

Insurance Reserve – The insurance reserve is based on a percentage of ownership in the Stark County Local School System – Health Benefit Plan, which is prepared by the Stark County Council of Governments.

Compensated Absences – Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

a) The employees' rights to receive compensation are attributable to services already rendered.
b) It is probable that the employer will compensate the employee 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. A liability is reported when 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.

Net Position – Net position represents the difference between all other elements in a Statement of Net Position. Net position is classified into the following three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on their use. The College identifies restricted net position as either non-expendable or expendable. Non-expendable net position represents endowment contributions from donors that are permanently restricted as to principal. Expendable net position relates to grants and contract activity, whose use is subject to externally imposed restrictions. As of June 30, 2018, the College's restricted net position is $1,012,556, none of which were restricted by enabling legislation.

Unrestricted net position is not subject to restrictions and may be designated for specific purposes by the Board of Trustees.

The College first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position resources are available.

Note 3: Change in Accounting Principles

Prior year restatement

For fiscal year 2018, the college has implemented GASB statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB statement No. 85, *Omnibus 2017*, and related guidance from GASB Implementation Guide No 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and Certain Issues Related to OPEB Plan Reporting*. GASB 85 and GASB Implementation Guide 2017-3 had no effect on beginning net position.

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

Net Position as of June 30, 2017:	$ 48,037,411
Retroactive adjustments:	
Net OPEB Liability STRS and OPERS	(21,118,025)
Deferred Outflow – Payments made subsequent to the measurement date	64,804
Restated Net Position June 30, 2017:	$ 26,984,190

The college had made a retroactive restatement due to change in accounting for OPEB under GASB 75 and therefore the restated balance was from accounting pronouncement change.

Note 4: Cash 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, with the exception of some endowment charitable gifts, 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. In accordance with the Ohio Revised Code, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. Also, the investment of the College's funds are restricted to certificates of deposit, savings accounts, money market accounts and the State Treasurer's Investment Pool (STAR Ohio), STAR Plus, 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 with a face value that is at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for the public deposits and investments to be maintained in the College's name.

Note 4: Cash and Investments (continued)

STAR Plus is a cash management program endorsed by the Ohio Treasurer of State, which allows political subdivisions of the State of Ohio access to the Federally Insured Cash Accounts or FICA® program. The FICA program provides access to hundreds of Federal Deposit Insurance Corporation insured banks via a single, convenient account with a custodial bank that is managed by an investment advisor registered with the U.S. Securities and Exchange Commission. The funds held with STAR Plus are reported in deposits at June 30, 2018.

B. Cash on Hand – At June 30, 2018, the College had $13,787 in un-deposited cash on hand, which is included in “cash and cash equivalents” on the accompanying Statement of Net Position.

C. Deposits – At June 30, 2018, the reported amount of the College’s deposits was $2,560,323 and the bank balance was $1,868,970, of which $818,035 was covered by the FDIC insured limit and $1,050,935 was collateralized in accordance with Ohio Revised Code Section 135.

D. Investments – The College had the following investments and maturities as of June 30, 2018:

			Investment Maturity (in years)	
Investment Type	Measurement Value	Less than 1 Year	1 – 5	More than 5 Years
Insurance Reserve	$ 3,198,932	$ 750,789	$ 2,448,143	$ -
STAR Ohio	81,396	81,396	-	-
Investments:				
Money Market Funds	34,270	34,270	-	-
U.S. Agencies	15,684,564	3,378,316	12,306,248	-
Corporate Notes	92,592	19,353	46,553	26,686
Negotiable Certificates of Deposit	1,478,267	498,260	980,007	-
Mutual Funds	27,133	27,133	-	-
Corporate Stock	196,163	196,163	-	-
	$ 20,793,317	$ 4,985,680	$ 15,780,951	$ 26,686

The investment in STAR Ohio and money market funds are reported in “cash and cash equivalents” in the Statement of Net Position. The negotiable certificates of deposit are fully covered by FDIC insurance.

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 Investment Policy prohibits the purchase of securities that will mature more than five years from the date of settlement. Investments maturing in greater than 5 years are maintained in the Stark State College Foundation investment portfolio.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk: The College places no limit on the amount that may be invested in any one issuer.

Note 4: Cash and Investments (continued)

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments had the following ratings by Standard & Poor's and their percentage of total investments:

Corporate Stocks	A	0.06%
Corporate Stocks	A-	0.09%
Corporate Stocks	A+	0.06%
Corporate Stocks	AA	0.01%
Corporate Stocks	AA-	0.05%
Corporate Stocks	AA+	0.04%
Corporate Stocks	AAA	0.03%
Corporate Stocks	BB-	0.01%
Corporate Stock	BB	0.02%
Corporate Stocks	BBB	0.03%
Corporate Stocks	BBB-	0.02%
Corporate Stocks	BBB+	0.09%
Corporate Stocks	Not rated	0.44%
Mutual Funds	AAAm	0.13%
Corporate Notes	A	0.05%
Corporate Notes	A-	0.08%
Corporate Notes	AA-	0.03%
Corporate Notes	A+	0.01%
Corporate Notes	BBB	0.12%
Corporate Notes	BBB+	0.08%
Corporate Notes	Not rated	0.08%
STAR Ohio	AAAm	0.39%
Money Market Funds	AAAm	0.16%
US Agencies	AA+	75.46%
Negotiable Certificates of Deposit	Not Rate	7.11%

Note 5: Fair Value Measurements

The Stark State College has implemented GASB Statement No. 72 which requires establishment of a Fair Value measurement. The pronouncement has established three levels of measurement, Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant observable inputs and Level 3 inputs are significant unobservable inputs. The College has reviewed the inputs to these fair values and considers various factors and judgements related to the specific asset or liability.

Note 5: Fair Value Measurements (continued)

Stark State College has the following recurring Fair Value measurements for June 30, 2018:

		Fair Value Measurements		
	Balance at 6/30/18	Level 1 Markets for Identical Assets	Level 2 Significant other Observable Inputs	Level 3 Significant Unobservable Inputs
Insurance Reserve	$ 3,198,932	$ -	$ 3,198,932	$ -
U.S. Agencies	15,684,564	-	15,684,564	-
Corporate Notes	92,592	-	92,592	-
Negotiable Certificates of Deposit	1,478,267	-	1,478,267	-
Mutual Funds	27,133	27,133	-	-
Corporate Stock	196,163	196,163	-	-
	$ 20,677,651	$ 223,296	$ 20,454,355	$ -

The Star Ohio and money market fund balances of $81,396 and $34,270, respectively, as of June 30, 2018 are not included in the table above.

The District has the following recurring fair value measurements as of June 30, 2018:

- U.S. Agencies, corporate notes, and negotiable certificates of deposit are measured based on Level 2 inputs, using matrix pricing.
- Mutual Funds and Corporate Stock are measured based on quoted market prices.
- The Insurance Reserve is comprised of both commercial paper and Level 2 investments. The commercial paper is valued at amortized cost and are excluded from the table above. The Level 2 investments are valued using matrix pricing.

