WASHINGTON STATE COMMUNITY COLLEGE

Washington County, Ohio

Basic Financial Statements

June 30, 2018

PLATTENBURG
Certified Public Accountants

Dave Yost • Auditor of State

Board of Trustees
Washington State Community College
710 Colegate Drive
Marietta, Ohio 45750

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

The Auditor of State is conducting an investigation. As of the date of this report, the investigation is ongoing. Dependent on the results of the investigation, results may be reported on at a later date.

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 Washington State Community College is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

October 22, 2018

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WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Washington State Community College

Report on the Financial Statements

We have audited the accompanying financial statements of the Washington State Community College, Washington County, Ohio, (the College) a component unit of the State of Ohio, and the discretely presented component unit, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College, and the discretely presented component unit, as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 3 to the financial statements, during the year ended June 30, 2018, the College adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than 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, pension information and other postemployment benefit information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2018, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 11, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Washington State Community College (the College) Management's Discussion and Analysis (MD&A) of its financial condition provides an overview of the financial performance of the College for the year ended June 30, 2018 and June 30, 2017. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes.

Financial Highlights

The College's financial statements for fiscal year 2018 reported net position of $10,390,224 at June 30, 2018. The College's financial statements for fiscal year 2017 reported net position of $9,223,792 at June 30, 2017.

The College's enrollment in fiscal year 2018 increased by approximately 4.7% in Full-time Equivalent (FTE) from the previous year. The total FTE for fiscal year 2018, as reported to the Ohio Department of Higher Education, was 1,151.1, up from 1,099.6 reported for fiscal year 2017. The College's enrollment in fiscal year 2017 decreased by approximately 1.8% in Full-time Equivalent (FTE) from the previous year. The total FTE for fiscal year 2017, as reported to the Ohio Department of Higher Education, was 1,099.6, down from 1,119.5 reported for fiscal year 2016.

Using the Annual Report

This annual report consists of a series of financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* (GASB 35).

One of the most important questions asked about College finances is whether the College is better off as a result of the year's activities. One key to answering this question is the financial statements of the College. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows present financial information on the College, in a format similar to that used by corporations, and present a long-term view of the College's finances. The College's net position (the difference between assets and deferred outflows, and liabilities and deferred inflows) are one indicator of the College's financial health. Over time, increases or decreases in net position are an indicator of the improvement or erosion of the College's financial health, when considered in conjunction with non-financial facts such as enrollment levels and conditions of facilities.

The Statement of Net Position includes all assets and deferred outflows, and liabilities and deferred inflows. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. GASB 35 requires state appropriations to be classified as non-operating revenues. Accordingly, the College will generate a net operating loss prior to the addition of non-operating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

Condensed Financial Information

Statement of Net Position (in thousands)

	2018	2017	2016
Assets			
Current assets	$12,426	$12,271	$12,052
Capital assets, net	14,417	14,643	15,026
Total assets	26,843	26,914	27,078
Deferred Outflows of Resources			
Pension	3,237	2,844	2,193
OPEB	107	0	0
Total deferred outflows of resources	3,344	2,844	2,193
Liabilities			
Current liabilities	3,496	3,440	3,328
Non-current liabilities	14,317	15,793	14,394
Total liabilities	17,813	19,233	17,722
Deferred Inflows of Resources			
Pension	1,552	1,300	1,804
OPEB	432	0	0
Total deferred inflows of resources	1,984	1,300	1,804
Net Position			
Net investment in capital assets	14,417	14,643	15,026
Restricted			
Expendable	845	1,058	1,311
Unrestricted	(4,872)	(6,477)	(6,592)
Total net position	$10,390	$9,224	$9,745

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

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

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

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

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

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

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

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

As a result of implementing GASB 75, the College is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $9,223,792 to $5,699,484.

A review of the College's Statement of Net Position at June 30, 2018 shows that the College continues to maintain a strong financial foundation.

Assets and Deferred Outflows As of June 30, 2018, the College's total assets and deferred outflows amount to $30,186,979. Investment in capital assets, net of depreciation, represented the College's largest asset, totaling $14,417,443 or 48% of total assets and deferred outflows. Cash and cash equivalents represented the next largest asset, totaling $8,238,142 or 31% of total assets, followed by accounts receivable, net of allowance for doubtful accounts, representing $3,997,207 or 15% of total assets. As of June 30, 2017, the College's total assets and deferred outflows amount to $29,757,256. Investment in capital assets, net of depreciation, represented the College's largest asset, totaling $14,642,555 or 49% of total assets and deferred outflows. Cash and cash equivalents represented the next largest asset, totaling $8,549,688 or 32% of total assets, followed by accounts receivable, net of allowance for doubtful accounts, representing $3,570,145 or 13% of total assets.

Liabilities and deferred inflows of resources At June 30, 2018, the College's liabilities and deferred inflows totaled $19,796,755. The College's net pension liability and net OPEB liability represent $14,091,005 or 71% of total liabilities and deferred inflows of resources. Accounts payable, accrued liabilities, deposits and deferred student tuition and fees represented $3,456,306 or 17% of total liabilities and deferred inflows of resources. At June 30, 2017, the College's liabilities and deferred inflows totaled $20,533,464. The College's net pension liability represents $15,583,357 or 76% of total liabilities and deferred inflows of resources. Accounts payable, accrued liabilities, deposits and deferred student tuition and fees represented $3,403,147 or 17% of total liabilities and deferred inflows of resources.

Net Position Net position at June 30, 2018 totaled $10,390,224. Net investment in capital assets totaled $14,417,443 of total net position. Net position at June 30, 2017 totaled $9,223,792. Net investment in capital assets totaled $14,642,555 of total net position.