Stark State College

Notes to the Financial Statements (continued)

For the Year Ended June 30, 2018

Note 6: Capital Assets

A summary of the changes in capital assets and related accumulated depreciation for the year ended June 30, 2018, is as follows:

	Balance 6/30/17	Additions	Disposals	Transfers	Balance 6/30/18
Capital assets not being depreciated:					
Land	$ 6,895,265	$ 782,270	$ -	$ -	$ 7,677,535
Construction in progress	4,661,883	13,536,547	-	(18,086,704)	111,726
Software	5,966,488	-	-	-	5,966,488
Total capital assets not being depreciated	17,523,636	14,318,817	-	(18,086,704)	13,755,749
Capital assets being depreciated:					
Land improvements	6,270,454		-	-	6,270,454
Building and leasehold improvements	112,055,449		-	18,086,704	130,142,153
Equipment	10,578,116	187,240	(100,167)	-	10,665,189
Library books	9,260	-	(9,260)	-	-
Infrastructure	309,310	-	-	-	309,310
Total capital assets being depreciated	129,222,589	187,240	(109,427)	18,086,704	147,387,106
Less accumulated depreciation for:					
Land improvements	3,157,260	238,070	-	-	3,395,330
Buildings and leasehold improvements	36,087,988	3,496,743	-	-	39,584,731
Equipment	6,689,852	763,512	(100,167)	-	7,353,197
Library books	9,245	15	(9,260)	-	-
Infrastructure	216,197	6,755	-	-	222,952
Total accumulated depreciation	46,160,542	4,505,095	(109,427)	-	50,556,210
Capital assets being depreciated, net	83,062,047	(4,317,855)	-	18,086,704	96,830,896
Capital assets, net	$ 100,585,683	$ 10,000,962	$ -	$ -	$ 110,586,645

Note 7: Leases

Stark State College leases buildings and parking lots on a month-to-month basis and under long-term operating lease agreements. Rent expense totaled $1,217,788 during the year ended June 30, 2018. Aggregate future minimum lease payments under these non-cancelable operating lease agreements are as follows for the years ending June 30:

2019	$ 1,015,599
2020	910,939
2021	451,774
2022	383,224
2023	295,187
Thereafter	1,061,550
	$ 4,118,273

Stark State College leases its buildings, equipment, and parking lots to companies for specific days and under long-term operating lease agreements. The property used for rental purposes under long-term operating lease agreements has an original prorated cost of $28.13 million, and accumulated depreciation of $8.6 million at June 30, 2018. Rent income totaled $649,757 during the year ended June 30, 2018. Aggregate future minimum lease receipts under the non-cancellable operating lease agreements are as follows for the years ending June 30:

2019	$ 619,315
2020	567,168
2021	312,572
2022	233,034
2023	110,163
	$ 1,842,252

Lease Obligation Payable

The College has entered into a Ground Lease-Purchase Agreement on August 23, 2017 for land in Akron, Ohio and is classified as a capital lease. Land valued at $764,041 is being purchased from the City of Akron, Ohio, and used to build the future home for Stark State College Summit County. The ground lease-purchase agreement transfers ownership of the land to Stark State College at the end of the lease term, which is twenty years. The following is a schedule showing the future minimum lease payments as of June 30, 2018. The interest rate used is an imputed rate of 2.16% to compute present value, and the annual payments due are $47,469.

2019	$ 47,469
2020	47,469
2021	47,469
2022	47,469
2023	47,469
Thereafter	617,097
	854,442
Less amount representing interest	152,941
Present value of minimum lease payments	$ 701,501

Note 8: Long-Term Liabilities

The College's long-term liabilities consisted of the following at June 30, 2018:

	Restated Balance 6/30/17	Additions	Reductions	Balance 6/30/18	Due Within One Year
Bonds:					
2010 Series A1 (Tax-Exempt)	$ 1,833,137	$ -	$ 902,500	$ 930,637	$ 847,917
Net pension/OPEB liability:					
OPERS	22,380,165	-	7,627,583	14,752,582	-
OPERS OPEB	10,262,551	336,307	-	10,598,858	-
STRS	67,943,842	-	21,421,454	46,522,388	-
STRS OPEB	10,855,474	-	3,214,491	7,640,983	-
Total net pension liability	111,442,032	336,307	32,263,528	79,514,811	-
Other long-term liabilities:					
Ground lease City of Akron	733,106	-	31,605	701,501	32,289
Deposits	57,535	9,231	-	66,766	-
Executive compensation	61,078	60,934	-	122,012	-
Compensated absences	1,269,952	294,919	397,640	1,167,231	-
Lease liability	231,276	14,792	-	246,068	208,750
Total other long-term liabilities	2,352,947	379,876	429,245	2,303,578	241,039
Total	$ 115,628,116	$ 716,183	$ 33,595,273	$ 82,749,026	$ 1,088,956

2010 Series A1 (Tax-Exempt Bonds) – On August 31, 2010, the College issued $7,635,000 of Series A1 Tax-Exempt Bonds for the purpose of financing part of the costs of various capital facilities of the College, including the construction of a business and entrepreneurship building, a classroom and lab addition to the Health Science building, a pedestrian bridge, and a parking lot and atrium renovation. The bonds were issued for a nine-year period with a final maturity date of September 1, 2019.

The College pays a monthly Governmental Lease payment to the Ohio Treasurer of State to fund the State's sinking bond fund as a requirement of the enabling legislation for the bonds under the State Community and Technical College Facilities Intercept Bond program. The Treasurer of State issues a monthly lease payment schedule at the beginning of each fiscal year for the following three fiscal years. The Treasurer of State makes the semiannual coupon payments on March 1 and September 1 and redemption payments on September 1 of each applicable year. The interest rates on the 2010 Series A1 Tax Exempt Bonds coupons range from 2.000% to 2.625%.

Scheduled principal maturities and total debt service on the 2010 Series A1 bond for fiscal years subsequent to June 30, 2018 are as follows:

Fiscal Years Ending	Principal	Interest	Total
2019	$ 847,917	$ 22,258	$ 870,175
2020	82,720	2,023	84,743
	$ 930,637	$ 24,281	$ 954,918

Note 8: Long-Term Liabilities (continued)

Lease liability – The College has three operating lease agreements which contain rent step increases in the terms of the agreement. In accordance with GAAP, the College expenses the leases on a straight-line basis and records a lease liability for the portion of the rent expense that was unpaid as of June 30, 2018.

Note 9: Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

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

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

The 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 and OPEB.

GASB Statements No. 68 and 75 assume 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 pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of monthly premium. State statute requires pension plans to amortize unfunded pension liabilities within 30 years. If the amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

Note 9: Pension Plans (continued)

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included as an accrued liability. The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

Ohio Public Employees Retirement System

Plan Description – College employees participate in the Ohio Public Employees Retirement System (OPERS).

OPERS administers three separate pension plans. The Traditional Plan is a cost-sharing, multiple employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. New employees (those who establish membership in OPERS on or after January 1, 2003) have 180 days from the commencement of employment to select membership in one of the three pension plans. Contributions to OPERS are effective with the first day of the employee's employment. Contributions made prior to the employee's plan selection are maintained in the Traditional Plan and later transferred to the plan elected by the member, as appropriate. While members (e.g., College employees) may elect the Member Directed Plan or the Combined Plan, substantially all employees are in the OPERS' Traditional Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Plan as well as the Combined Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/investments/cafr.shtml, by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount.

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

For retirement calculation purposes, members are divided into three groups. The following table provides age and service requirements for retirement and the retirement formula applied to FAS for the three Member groups under the Traditional Plan:

Note 9: Pension Plans (continued)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
Age and Service Requirements:	**Age and Service Requirements:**	**Age and Service Requirements:**
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 62 with 60 months of service credit or Age 57 with 25 years of service credit
Formula:	**Formula:**	**Formula:**
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Once a benefit recipient retiring under the Traditional Plan has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided on the member's base benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent. Additionally, a death benefit of $500-$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional Plan.

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

Benefits in the Combined Plan consist of both an age-and-service formula benefit (the defined benefit element) and a defined contribution element. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Plan. The subsequent table provides age and service requirements for retirement and the retirement formula applied to FAS for the three member groups under the Combined Plan (see OPERS CAFR referenced above for additional information). The service formula used to compute the benefit remained unchanged.

Note 9: Pension Plans (continued)

The following table provides age and service requirements for retirement and the retirement formula applied to FAS for the three member groups under the Combined Plan:

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
Age and Service Requirements:	**Age and Service Requirements:**	**Age and Service Requirements:**
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 62 with 60 months of service credit or Age 57 with 25 years of service credit
Formula:	**Formula:**	**Formula:**
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Once a benefit recipient retiring under the Combined Plan has received benefits for 12 months, an annual COLA is provided on the member's base benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent. Additionally, a death benefit of $500-$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Combined Plan.

The Member-Directed Plan is a defined contribution plan in which members self-direct the investment of both member and employer contributions. The distribution upon retirement is equal to the sum of member and vested employer contributions plus investment earnings (or losses). Employer contributions and associated investment earnings vest over a five-year period at a rate of 20 percent per year. Members may also elect to use their defined contribution account balances to purchase a defined benefit annuity administered by OPERS.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of earnable salary for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of earnable salary for members in the state and local classifications. Members in state and local classifications contributed 10 percent of earnable salary.

Note 9: Pension Plans (continued)

The College's 2018 contribution rate was 14 percent of earnable salary - 13 percent towards pension and 1 percent towards post-employment health care benefits through December 31, 2017 and 14 percent of earnable salary - 14 percent towards pension and 0 percent towards post-employment health care benefits beginning January 1, 2018. In fiscal year 2018, the College's contractually required pension contributions for the Traditional Plan and Combined Plan was $1,392,913 and $72,925, respectively. Of these amounts $296,113 was reported as a liability at June 30, 2018.

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification 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. The active member population which consists of members in the Traditional and Combined Plans is assumed to remain constant. For purposes of financing the unfunded actuarial accrued liabilities, total payroll is assumed to grow at the wage inflation rate indicated below.

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent	3.25 to 8.25 percent
COLA orAd Hoc COLA	3 percent simple	3 percent simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

The most recent experience study was completed for the five-year period ended December 31, 2015. Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to these tables.

Note 9: Pension Plans (continued)

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the Health Care and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the member-directed plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and the benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82% in 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

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

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

Note 9: Pension Plans (continued)

Sensitivity of the College's Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate

The following table presents the College's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.5 percent, as well as what the College's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net pension liability - Traditional	$26,196,827	$14,752,582	$5,211,531
College's proportionate share of the net pension liability (asset) - Combined	($117,671)	($216,471)	($284,637)

State Teachers Retirement System

Plan Description – The College's faculty participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan administered by STRS Ohio. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website 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 FAS multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of FAS 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 26 years of service, or 31 years of service regardless of age. Eligibility changes will continue to be phased in until August 1, 2026 at which time they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

Note 9: Pension Plans (continued)

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, 12 percent of the 14 percent member rate goes to the DC Plan and 2 percent goes to the DB 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. For the fiscal year ended June 30, 2018, plan members were required to contribute 14 percent of their annual covered salary. The College was also required to contribute 14 percent, the entire portion of which was used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates. The College's contractually required contributions to STRS Ohio for fiscal year 2018 was $3,014,240, $88,638 of which was reported as an accrued liability at June 30, 2018.

Actuarial Assumptions – STRS Ohio

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

Note 9: Pension Plans (continued)

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 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.

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

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

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2017 are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	28%	7.35%
International Equity	23%	7.55%
Alternatives	17%	7.09%
Fixed Income	21%	3.00%
Real Estate	10%	6.00%
Liquidity Reserves	1%	2.25%
Total	100%	

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Note 9: Pension Plans (continued)

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the College's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of the net pension liability	$66,688,259	$46,522,388	$29,535,663

Assumption and Benefit Changes Since the Prior Measurement Date

The Retirement Board approved several changes to the actuarial assumptions in 2017. The long-term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience. Effective July 1, 2017 the COLA was reduced to zero.

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

The net pension liability/asset was measured as of December 31, 2017 for OPERS and June 30, 2017 for STRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The College's proportion of the net pension liability was based on 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:

Note 9: Pension Plans (continued)

	OPERS Traditional	OPERS Combined	STRS	Total
Proportion of the net pension Liability/asset prior measurement date	0.098555%	0.155359%	0.20298095%	
Proportion of the net pension liability/asset current measurement date	0.094037%	0.159015%	0.19584074%	
Change in proportionate share	-0.09305145%	0.15746141%	-0.00714021%	
Proportionate share of the net pension liability (asset)	$ 14,752,582	$ (216,471)	$ 46,522,388	$ 61,058,499
Pension expense	$ 3,167,341	$ 34,947	$ (20,655,602)	$ (18,025,994)

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

Note 9: Pension Plans (continued)

Deferred Outflow of Resources

	OPERS Traditional	OPERS Combined	STRS	Total
Differences between expected and actual experience	$ 15,066	$ -	$ 1,796,476	$ 1,811,542
College contributions subsequent to the measurement date	884,728	44,610	2,925,602	3,854,940
Changes in assumptions and benefits	1,763,032	18,917	10,174,957	11,956,906
Differences in employer contribution and change in proportionate share	9,327	6,929	-	16,256
Total deferred outflow of resources	$ 2,672,153	$ 70,456	$ 14,897,035	$ 17,639,644

Deferred Inflow of Resources

	OPERS Traditional	OPERS Combined	STRS	Total
Differences between expected and actual experience	$ 290,727	$ 64,488	$ 374,952	$ 730,167
Net difference between projected and actual earnings on pension plan investments	3,076,815	34,154	1,535,293	4,646,262
Differences in employer contribution and change in proportionate share	510,301	1,773	7,695,937	8,208,011
Total deferred inflow of resources	$ 3,877,843	$ 100,415	$ 9,606,182	$ 13,584,440