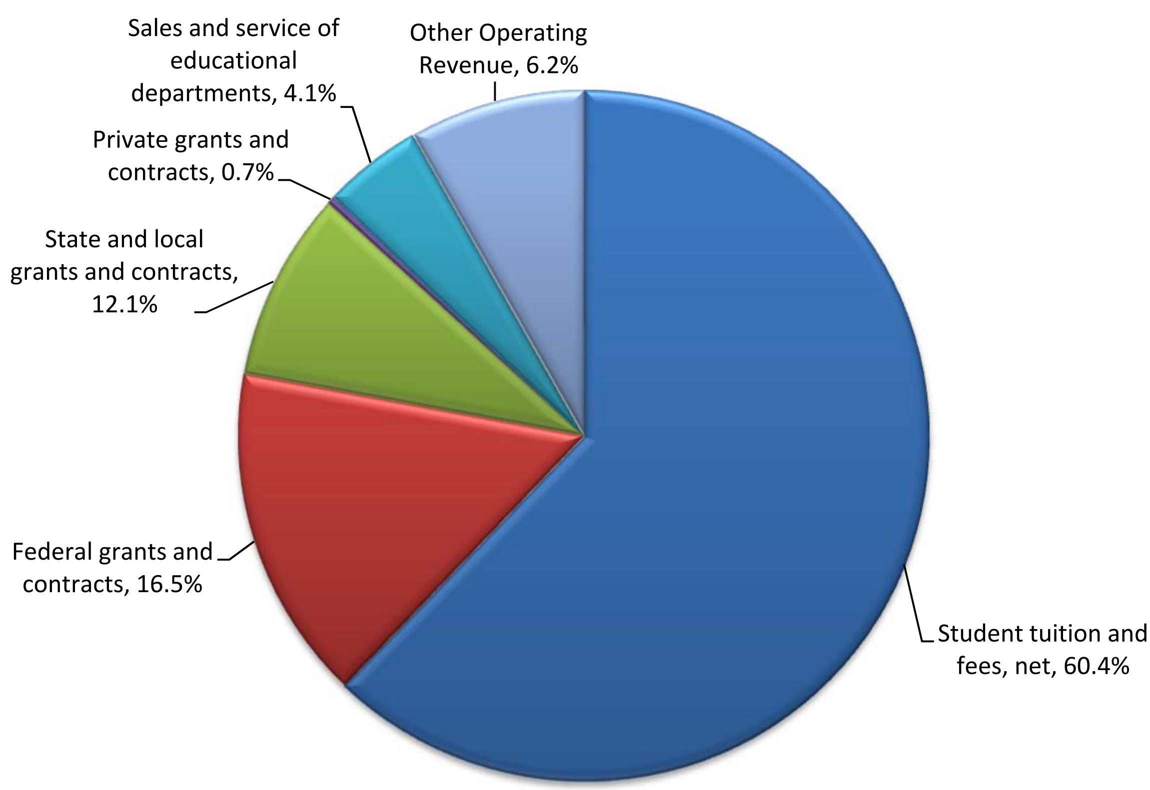
Statement of Revenues, Expenses, and Changes in Net Position (in thousands)

	2018	2017	2016
Operating Revenues:			
Student tuition and fees, net	$3,470	$3,414	$3,660
Grants and contract	1,683	1,370	1,420
Sales and services	236	255	258
Auxiliary enterprises	0	0	338
Other operating revenue	355	451	398
Total Operating Revenues	5,744	5,490	6,074
Operating Expenses:			
Educational and general	8,193	12,933	12,241
Depreciation	851	1,026	748
Auxiliary enterprises	0	0	576
Total Operating Expenses	9,044	13,959	13,565
Operating Loss	(3,300)	(8,469)	(7,491)
Non-Operating Revenues:			
State appropriations	5,320	5,390	5,440
Pell grants awards	2,190	2,156	2,296
Investment income	79	60	47
Other non-operating revenues	0	0	0
Total non-perating revenues	7,589	7,606	7,783
Income (loss) before other revenues expenses, gains, and losses	4,289	(863)	292
Capital appropriations	402	342	1,501
Increase (decrease) in net position	4,691	(521)	1,793
Beginning net position	5,699	N/A	N/A
Ending net position	$10,390	$9,224	$9,745

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $28,184 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $360,294. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 operating expenses under GASB 75	$9,044,569
Negative OPEB expense under GASB 75	360,294
2018 contractually required contribution	30,966
Adjusted 2018 operating expenses	9,435,829
Total 2017 operating expenses under GASB 45	13,959,347
Change in operating expenses not related to OPEB	($4,523,518)