Note 9: Pension Plans (continued)

The College reported $3,854,940 as deferred outflow of resources related to pension resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional	OPERS Combined	STRS	Total
Year Ending June 30:				
2019	$ (1,141,149)	$ (10,096)	$ (589,183)	$ (1,650,058)
2020	535,464	(11,030)	1,499,345	2,023,779
2021	1,394,660	(18,682)	1,061,376	2,437,354
2022	1,301,443	(17,874)	393,713	1,677,282
2023	-	(5,882)	-	(5,882)
Thereafter	-	(11,005)	-	(11,005)
	$ 2,090,418	$ (74,569)	$ 2,365,251	$ 4,471,470

Alternative Retirement Plan

Plan Description – An Alternative Retirement Plan (ARP) is a defined contribution pension plan, under IRS Section 401(a), and established by Ohio Amended Substitute House Bill 586 (ORC 3305.02) on March 31, 1998, for public institutions of higher learning. Full-time administrative and professional staff are eligible to choose a provider, in lieu of STRS and OPERS, from the list of eight private providers currently approved by the Ohio Department of Insurance and who hold agreements with the College. New employees who qualify for the ARP have 120 days from date of hire to make an irrevocable election to participate in the ARP. For employees who elected participation in the ARP, employee contributions to STRS and OPERS were transferred from those plans and invested in individual accounts established with one of the eight providers. Employee and employer contributions equal to those required by OPERS and STRS are required for the ARP, less any amounts required to be remitted to the state retirement system in which the employee would otherwise have been enrolled.

The ARP does not provide disability benefits, annual cost-of-living adjustments, post-retirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options. The College plan provides 100% plan vesting immediately.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. Under this plan, employees who would have otherwise been required to participate in STRS or OPERS, and who elect to participate in the ARP, must contribute the employee's share of retirement contributions to one of eight private providers approved by the Ohio Department of Insurance. The legislation mandates that the employer must contribute an amount to the state retirement system to which the employee would have otherwise belonged, based on an independent actuarial study commissioned by the Ohio Retirement Study Council and submitted to the Ohio Department of Higher Education. That amount is 4.47 percent for STRS and 0.77 percent for OPERS for the year ended June 30, 2018. The employer also contributes what would have been the employer's contribution under STRS or PERS, less the aforementioned percentages, to the private provider selected by the employee.

Note 9: Pension Plans (continued)

The employee contribution rates for the current and preceding two fiscal years follow:

Employee Contribution Rate

	STRS		OPERS	
Period	Traditional	ARP	Traditional	ARP
7/1/17 - 6/30/18	14.00%	14.00%	10.00%	10.00%
7/1/16 - 6/30/17	14.00%	14.00%	10.00%	10.00%
7/1/15 - 6/30/16	14.00%	14.00%	10.00%	10.00%

The employer contribution rates for the current and preceding two fiscal years follow:

Employer Contribution Rate

	STRS			OPERS		
		ARP			ARP	
	Traditional	STRS	ARP	Traditional	OPERS	ARP
7/1/17 - 6/30/18	14.00%	4.50%	9.50%	14.00%	0.77%	13.23%
7/1/16 - 6/30/17	14.00%	4.50%	9.50%	14.00%	0.77%	13.23%
7/1/15 - 6/30/16	14.00%	4.50%	9.50%	14.00%	0.77%	13.23%

The College's required contributions for pension obligations to the plan for the fiscal years ended June 30, 2018, 2017, and 2016 were $ 123,137, $116,975, and $119,264, respectively, of which 100% has been contributed.

Note 10: Post-Employment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) - In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222- 5601 or 800-222-7377.

Note 10: Post-Employment Benefits (continued)

Funding Policy –The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2017 was 4.0%.

The College's contributions allocated to fund post-employment health care benefits for the fiscal years ended June 30, 2018, 2017, and 2016 were $153,117, $198,090, and $257,413, respectively.

The Colleges net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially Determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017.

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Projected Salary Increases	3.25% to 10.75% (includes wage inflation at 3.25%)
Investment Rate of Return	6.50%
Healthcare cost trend rates	7.50% initial, 3.25% ultimate in 2028

Note 10: Post-Employment Benefits (continued)

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation for 2017	Weighted Average Long-Term Expected Real Rate of Return*
Fixed Income	34%	1.88%
Domestic Equities	21%	6.37%
REITs	6%	5.91%
International Equities	22%	7.88%
Other Investments	17%	5.39%
Total	100%	4.98%

Discount Rate

A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met).

This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50% and a municipal bond rate of 3.31%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Note 10: Post-Employment Benefits (continued)

Sensitivity of the Office's Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate

The following table presents the OPEB liability calculated using the single discount rate of 3.85%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

	1% Decrease (2.85%)	Discount Rate (3.85%)	1% Increase (4.85%)
College's proportionate share of the net OPEB liability	$14,080,752	$10,598,858	$7,781,648

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
College's proportionate share of the net OPEB liability	$10,140,640	$10,598,858	$11,071,744

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2019. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877. Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

Note 10: Post-Employment Benefits (continued)

Actuarial Assumptions – STRS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of June 30, 2017.

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

Inflation	2.50%
Salary Increase	12.50% at age 20 to 2.50% at age 65
Payroll Increases	3.00%
Blended Discount Rate of Return	4.13%
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Healthcare cost trend rates	6.00% to 11.00% initial, 4.50% ultimate
Cost-of-living adjustments	0.00% effective July 1, 2017

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

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

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

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

Note 10: Post-Employment Benefits (continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	28%	7.35%
International Equity	23%	7.55%
Alternatives	17%	7.09%
Fixed Income	21%	3.00%
Real Estate	10%	6.00%
Liquidity Reserves	1%	2.25%
Total	100%	

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

Discount Rate

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

Note 10: Post-Employment Benefits (continued)

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

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

	1% Decrease in Trend Rate (6.50%)	Current Trend Rate (7.50%)	1% Increase in Trend Rate (8.50%)
College’s proportionate share of the net OPEB liability	$5,308,628	$7,640,983	$10,710,636

	1% Decrease in Discount Rate (3.13%)	Current Discount Rate (4.13%)	1% Increase in Discount Rate (5.13%)
College’s proportionate share of the net OPEB liability	$10,257,897	$7,640,983	$5,572,766

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

The net pension liability/asset was measured as of December 31, 2017 for OPERS and June 30, 2017 for STRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The College's proportion of the net pension liability was based on 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:

Note 10: Post-Employment Benefits (continued)

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

	OPERS Traditional	STRS	Total
Proportion of the net OPEB liability/asset prior measurement date	0.1016060%	0.20298095%	
Proportion of the net OPEB liability/asset current measurement date	0.0976020%	0.19584074%	
Change in proportionate share	-0.0040040%	-0.00714021%	
Proportionate share of the net OPEB liability (asset)	$ 10,598,858	$ 7,640,983	$ 18,203,554
OPEB expense	$ 462,682	$ (2,713,476)	$ (2,250,794)

Deferred Outflow of Resources

	OPERS	STRS
Differences between expected and actual experience	$ 8,256	$ 441,084
Changes of assumptions	771,709	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	$ 779,965	$ 441,084

Deferred Inflow of Resources

	OPERS	STRS
Difference between contributions and proportionate share of contributions	$ -	$ 327,308
Changes of assumptions	-	615,506
Net difference between projected and actual earnings on OPEB plan investments	789,544	326,594
Total	$ 789,544	$ 1,269,408

Note 10: Post-Employment Benefits (continued)

Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pension will be recognized in pension expense as follows:

	OPERS	STRS
2018	$ (175,384)	$ (165,270)
2019	(175,384)	(165,270)
2020	163,239	(165,270)
2021	197,386	(165,272)
2022	-	(83,622)
thereafter	-	(83,620)
Total	$ 9,857	$ (828,324)

Note 11: Contingencies

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. Any disallowed claims resulting from such audits could become a liability of the College. However, in the opinion of management of the College, any such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 2018.

Litigation

The College is unaware of any unasserted claims pending against it as of June 30, 2018. During the normal course of business, the College is subject to occasional legal proceedings, claims, and contract disputes. In the opinion of management, the eventual outcome of any current proceedings and claims against the College will not materially affect its financial condition or operations.

Note 12: Risk Management

The College is exposed to various risks of loss related to tort, 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. The College is a member of the Stark County Schools Council of Governments, a shared risk pool (see Note 2), which was established to provide a partially self-funded health benefits program to its members. The College pays a monthly premium to the Council of Governments for its health care coverage.

Note 12: Risk Management (continued)

The insurance claims payable of $750,789 is based on the requirements of GASB Statement No. 30, *Risk Financing Omnibus*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the Council of Governments. A summary of the claims liability during the past two fiscal years is as follows:

Fiscal Year	Balance at July 1	Current Year Claims	Claim Payments	Balance at June 30
2018	$ 826,486	$ 4,057,214	$ 4,132,911	$ 750,789
2017	908,241	4,063,816	4,145,571	826,486

Note 13: Discretely Presented Component Unit

DESCRIPTION OF THE REPORTING ENTITY

The Stark State College Foundation (the "Foundation") is organized and operated exclusively for educational, scientific or charitable purposes by conducting and supporting activities which benefit or carry out the purpose of the Stark State College (the "College"). The College is a state institution of higher learning, authorized and existing under Chapter 3357 of the Ohio Revised Code. The Foundation is a not-for-profit organization established in accordance with Section 501(c)(3) of the Internal Revenue Code and is empowered to exercise all rights and powers conferred by the laws of Ohio upon nonprofit corporations. The Foundation is a component unit of the College.

The Foundation's primary sources of revenue are endowment income and public support through donations from individuals, corporations, foundations, and trusts located primarily in northeast Ohio.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Financial Statement Presentation

The Foundation follows authoritative guidance issued by the Financial Accounting Standards Board (FASB) which established the Accounting Standards Codification (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America.

ASC 958: *Not-for-Profit Entities* requires that the 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 Standard requires that resources be classified into three net asset categories according to the presence or absence of donor-imposed restrictions. A description of the categories is as follows:

Note 13: Discretely Presented Component Unit (continued)

Unrestricted Net Assets – Net 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 – Net 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 – Net 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 Activities.

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 Activities as net assets released from restrictions.

Contributions

The Foundation reports contributions in accordance with ASC 958. ASC 958 requires that unconditional promises to give, with payments due in future periods, be recorded 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.

Cash and Cash Equivalents

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

Investments

Investments in marketable securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment fees were $42,796 during the year ended June 30, 2018.

Investments of unrestricted, temporarily restricted and permanently restricted funds are pooled for making investment transactions and are carried at market value. Interest and dividend income, as well as realized and unrealized gains and losses, are allocated to unrestricted, temporarily restricted and permanently restricted funds.

Note 13: Discretely Presented Component Unit (continued)

Promises to Give

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. Conditional promises are recorded when donor stipulations are substantially met.

Management analyzes the promises to give on a continuing basis to determine collectability and to assess the need for an allowance for doubtful accounts. Pledges are written off when collection is considered doubtful. No allowance was established as of June 30, 2018.

The Foundation requires an initial minimum balance of $5,000 to establish an endowed scholarship fund. The policy allows a period, generally not to exceed 60 months, for the accumulation of contributions and interest to meet the minimum $5,000 requirement.

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.

Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents, investments, and promises to give.

The Foundation has significant investments in equity and debt securities and is, therefore, subject to concentrations of credit risk. Investments are managed by investment advisors who are overseen by a committee. Though the market value of investments is subject to fluctuations on a year-to-year basis, the committee believes that the investment policy is prudent for the long-term welfare of the Foundation.

Credit risk with respect to promises to give is limited due to the number and credit worthiness of the foundations, corporations, governmental units, and individuals who comprise the contributor base.

At various times during the year ended June 30, 2018, the Foundation's cash in bank balances may have exceeded the federal insured limits.

Donated Administrative Expenses

Certain administrative functions of the Foundation are performed by administrative employees of the College at no charge to the Foundation. The value of these services is not recognized in these financial statements.

Note 13: Discretely Presented Component Unit (continued)

In-Kind Donations

In-kind donations, when received are reflected in the accompanying Statement of Activities at their estimated fair value as of the date of receipt. Such in-kind support is offset by like amounts in instructional equipment and supplies in the accompanying Statement of Activities.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through January 11, 2019, the date the financial statements were available to be issued.

Investments consist of the following at June 30, 2018:

	Foundation	Held for College
Equity	$ 3,846,441	$ 194,775
Fixed income	2,107,195	92,592
Money market funds	451,186	17,581
	$ 6,404,822	$ 304,948

FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments – The Foundation adopted applicable sections of the ASC 820: *Fair Value Measurements and Disclosures* for financial assets and financial liabilities. In accordance with ASC 820, fair value is defined as the price the Foundation would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs may be used in determining the value of the Foundation's investments. The inputs are summarized in the three broad levels below:

Level 1 – quoted prices in active markets for identical assets and liabilities

Level 2 – other significant observable inputs (including quoted prices for similar assets and liabilities, interest rates, credit risk, etc.)

Level 3 – significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of the assets and liabilities)

Note 13: Discretely Presented Component Unit (continued)

The input or methodology used for valuing securities is not necessarily an indication of the risk associated with maintaining those investments.

	Level 1	Level 2	Level 3	Total
Equity:				
Corporate stock	$ 3,846,441	$ -	$ -	$ 3,846,441
Fixed income:				
Corporate notes	-	1,628,873	-	1,628,873
Mutual funds	439,607	-	-	439,607
U.S. agencies	-	38,715	-	38,715
Money market funds	451,186	-	-	451,186
	$ 4,737,234	$ 1,667,588	$ -	$ 6,404,822

The following is a summary of the inputs used as of June 30, 2018, in valuing the Foundation's investments held on behalf of others carried at fair value.