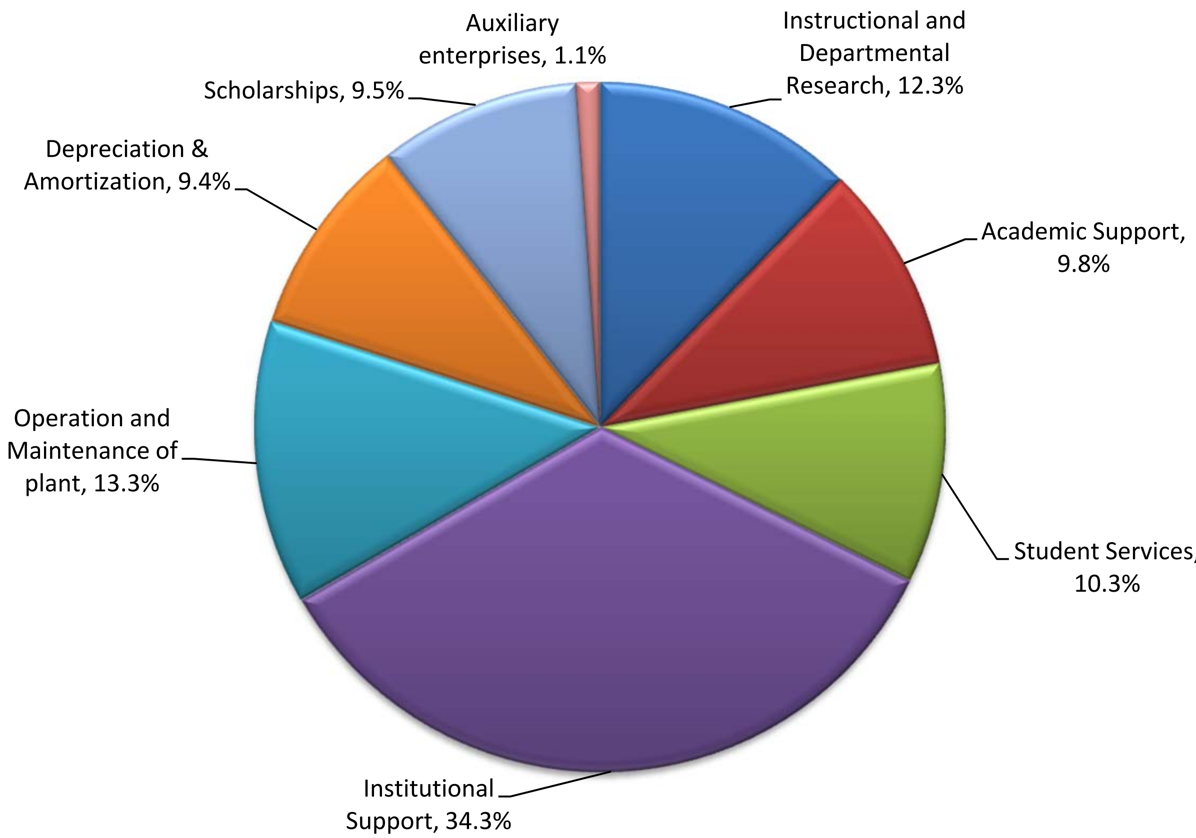
OPERATING REVENUES



Total operating revenues were $5,744,072 for the year ended June 30, 2018. The most significant sources of operating revenue for the College are student tuition and fees, net of scholarship and allowance (60%) and federal grants and contracts (16%). Total operating revenues were $5,490,027 for the year ended June 30, 2017. The most significant sources of operating revenue for the College are student tuition and fees, net of scholarship and allowance (62%) and federal grants and contracts (16%).

There are other significant recurring sources of revenues essential to the operation of the College, including state appropriations and investment income, which are considered non-operating revenues as defined by GASB 35. The College's state appropriations for the year ended June 30, 2018, amounted to $5,320,400. This represents a decrease of $70,156 from the College's appropriations for the prior fiscal year. There are other significant recurring sources of revenues essential to the operation of the College, including state appropriations and investment income, which are considered non-operating revenues as defined by GASB 35. The College's state appropriations for the year ended June 30, 2017, amounted to $5,390,556. This represents a decrease of $49,681 from the College's appropriations from fiscal year 2016.

OPERATING EXPENSES



Operating expenses for 2018, including $851,911 of depreciation, totaled $9,044,569. As depicted in the chart above, the majority of the College's operating funds are expended directly for the primary mission of the College – instruction (12%), academic support (10%), and institutional support (34%). One of the College's core values is to provide student's access to the College with the opportunity to succeed. The College's continued investment in student financial aid programs and student support services reflects this commitment. In 2017, operating expenses, including $1,025,855 of depreciation, totaled

$13,959,347. The majority of the College's operating funds are expended directly for the primary mission of the College – instruction (36%), academic support (9%), and institutional support (24%).

For the year ended June 30, 2018, student financial aid related to tuition and fees totaled $2,189,532 which included scholarships and fellowships, and scholarship allowances. For the year ended June 30, 2017, student financial aid related to tuition and fees totaled $2,155,747 which included scholarships and fellowships, and scholarship allowances.

Statements of Cash Flows (in thousands)

	2018	2017	2016
Net Cash Provided (Used) By:			
Operating activities	($7,675)	($6,971)	($6,395)
Noncapital financing activities	7,510	7,546	7,736
Capital financing activities	(225)	(300)	(175)
Investing activities	79	60	47
Net increase (decrease) in cash	(311)	335	1,213
Cash, beginning of year	8,549	8,214	7,001
Cash, end of year	$8,238	$8,549	$8,214

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

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

Major sources of funds included in operating activities are student tuition and fees, and grants and contracts. The largest cash payments for operating activities were to employees, for wages and benefits, payments to suppliers and utilities, and toward auxiliary expenses.

The largest cash receipt in the noncapital financing activities group is the operating appropriation from the State of Ohio. Cash used by capital and related financing activities is primarily expended on the construction and acquisition of capital assets. Cash provided by investing activities reflects the investment return on investments.

Capital Assets

Capital assets, net of accumulated depreciation, totaled $14,417,443 at June 30, 2018, a net decrease of $225,112 from the prior year-end due in to depreciation expense and disposals being greater than additions. Capital assets, net of accumulated depreciation, totaled $14,642,555 at June 30, 2017, a net decrease of $383,897 from the prior year-end due in to depreciation expense and disposals being greater than additions.

Looking Ahead

Washington State Community College remains committed to providing access to high quality, affordable education to all residents of the Mid-Ohio Valley. The College's current annual tuition and fees of $4,640 (effective Summer 2018) remains competitive among Ohio two-year colleges. There is a direct relationship between the level of State support and the College's ability to control tuition growth, as declines in State appropriations generally result in increased tuition levels. Mandated by the state's budget bill to freeze tuition, the College was not able to increase tuition during fiscal year 2018 and is limited to no more than $10 per credit hour in fiscal year 2019.

The College experienced a slight increase in summer and fall 2017 following an extended period of declining enrollment not different from the trend among colleges across the country. The state's share of instruction (State Appropriation or subsidy) has increased less than 1% from the prior year; however, the College continues to be mindful of the need for cost containment and efficiencies. The formula for State Share of Instruction changed beginning in fiscal year 2015, shifting from a primarily enrollment based calculation to a completion based approach where funding is distributed to our institution based upon success points, completion measures and course completion funding, or other performance and access measures.

The College proactively manages its financial position and adopts budgetary guidelines and principles that address cost reductions and revenue enhancement. However, the College faces significant cost pressures in the future. These relate to attracting and retaining high quality faculty and staff, increasing costs of health insurance, volatile energy prices and others.

Paramount to the continuing success of the College is its accreditation by the Higher Learning Commission, which was successfully reaffirmed during fiscal year 2018 and is due for renewal in fiscal year 2028.

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WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
STATEMENT OF NET POSITION
As of June 30, 2018 and 2017

	2018		2017	
	Washington State Community College	Component Unit Washington State Foundation	Washington State Community College	Component Unit Washington State Foundation
ASSETS				
Current assets				
Cash and cash equivalents	$ 8,238,142	$ 129,781	$ 8,549,688	$ 140,112
Accounts receivable (net of allowance for doubtful accounts of $236,708 in 2018 and $137,073 in 2017)	3,997,207	0	3,570,145	0
Pledges receivable	0	0	0	1,648
Prepaid expenses	190,654	0	151,180	0
Total current assets	12,426,003	129,781	12,271,013	141,760
Noncurrent assets				
Investments	0	1,068,992	0	964,910
Capital assets, net	14,417,443	0	14,642,555	0
Total noncurrent assets	14,417,443	1,068,992	14,642,555	964,910
Total assets	26,843,446	1,198,773	26,913,568	1,106,670
DEFERRED OUTFLOWS OF RESOURCES				
Other postemployment benefits	106,707	0	0	0
Pension	3,236,826	0	2,843,688	0
Total deferred outflows of resources	3,343,533	0	2,843,688	0
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	1,346,934	7,506	1,326,948	21,254
Unearned revenue	2,072,953	0	1,989,045	0
Deposits	36,419	0	87,154	0
Compensated absences - current portion	39,807	0	36,994	0
Total current liabilities	3,496,113	7,506	3,440,141	21,254
Noncurrent liabilities				
Net other postemployment benefits liability	2,803,530	0	0	0
Net pension liability	11,287,475	0	15,583,357	0
Compensated absences	225,575	0	209,635	0
Total noncurrent liabilities	14,316,580	0	15,792,992	0
Total liabilities	17,812,693	7,506	19,233,133	21,254
DEFERRED INFLOWS OF RESOURCES				
Other postemployment benefits	431,995	0	0	0
Pension	1,552,067	0	1,300,331	0
Total deferred inflows of resources	1,984,062	0	1,300,331	0
NET POSITION				
Net investment in capital assets	14,417,443	0	14,642,555	0
Restricted for				
Nonexpendable				
Scholarship and fellowships	0	474,503	0	433,750
Expendable				
Scholarship and fellowships	0	543,917	0	494,229
Capital projects	845,155	71,058	1,057,803	66,733
Unrestricted	(4,872,374)	101,789	(6,476,566)	90,704
Total net position	$ 10,390,224	$ 1,191,267	$ 9,223,792	$ 1,085,416

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

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Years Ended June 30, 2018 and 2017

	2018		2017	
	Washington State Community College	Component Unit Washington State Foundation	Washington State Community College	Component Unit Washington State Foundation
REVENUES				
Operating revenues				
Student tuition and fees (net of scholarship allowances of $1,661,483 in 2018 and $1,751,355 in 2017)	$ 3,470,405	$ 0	$ 3,413,450	$ 0
Federal grants and contracts	946,557	0	862,858	0
State and local grants and contracts	697,222	0	487,456	0
Private grants and contracts	38,470	125,869	20,000	126,974
Sales and service of educational departments	236,144	0	254,990	0
Other operating revenues	355,274	0	451,273	0
Total operating revenues	5,744,072	125,869	5,490,027	126,974
OPERATING EXPENSES				
Educational and general				
Instructional and departmental research	1,108,341	1,085	5,026,530	9,345
Academic support	884,241	0	1,308,013	0
Student services	931,980	0	1,251,706	0
Institutional support	3,104,132	68,242	3,407,640	102,704
Operation and maintenance of plant	1,204,934	0	1,224,560	0
Depreciation and amortization	851,911	0	1,025,855	0
Scholarships and fellowships	857,613	41,250	714,069	51,560
Auxiliary enterprises:				
Bookstore	101,417	0	974	0
Total operating expenses	9,044,569	110,577	13,959,347	163,609
Operating income (loss)	(3,300,497)	15,292	(8,469,320)	(36,635)
NONOPERATING REVENUES (EXPENSES)				
State appropriations (subsidy)	5,320,400	0	5,390,556	0
Investment income	79,195	90,559	59,963	108,007
Pell grant awards	2,189,532	0	2,155,747	0
Net nonoperating revenues (expenses)	7,589,127	90,559	7,606,266	108,007
Income before other revenues, expenses, gains and losses	4,288,630	105,851	(863,054)	71,372
Capital appropriations	402,110	0	342,025	0
Increase (decrease) in net position	4,690,740	105,851	(521,029)	71,372
NET POSITION				
Beginning net position				
Beginning of year, as previously reported	9,223,792	1,085,416	9,744,821	1,014,044
Cumulative effect of accounting change	(3,524,308)	0	0	0
Beginning of year, restated	5,699,484	1,085,416	9,744,821	1,014,044
Ending net position	$ 10,390,224	$ 1,191,267	$ 9,223,792	$ 1,085,416