	Level 1	Level 2	Level 3	Total
Equity:				
Corporate stock	$ 194,775	$ -	$ -	$ 194,775
Fixed income:				
Corporate notes	-	76,028	-	76,028
Mutual funds	16,564	-	-	16,564
Money market funds	17,581	-	-	17,581
	$ 228,920	$ 76,028	$ -	$ 304,948

The corporate notes and U.S. agencies are valued using a "matrix-based" pricing model. This pricing model analyzes investments with similar attributes.

ENDOWMENT FUND

Net Asset Classification of Endowment Funds

As required by generally accepted accounting principles in the United States of America, net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 13: Discretely Presented Component Unit (continued)

The Board of Directors (the "Board") of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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, (b) the original value of subsequent gifts, 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 standards of prudence by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate donor-restricted endowment funds:

a. The duration and preservation of the fund
b. The purpose of the Foundation and the donor-restricted endowment fund
c. General economic conditions
d. The investment policies of the Foundation

During the year ended June 30, 2018, the Foundation had the following endowment related activities:

	Donor-Restricted Endowment Funds	Board-Designated Endowment Funds	Total
Investment return:			
Interest and dividends	$ 93,853	$ 892	$ 94,745
Net realized and unrealized gain	228,636	2,531	231,167
Total investment return	322,489	3,423	325,912
Contributions	541,894	-	541,894
Appropriation of endowment assets for expenditure	(134,165)	-	(134,165)
Total change in endowment	$ 730,218	$ 3,423	$ 733,641

Note 13: Discretely Presented Component Unit (continued)

Endowment net asset composition by type of fund as of June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,136,508	$ 5,407,284	$ 6,543,792
Board-designated endowment funds	59,302	-	-	59,302
Total funds	$ 59,302	$ 1,136,508	$ 5,407,284	$ 6,603,094

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 55,879	$ 948,723	$ 4,864,851	$ 5,869,453
Investment return:				
Interest and dividends	892	93,715	138	94,745
Net realized and unrealized gain	2,531	228,235	401	231,167
Total investment return	59,302	1,270,673	4,865,390	6,195,365
Contributions	-	-	541,894	541,894
Appropriation of endowment assets for expenditure	-	(134,165)	-	(134,165)
Endowment net assets, end of year	$ 59,302	$ 1,136,508	$ 5,407,284	$ 6,603,094

Below is a reconciliation of permanently restricted net assets included in the endowment fund to total permanently restricted net assets:

Permanently restricted net assets within endowment fund	$ 5,407,284
Permanently restricted net assets included in pledges receivable	49,012
Total permanently restricted net assets	$ 5,456,296

Note 13: Discretely Presented Component Unit (continued)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for the endowment fund. The policy goal for the Foundation's endowment investment portfolio is to provide a real total return that preserves the purchasing power of the endowment assets, while providing an income stream to support the Foundation's activities in support of the College. Assets for the investment pool include those assets of donor-restricted funds that the Foundation must hold in perpetuity, as well as board-designated funds. The Foundation engages an investment manager whose performance is measured against respective benchmarks. The endowment's real total return is sought from an investment strategy that provides an opportunity for superior total returns within acceptable levels of risk and volatility. The Foundation recognizes that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the potential loss in purchasing power due to inflation are present to some degree with all types of investment vehicles. While high levels of risk are to be avoided, the assumption of a moderate level of risk is warranted and encouraged in order to allow the investment portfolio the opportunity to achieve satisfactory results consistent with the objectives and character of the portfolio.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). In recognition of the difficulty in predicting the direction of the markets or future state of the economy, the Foundation's assets are diversified among asset classes, managers/funds, and investment styles. The Board has determined that 60% to 70% of the investment portfolio be allocated to equities, including international securities, and 30% to 40% be allocated to fixed income or cash investments. The Board also reviews the portfolio on a regular basis (at least annually) to consider the portfolio's asset mix relative to its target and the allowable range around the target.

The investment strategy for the Foundation's portfolio indicates the principal category of equity investments will be common stocks with primary emphasis on high quality companies that are financially sound and that have favorable prospects for earnings growth. The largest percentage of fixed income investments will be invested in portfolios of high quality (primarily A- to AAA- rated) corporate bonds, U.S. Treasury, and U.S. Government Agency securities. Investments in foreign securities may comprise 15% to 25% of equity investments based upon market conditions and investment manager discretion.

In addition to asset classes, the Foundation may be diversified between managers/funds and investment styles, as well. The purpose of this approach is to incorporate prudent diversification within the Foundation, enhancing expected returns, and/or reducing risk of the total portfolio. This structure will be reviewed by the investment committee on an ongoing basis as part of the overall monitoring process.

Note 13: Discretely Presented Component Unit (continued)

Spending Policy

The Foundation's spending policy is based on a total return approach in order to maintain stable cash flows over an extended period of time, to protect endowment funds against inflation, and to preserve the purchasing power of endowment funds by improving investment growth and management. The spending policy allows up to a maximum of 6% of the three-year average market value of a designated endowment fund to be distributed yearly. Spending may include net realized gains over that three-year period, and is offset by any previously designated spending amounts. All returns (gains, losses, and income-net of external and internal fees and previously designated spending amount) above 6% will be reinvested in the endowment fund's portfolio. The spending policy is closely monitored by the investment committee and recommendations for any changes are forwarded to the full Board for review and approval.

PROMISES TO GIVE

Unconditional promises to give are included in the financial statements as contributions to 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 estimate of future cash flows using a discount rate of 2.3%. Conditional promises to give are not included as support until conditions are met.

Unconditional promises to give:	Unrestricted	Restricted	Total
Gross receivables due within:			
Less than one year	$ 1,015	$ 64,386	$ 65,401
One to five years	26	21,322	21,348
	1,041	85,708	86,749
Discount	(22)	(1,791)	(1,813)
Promises to give, net	$ 1,019	$ 83,917	$ 84,936

The promises to give at year-end are from multiple donors and one individual does not exceed 10% of the total pledges. Approximately 37% of the promises to give, net balance at June 30, 2018 was due from two donors.

Note 13: Discretely Presented Component Unit (continued)

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted assets are those whose use by the Foundation has been limited by the donors to a specific time period or purpose. Temporarily restricted net assets are available for providing scholarships and loans to the College's students, providing professional development funds to the College staff, purchasing equipment for the benefit of the College, and student services.

The temporarily restricted net assets as of June 30, 2018 are restricted for the following purposes:

Scholarships and loans for students	$	1,553,365
Instructional equipment and supplies		66,211
Barberton campus		17,057
Aesthetics		2,424
Professional development		30,338
Student services		207,737
Total temporarily restricted net assets	$	1,877,132

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

Scholarships and loans for students	$	446,737
Instructional equipment and supplies		31,673
Aesthetics		473
Professional development		8,481
Student services		102,047
Total net assets released from donor restrictions	$	589,411

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investment in perpetuity and the income from which is expendable for scholarships and loans to the College's students, providing professional development funds to the College staff, and student services.