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

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
STATEMENT OF CASH FLOWS
For the Fiscal Years Ended June 30, 2018 and 2017

	2018		2017	
	Washington State Community College	Component Unit Washington State Foundation	Washington State Community College	Component Unit Washington State Foundation
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	$ 3,444,480	$ 0	$ 3,401,862	$ 0
Grants and contracts	1,308,766	127,517	1,631,794	127,914
Payments to suppliers and utilities	(3,635,909)	(83,075)	(3,211,188)	(90,795)
Payments to employees and benefits	(8,431,228)	0	(8,726,832)	0
Payments for scholarships and fellowships	(857,613)	(41,250)	(714,069)	(51,560)
Auxiliary enterprises revenues	0	0	0	0
Auxiliary enterprises expenses	(101,417)	0	(974)	0
Other receipts	596,937	0	648,206	0
Net cash provided (used) by operating activities	(7,675,984)	3,192	(6,971,201)	(14,441)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	5,320,400	0	5,390,556	0
Pell grant awards	2,189,532	0	2,155,747	0
Net cash provided by noncapital financing activities	7,509,932	0	7,546,303	0
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital appropriations	402,110	0	342,025	0
Loss on disposal of capital assets	0	0	4,492	0
Purchases of capital assets	(626,799)	0	(646,450)	0
Net cash provided (used) by capital financing activities	(224,689)	0	(299,933)	0
CASH FLOWS FROM INVESTING ACTIVITIES				
Sales (purchases) of investments	0	(104,082)	0	(74,706)
Interest on investments	79,195	90,559	59,963	108,007
Net cash provided (used) by investing activities	79,195	(13,523)	59,963	33,301
NET INCREASE IN CASH	(311,546)	(10,331)	335,132	18,860
Cash and cash equivalents - beginning of year	8,549,688	140,112	8,214,556	121,252
Cash and cash equivalents - end of year	$ 8,238,142	$ 129,781	$ 8,549,688	$ 140,112
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	$ (3,300,497)	$ 15,292	$ (8,469,320)	$ (36,635)
Adjustments to reconcile net operating income (loss) to net cash used by operating activities:				
Depreciation expense	851,911	0	1,025,855	0
Increase (decrease) in assets and deferred outflows, and liabiltities and deferred inflows:				
(Increase) Decrease in Receivables, Net	(427,062)	0	124,856	0
(Increase) Decrease in Pledges receivable	0	1,648	0	940
(Increase) Decrease in Inventories	0	0	974	0
(Increase) Decrease in Other assets	(39,474)	0	(10,193)	0
(Increase) Decrease in Deferred outflows of resources	(471,661)	0	(650,678)	0
Increase (Decrease) in Accounts payable	19,986	(13,748)	42,592	21,254
Increase (Decrease) in Deposits held for others	(50,735)	0	1,708	0
Increase (Decrease) in Unearned revenues	83,908	0	64,297	0
Increase (Decrease) in Compensated absences	18,753	0	22,205	0
Increase (Decrease) in Deferred Inflows of Resources	683,731	0	(503,838)	0
Increase (Decrease) in Net OPEB Liability	(748,962)	0	0	0
Increase (Decrease) in Net Pension Liability	(4,295,882)	0	1,380,341	0
Net cash provided (used) by operating activitities	$ (7,675,984)	$ 3,192	$ (6,971,201)	$ (14,441)

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

Note 1 – Description of the Reporting Entity

Washington State Community College (the College) was originally chartered on September 17, 1971 as Washington Technical College by the Ohio Board of Regents in accordance with Section 3357.02 of the Ohio Revised Code. In 1991, the College's charter was revised to conform to the provisions of Section 3358.02 of the Ohio Revised Code and began operating under its current name as a state community college. The College is a component unit of the State of Ohio, operates under an appointed Board of Trustees, and is fully accredited by the Higher Learning Commission (www.hlcommission.org).

The Washington State Community College Foundation (the Foundation) is a legally separate, tax-exempt organization supporting the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests, are restricted to the activities of the College by donors. Based upon the provisions in Governmental Accounting Standards Board (GASB) Statement No. 14: *Reporting Entity* and subsequent amendments in GASB Statement No. 39, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB.

GASB Statement No. 35: *Basic Financial Statements — and Management's Discussion and Analysis —for Public Colleges and Universities*, as amended by subsequent GASB Statements establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

- **Net investment in capital assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- **Restricted:**

  Nonexpendable — Net position subject to externally imposed stipulations that they be maintained permanently by the College. These include the Foundation's permanent endowment funds.

  Expendable — Net position of which use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

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

The financial statement presentation required by the appropriate GASB Statement is intended to provide a comprehensive, entity-wide perspective of the College's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

Accrual Basis

The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The College reports as a Business Type Activity (BTA) as defined by GASB 35. BTAs are those activities that are financed in whole or part by fees charged to external parties for goods and services.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities That Uses Proprietary Fund Accounting*, the College is required to follow all applicable GASB pronouncements.

Cash and Cash Equivalents

This classification appears on the Statement of Net Position and the Statement of Cash Flows and includes petty cash and cash on deposit with private banks in checking and savings accounts.

For purposes of the statement of cash flows and for presentation of 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 and cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Capital Assets

Capital assets are stated at cost at date of acquisition or, in the case of gifts, at fair market value at date of gift. Equipment with a unit cost of $3,000 or more and having an estimated useful life of greater than one year is capitalized. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the respective assets, generally 20 years for land improvements, 10 to 40 years for buildings and fixed equipment, and 4 to 10 years for equipment.

Inventories

Inventories are stated at cost (first-in, first-out).

Investments

Investments are stated at fair value.

Accounts Receivable

Accounts receivable represents the balance of unpaid student tuition charges, federal and state grants receivable, and miscellaneous receivables owed to the College.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is determined by management based on the College's historical losses, specific student circumstances and general economic conditions. Periodically, management reviews accounts receivable and records an allowance for specific students based on current circumstances and charges off the receivable against the allowance when all attempts to collect the receivable have failed.

Restricted Asset Spending Policy

The College's policy is that restrictions on assets cannot be fulfilled by the expenditure of unrestricted funds for similar purposes. The determination on whether restricted or unrestricted funds are expended for a particular purpose is made on a case-by-case basis. Restricted funds remain restricted until spent for the intended purpose.

Operating Activities

The College defines operating activities, as reported on the Statements of Revenues, Expenses, and Changes in Net Position, as those that generally result from exchange transactions such as payments received for providing goods and services and payments made for services and good received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenues relied upon for operations such as state appropriations, gifts, and investment income are recorded as non-operating revenues in accordance with GASB Statement No. 35. In addition, the GASB Implementation Guide has indicated Pell grants should be considered non-operating revenues beginning in fiscal year 2009.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond each year end are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

Use of Estimates

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

Non-current Long-Term Liabilities

Non-current long-term liabilities include net pension liability and compensated absences that will not be paid within the next fiscal year.

Compensated Absences

The College has adopted GASB No. 16.

Vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of these conditions are met:

a. The employee's right to receive compensation is attributable to services already rendered.
b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For vacation leave the College posts a liability for 100% of accumulated vacation time.

A liability for sick leave and other compensated absences with similar characteristics (hereinafter referred to as "sick leave") should be accrued using one of the following termination approaches:

a. The sick leave liability generally would be an estimate based on governmental entity's past experience of making termination payments for sick leave, adjusted for the effects of changes in its termination payment policy and other current factors. This approach is known as the termination payment method.

b. The sick leave liability would be an accrual for those employees expected to become eligible in the near future based on assumptions concerning the probability that individual employees or classes or groups of employees will become eligible to receive termination benefits. This accumulation should be reduced to the maximum amount allowed as a termination benefit. This approach is known as the vesting method.

For the sick leave liability, the College uses the vesting method. The College posts a liability for any employee with ten years of service to the College. These accumulations are reduced to the maximum amount allowed as a termination payment.

Scholarship Allowances

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

Budgetary Process

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

Income Taxes

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

Unearned Revenue

Unearned revenue is comprised primarily of receipts relating to tuition and student fees in advance of the services to be provided and grant funds not earned as of June 30, 2018 and 2017.

Deferred Outflows and Inflows of Resources

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

For the College, deferred outflows and inflows of resources for pensions and other postemployment benefits (OPEB) have been recorded on the statement of net position and are also explained further in Note 9 and Note 10.

Pensions/Other Postemployment Benefits (OPEB)

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

Note 3 – Implementation of New Accounting Principles and Restatement of Net Position

For fiscal year 2018, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 85, Omnibus 2017, Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, and related guidance from (GASB) Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).

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

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

Net Position June 30, 2017	$9,223,792
Adjustments:	
Net OPEB Liability	(3,552,492)
Deferred Outflow - Payments Subsequent to Measurement Date	28,184
Net Position June 30, 2017, Restated	$5,699,484

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

GASB Statement No. 81 sets out to improve accounting and financial reporting for irrevocable split interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the College.

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The implementation of GASB Statement No. 82 was included in the footnote disclosures for 2018.

GASB Statement No. 86 sets out to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the College.

Note 4 - Cash, Cash Equivalents, And Investments

State statutes classify monies held by the College into three categories.

Active deposits are public deposits necessary to meet current demand on the treasury. Such monies must be maintained either as cash in the College treasury, in commercial accounts payable or available for withdrawal on demand including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Trustees has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing no later than the end of the current period of designation or depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing no more than one year from the date of deposit or by savings accounts including passbook accounts.

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal

value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bond and other obligations of the State of Ohio.

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the College, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Fair Value Measurements

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

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

Level 2 – Inputs to the valuation methodology include:

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

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

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

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

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

Cash on Hand

The College maintained cash on hand in the amount of $750 at June 30, 2018 and 2017.

Investments

As of June 30, 2018 and 2017 the College had no investments.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the College will not be able to recover deposits or collateral securities that are in the possession of an outside party. The College has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the College and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

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

At June 30, 2018, $7,684,823 of the College's bank balance of $8,434,823 was exposed to custodial credit risk because it was uninsured and collateralized. The College's financial institution was approved for a reduced collateral rate through the Ohio Pooled Collateral System.