The permanently restricted net assets as of June 30, 2018 are restricted for the following purposes:

Scholarships	$	5,311,533
Instructional equipment and supplies		20,123
Professional development		124,640
Total permanently restricted net assets	$	5,456,296

Note 13: Discretely Presented Component Unit (continued)

INCOME TAXES

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore makes no provision for income taxes.

The Foundation accounts for income taxes in accordance with the "*Income Taxes*" topic of the ASC. Income tax provisions are evaluated at least annually by management. The Foundation classifies interest and penalties related to income tax matters as income tax expense in the accompanying financial statements. As of June 30, 2018, the Foundation has not identified any uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the year then ended.

The Foundation files its Form 990 in the U.S. federal jurisdiction and is registered online as a charity with the office of the Ohio Attorney General.

RELATED ORGANIZATIONS

A significant portion of the general and administrative expenses of the Foundation, including salaries, are paid by the College and are not included with the operations of the Foundation. The Foundation contributes funds to the College in the form of scholarships, instructional equipment, supplies and buildings. Foundation support to the College amounted to $686,038 in fiscal year ended June 30, 2018.

The Foundation has invested $304,948 on behalf of the College which is reflected as "Investments held for others."

The Foundation has a net payable due to the College in the amount of $275,988.

Stark State College

Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System – Traditional Plan

Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
College's Proportion of the Net Pension Liability	0.094037%	0.098555%	0.098344%	0.104398%	0.104398%
College's Proportionate Share of the Net Pension Liability	$ 14,752,582	$ 22,380,165	$ 17,034,422	$ 12,591,530	$ 12,307,129
College's Covered Payroll	$ 13,661,660	$ 12,607,912	$ 11,994,392	$ 12,525,067	$ 12,477,858
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	107.99%	177.51%	142.02%	100.53%	98.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

Note: Amounts presented for each fiscal year were determined as of the measurement date for the OPERS pension plan, which is December 31, and are based on a 1-year prior period ending on this date.

(1) Information prior to 2014 is not available.

The Notes to the Required Supplementary Information are an integral part of this Schedule.

Stark State College
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Asset
Ohio Public Employees Retirement System – Combined Plan

Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
College's Proportion of the Net Pension Asset	0.159015%	0.155359%	0.173330%	0.174665%	0.174665%
College's Proportionate Share of the Net Pension Asset	$ 216,471	$ 86,468	$ 84,346	$ 67,250	$ 18,328
College's Covered Payroll	$ 607,708	$ 598,080	$ 618,325	$ 569,000	$ 566,858
College's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	35.62%	14.46%	13.64%	11.82%	3.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	137.28%	116.55%	116.90%	114.83%	n/a

Note: Amounts presented for each fiscal year were determined as of the measurement date for the OPERS pension plan, which is December 31, and are based on a 1-year prior period ending on this date.

(1) Information prior to 2014 is not available.

The Notes to the Required Supplementary Information are an integral part of this Schedule.

Stark State College
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio

Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
College's Proportion of the Net Pension Liability	0.195841%	0.202981%	0.229279%	0.245151%	0.245151%
College's Proportionate Share of the Net Pension Liability	$ 46,522,388	$ 67,943,842	$ 63,366,259	$ 59,629,259	$ 71,029,983
College's Covered Payroll	$ 20,897,120	$ 21,553,907	$ 21,563,037	$ 23,894,221	$ 24,890,677
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	222.63%	315.23%	293.87%	249.56%	285.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

Note: Amounts presented for each fiscal year were determined as of the measurement date for the STRS pension plan, which is June 30 of the prior fiscal year, and are based on a 1-year prior period ending on this date.

(1) Information prior to 2014 is not available.

The Notes to the Required Supplementary Information are an integral part of this Schedule.

Stark State College

Required Supplementary Information
Schedule of the College's Pension Contributions
Ohio Public Employees Retirement System – Traditional Plan

Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Contractually-required contribution	$ 1,392,913	$ 1,575,989	$ 1,439,327	$ 1,503,008	$ 1,497,343
Contributions in relation to the contractually-required contribution	(1,392,913)	(1,575,989)	(1,439,327)	(1,503,008)	(1,497,343)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College covered payroll	$ 13,661,660	$ 12,607,912	$ 11,994,392	$ 12,525,067	$ 12,477,858
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	13.00%	12.00%

	2013	2012	2011	2010	2009
Contractually-required contribution	$ 1,833,455	$ 1,347,702	$ 1,049,375	$ 808,700	$ 693,775
Contributions in relation to the contractually-required contribution	(1,833,455)	(1,347,702)	(1,049,375)	(808,700)	(693,775)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College covered payroll	$ 14,006,532	$ 13,356,809	$ 10,400,149	$ 8,906,388	$ 8,085,956
Contributions as a percentage of covered payroll	13.00%	10.00%	9.00%	7.00%	7.00%

The Notes to the Required Supplementary Information are an integral part of this Schedule.

Stark State College

Required Supplementary Information
Schedule of the College's Pension Contributions
Ohio Public Employees Retirement System – Combined Plan

Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Contractually-required contribution	$ 72,925	$ 74,760	$ 74,199	$ 68,280	$ 68,023
Contributions in relation to the contractually-required contribution	(72,925)	(74,760)	(74,199)	(68,280)	(68,023)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College covered payroll	$ 607,708	$ 598,080	$ 618,325	$ 569,000	$ 566,858
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	13.00%	12.00%

	2013	2012	2011	2010	2009
Contractually-required contribution	$ 74,805	$ 54,986	$ 42,815	$ 32,995	$ 28,306
Contributions in relation to the contractually-required contribution	(74,805)	(54,986)	(42,815)	(32,995)	(28,306)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College covered payroll	$ 571,466	$ 544,958	$ 424,326	$ 363,381	$ 329,907
Contributions as a percentage of covered payroll	10.00%	10.00%	9.00%	7.00%	7.00%

The Notes to the Required Supplementary Information are an integral part of this Schedule.

Stark State College

Required Supplementary Information
Schedule of the College's Pension Contributions
State Teachers Retirement System of Ohio

Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Contractually-required contribution	$ 3,014,240	$ 3,017,547	$ 3,018,828	$ 3,345,191	$ 3,235,727
Contributions in relation to the contractually-required contribution	(3,014,240)	(3,017,547)	(3,018,828)	(3,345,191)	(3,235,727)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College covered payroll	$ 20,897,120	$ 21,553,907	$ 21,563,037	$ 23,894,221	$ 24,890,207
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.00%

	2013	2012	2011	2010	2009
Contractually-required contribution	$ 3,458,738	$ 2,996,474	$ 3,538,059	$ 3,030,931	$ 2,896,984
Contributions in relation to the contractually-required contribution	(3,458,738)	(2,996,474)	(3,538,059)	(3,030,931)	(2,896,984)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College covered payroll	$ 26,605,677	$ 23,049,800	$ 27,215,838	$ 22,284,492	$ 22,284,492
Contributions as a percentage of covered payroll	13.00%	13.00%	13.00%	13.00%	13.00%

The Notes to the Required Supplementary Information are an integral part of this Schedule.