At June 30, 2017, $7,895,114 of the College's bank balance of $8,647,809 was exposed to custodial credit risk because it was uninsured and collateralized. The College's financial institution was approved for a reduced collateral rate through the Ohio Pooled Collateral System.

Note 5 - Notes, Loans and Accounts Receivable

Notes, loans and accounts receivable as of June 30, 2018 and 2017 are as follows:

	2018		
	Gross Receivable	Allowance	Net Receivable
Students	$2,745,489	$236,708	$2,508,781
Reimbursement receivable - grants and contracts	1,454,286	0	1,454,286
Other	34,140	0	34,140
Total	$4,233,915	$236,708	$3,997,207

	2017		
	Gross Receivable	Allowance	Net Receivable
Students	$2,502,434	$137,073	$2,365,361
Reimbursement receivable - grants and contracts	1,079,986	0	1,079,986
Other	124,798	0	124,798
Total	$3,707,218	$137,073	$3,570,145

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Note 6 - Capital Assets

Capital assets as of June 30, 2018 and 2017 are summarized as follows:

	2018			
	Beginning Balance	Additions	Reductions	Ending Balance
Asset:				
Land	$980,000	$0	$0	$980,000
Buildings	23,673,218	223,971	0	23,897,189
Land improvements	3,256,599	0	0	3,256,599
Movable equipment	3,283,283	402,828	0	3,686,111
	31,193,100	626,799	0	31,819,899
Accumulated depreciation:				
Buildings	11,048,508	604,182	0	11,652,690
Land improvements	2,945,432	38,548	0	2,983,980
Movable Equipment	2,556,605	209,181	0	2,765,786
	16,550,545	851,911	0	17,402,456
Capital assets, net	$14,642,555	($225,112)	$0	$14,417,443

	2017			
	Beginning Balance	Additions	Reductions	Ending Balance
Asset:				
Land	$980,000	$0	$0	$980,000
Buildings	23,255,646	417,572	0	23,673,218
Land improvements	3,192,537	64,062	0	3,256,599
Movable equipment	3,118,467	164,816	0	3,283,283
Library books	475,997	0	475,997	0
	31,022,647	646,450	475,997	31,193,100
Accumulated depreciation:				
Buildings	10,457,015	591,493	0	11,048,508
Land improvements	2,907,967	37,465	0	2,945,432
Movable Equipment	2,159,708	396,897	0	2,556,605
Library books	471,505	0	471,505	0
	15,996,195	1,025,855	471,505	16,550,545
Capital assets, net	$15,026,452	($379,405)	$4,492	$14,642,555

Note 7 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2018 and 2017 are as follows:

	2018	2017
Payable to vendors and contractors	$561,559	$505,714
Accrued wages	353,753	348,864
Other accrued liabilities	431,622	472,370
Total	$1,346,934	$1,326,948

Note 8 – Long-Term Obligations

The changes in the College's long-term obligations during fiscal years 2018 and 2017 were as follows:

	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$246,629	$77,138	($58,385)	$265,382	$39,807
Net Pension Liability					
STRS	11,071,263	0	(3,082,679)	7,988,584	0
SERS	4,512,094	0	(1,213,203)	3,298,891	0
Net OPEB Liability					
STRS	1,768,870	0	(456,800)	1,312,070	0
SERS	1,755,438	0	(263,978)	1,491,460	0
Total long-term liabilities	$19,354,294	$77,138	($5,075,045)	$14,356,387	$39,807

	2017				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$224,424	$61,255	($39,050)	$246,629	$36,994
Net Pension Liability					
STRS	10,114,575	956,688	0	11,071,263	0
SERS	4,088,441	423,653	0	4,512,094	0
Total long-term liabilities	$14,427,440	$1,441,596	($39,050)	$15,829,986	$36,994

Note 9 – Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The contractually required contribution to SERS was $234,386 for fiscal year 2018 and $236,734 for fiscal year 2017.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

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

The contractually required contribution to STRS was $493,891 for fiscal year 2018 and $486,606 for fiscal year 2017.

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

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

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$3,298,891	$7,988,584	$11,287,475
Proportion of the Net Pension Liability:			
Current Measurement Date	0.05521360%	0.03362876%	
Prior Measurement Date	0.06164840%	0.03307519%	
Change in Proportionate Share	-0.00643480%	0.00055357%	
Pension Expense	($396,523)	($3,312,485)	($3,709,008)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$141,973	$308,482	$450,455
Changes of assumptions	170,588	1,747,191	1,917,779
Changes in employer proportion share of net pension liability	10,375	129,940	140,315
Contributions subsequent to the measurement date	234,386	493,891	728,277
Total Deferred Outflows of Resources	$557,322	$2,679,504	$3,236,826
Differences between expected and actual experience	$0	$64,385	$64,385
Net difference between projected and actual earnings on pension plan investments	15,659	263,633	279,292
Changes in employer proportionate share of net pension liability	557,831	650,559	1,208,390
Total Deferred Inflows of Resources	$573,490	$978,577	$1,552,067

$728,277 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	($123,926)	$166,668	$42,742
2020	(19,629)	325,460	305,831
2021	(30,095)	575,352	545,257
2022	(76,904)	139,556	62,652
Total	($250,554)	$1,207,036	$956,482

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

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$4,512,094	$11,071,263	$15,583,357
Proportion of the Net Pension Liability	0.06164840%	0.03307519%	
Pension Expense	370,667	578,497	949,164