Stark State College

Required Supplementary Information
Schedule of the College's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System (OPERS)

Last Two Fiscal Years

	2018	2017
College's proportion of the net OPEB liability	0.09760200%	0.10160600%
College's proportionate share of the net OPEB liability	$ 10,598,858	$ 10,262,551
College's covered payroll	$ 14,269,368	$ 13,205,992
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	74.28%	77.71%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%	54.05%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the prior year measurement date.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Stark State College

Required Supplementary Information
Schedule of the College's Proportionate Share of the Net OPEB Liability
State Teachers Retirement System (STRS) of Ohio

Last Two Fiscal Years

	2018	2017
College's proportion of the net OPEB liability	0.19584074%	0.20298100%
College's proportionate share of the net OPEB liability	$ 7,640,983	$ 10,855,474
College's covered payroll	$ 20,897,120	$ 21,553,907
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	36.56%	50.36%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the prior year measurement date.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Stark State College

Required Supplementary Information
Schedule of College OPEB Contributions
Ohio Public Employees Retirement System (OPERS)

Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Contractually required contribution	$ 142,694	$ 264,120	$ 252,254	$ 130,941	$ 260,894
Contributions in relation to the contractually required contribution	(142,694)	(264,120)	(252,254)	(130,941)	(260,894)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 14,269,368	$ 13,205,992	$ 12,612,717	$ 13,094,067	$ 13,044,716
Contributions as a percentage of covered payroll	1.00%	2.00%	2.00%	1.00%	2.00%

	2013	2012	2011	2010	2009
Contractually required contribution	$ 583,120	$ 556,071	$ 541,224	$ 648,884	$ 589,110
Contributions in relation to the contractually required contribution	(583,120)	(556,071)	(541,224)	(648,884)	(589,110)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 14,577,998	$ 13,901,767	$ 10,824,475	$ 9,269,769	$ 8,415,863
Contributions as a percentage of covered payroll	4.00%	4.00%	5.00%	7.00%	7.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Stark State College

Required Supplementary Information
Schedule of College OPEB Contributions
State Teachers Retirement System (STRS) of Ohio

Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Contractually required contribution	$ -	$ -	$ -	$ -	$ 248,902
Contributions in relation to the contractually required contribution	-	-	-	-	(248,902)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 20,897,157	$ 21,553,907	$ 21,563,057	$ 23,894,221	$ 24,890,208
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	1.00%

	2013	2012	2011	2010	2009
Contractually required contribution	$ 266,057	$ 230,498	$ 272,158	$ 222,845	$ 222,845
Contributions in relation to the contractually required contribution	(266,057)	(230,498)	(272,158)	(222,845)	(222,845)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 26,605,677	$ 23,049,800	$ 27,215,838	$ 22,284,492	$ 22,284,492
Contributions as a percentage of covered payroll	1.00%	1.00%	1.00%	1.00%	1.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Changes in Assumptions - OPERS Traditional and Combined Plans

Amounts reported for fiscal year 2018 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal year 2017 and Prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including Inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For the current valuation, mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

For the prior valuation, mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male morality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five-year period ended December 31, 2015. The prior experience study was completed for the five-year period ended December 31, 2010.

Pension - STRS of Ohio

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

OPEB – STRS of Ohio

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	FY 2018 Disbursements
U.S. Department of Education			
Direct Program:			
Student Financial Assistance Programs Cluster:			
Federal Work-Study Program	84.033		$ 249,883
Federal Supplemental Educational Opportunity Grants	84.007		277,899
Federal Pell Grant Program	84.063		15,876,079
Federal Direct Student Loans	84.268		15,199,016
Total Student Financial Assistance Programs Cluster			31,602,877
TRIO Cluster:			
Student Support Services	84.042		238,606
Upward Bound Math and Science Program	84.047		217,008
Passed Through the Ohio Department of Education:			
Upward Bound Math and Science Program	84.047	063420-SSC UB	6,855
Total TRIO Cluster			462,469
Institutional Aid - Title III	84.031		437,076
Passed Through the Ohio Department of Education:			
Vocational Education - Basic Grants to States	84.048	063420-CDP-P-2018	318,553
Total Federal Assistance - U.S. Department of Education			**32,820,975**
U.S. Department of Agriculture			
Passed Through The Ohio State University:			
Higher Education - Institution Challenge Grants Program	10.217	20167000324835	153
Total Federal Assistance - U.S. Department of Agriculture			**153**
U.S. Department of Housing and Urban Development			
Passed Through The City of Canton, OH:			
Community Development Block Grant - Train for the Trades	14.218	B-17-MC-39-0002	9,158
Total Federal Assistance - U.S. Department of Housing and Urban Development			**9,158**
U.S. Department of Labor			
Passed Through Ohio Deptartment of Job & Family Services			
Registered Apprentice Grant	17.285	AP-30104-16-60-A-39	1,527
Passed Through Lorain Community College:			
TAACCCT Grant - Ohio TechNet	17.282		213,822
Total Federal Assistance - U.S. Department of Labor			**215,349**
U.S. Department of Veterans Affairs			
Direct Program:			
VA Reporting Fee	64.028		3,138
Total Federal Assistance - U.S. Deptartment of Veterans Affairs			**3,138**
Total Federal Assistance - All Sources			**$ 33,048,773**

Stark State College

Notes to the Schedule of Expenditures of Federal Awards – 2 CFR 200.510(b)(6)

June 30, 2018

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of Stark State College (the "College") under programs financed by U.S. Government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

For the purposes of the Schedule, federal awards include the following:

- Direct federal awards
- Pass-through funds received from non-federal organizations made under federally sponsored programs conducted by those organizations

All programs are presented by federal agency. Pass-through programs are also presented by the entity through which the College received the federal award. Catalog of Federal Domestic Assistance ("CFDA") Numbers and Pass-Through Numbers are presented for those programs for which such numbers are available.

Note 3: Indirect Cost Rate

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

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

Stark State College
Stark County
6200 Frank Avenue NW
North Canton, Ohio 44720

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type and the discretely presented component unit of the Stark State College, Stark County, Ohio (the College) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated January 16, 2019. We noted the College adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

However, we noted a certain matter not requiring inclusion in this report that we have reported to the College's management in a separate letter dated January 16, 2019.

Purpose of this Report

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

Charles E. Harris & Associates, Inc.
January 16, 2019

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Stark State College
Stark County
6200 Frank Avenue NW
North Canton, Ohio 44720

To the Board of Trustees:

Report on Compliance for the Major Federal Program

We have audited the Stark State College, Stark County, Ohio's (the College) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2018. The College's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Stark State College, Stark County, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Charles E. Harris & Associates, Inc.
January 16, 2019

Stark State College
Stark County
Schedule of Findings
2 CFR § 200.515
June 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Student Financial Assistance Programs Cluster – CFDA #84.033, #84.007, #84.063, and #84.268
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 991,463 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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OHIO AUDITOR OF STATE
KEITH FABER

STARK STATE COLLEGE

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 5, 2019