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$60,858	$447,332	$508,190
Changes of assumptions	301,207	0	301,207
Net difference between projected and actual earnings on pension plan investments	372,182	919,212	1,291,394
Changes in employer proportionate share of net pension liability	19,557	0	19,557
District contributions subsequent to the measurement date	236,734	486,606	723,340
Total Deferred Outflows of Resources	$990,538	$1,853,150	$2,843,688
Deferred Inflows of Resources			
Changes in employer proportionate share of net pension liability	$424,411	$875,920	$1,300,331
Total Deferred Inflows of Resources	$424,411	$875,920	$1,300,331

$723,340 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	$36,884	($8,995)	$27,889
2019	36,615	(8,995)	27,620
2020	148,907	343,733	492,640
2021	106,987	164,881	271,868
Total	$329,393	$490,624	$820,017

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

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

Discount Rate

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

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

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability			
June 30, 2017	$5,973,731	$4,512,094	$3,288,643
June 30, 2018	4,578,003	3,298,891	2,227,373

Changes in Benefit Terms

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

Actuarial Assumptions - STRS

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

	July 1, 2017	July 1, 2016
Inflation	2.50%	2.75%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment Rate of Return	7.45%, net of investment expenses, including inflation	7.75%, net of investment expenses, including inflation
Payroll Increases	3.00%	3.50%
Cost-of-Living Adjustments (COLA)	0%, effective July 1, 2017	2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1 2013, or later, 2% COLA commences on fifth anniversary of retirement date.

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

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

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

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

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

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

Discount Rate

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

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

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

	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability			
June 30, 2017	$14,712,809	$11,071,263	$7,999,404
June 30, 2018	11,451,363	7,988,584	5,071,711

Changes in Assumptions

The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from

2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms

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

Plan Description – Alternative Retirement Plan (ARP)

The State of Ohio allows public institutions of higher education to offer an alternative retirement plan to those participating in SERS and STRS. The alternative retirement plans shall be defined-contribution plans, with the Ohio employer contribution rates of 3.48% and 4.47%, respectively. The College has implemented the alternative retirement plan. In fiscal years 2018, 2017, and 2016 the employer contribution was $47,593, $54,997, and $55,055, respectively.

Note 10 - Defined Benefit Other Postemployment Benefits (OPEB) Plans

Net Other Postemployment Benefits (OPEB) Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the surcharge obligation was $22,285.

The surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The college's contractually required contribution to SERS was $30,966 for fiscal year 2018. Of this amount $22,285 is reported as accrued liabilities.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability	$1,491,460	$1,312,070	$2,803,530
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.05557400%	0.03362876%	
Prior Measurement Date	0.06153646%	0.03307519%	
Change in Proportionate Share	-0.00596246%	0.00055357%	
OPEB Expense	$35,850	($396,144)	($360,294)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$75,741	$75,741
Contributions subsequent to the measurement date	30,966	0	30,966
Total Deferred Outflows of Resources	$30,966	$75,741	$106,707
Deferred Inflows of Resources			
Changes of assumptions	$141,532	$105,691	$247,223
Net difference between projected and actual earnings on pension plan investments	3,939	56,081	60,020
Changes in employer proportionate share of net penson liability	124,752	0	124,752
Total Deferred Inflows of Resources	$270,223	$161,772	$431,995

$30,966 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	($97,464)	($19,012)	($116,476)
2020	(97,464)	(19,012)	(116,476)
2021	(74,309)	(19,012)	(93,321)
2022	(986)	(19,012)	(19,998)
2023	0	(4,992)	(4,992)
Thereafter	0	(4,991)	(4,991)
Total	($270,223)	($86,031)	($356,254)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

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

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

Discount Rate

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

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

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

	1% Decrease 2.63%	Current Discount Rate 3.63%	1% Increase 4.63%
Proportionate share of the net OPEB liability	$1,801,128	$1,491,460	$1,246,124

	1% Decrease 6.50% decreasing to 4.00%	Current Trend Rate 7.50% decreasing to 5.00%	1% Increase 8.50% decreasing to 6.00%
Proportionate share of the net OPEB liability	$1,210,208	$1,491,460	$1,863,702

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

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

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

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

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

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

Discount Rate

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

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

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

	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
Proportionate share of the net OPEB liability	$1,761,433	$1,312,070	$956,927

	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB liability	$911,570	$1,312,070	$1,839,175

Changes in Assumptions – STRS

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

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

Note 11 - Operating Expenses by Natural Classification

The College's operating expenses by natural classification were as follows for the years ended June 30, 2018 and 2017:

	2018		2017
Salaries and wages	$5,801,533		$5,834,150
Employee benefits	(2,179,437)	*	2,980,266
Utilities	240,545		278,054
Supplies and other services	3,472,404		3,126,953
Depreciation	851,911		1,025,855
Student Scolarships and finiancial aid	857,613		714,069
	$9,044,569		$13,959,347

*Note that the effect of GASB 68 (Pensions) and GASB 75 (OPEB) reduced employee benefits expense by $4,832,772.

Note 12 - Risk Management

The College is exposed to various risks of loss related to torts, theft of, damage to, and destructions of assets, errors and omissions, injuries to employees and natural disasters. The College contracts with United Educators Insurance Risk Retention Group for property and general liability insurance, including boiler and machinery coverage. The College has not had a significant reduction in coverage from the prior year.

Vehicles are covered by Catlin Indemnity Company and hold a $500 deductible. Automobile liability coverage has a $1,000,000 limit for collision and a $1,000,000 limit for bodily injury. Settled claims have not exceeded any aforementioned commercial coverage in any of the past four years.

The College pays the State Worker's Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative cost.

The College provides life insurance, and accidental death and dismemberment insurance to its employees.

The College contracts with United Healthcare for hospitalization, CoreSource for dental insurance and Vision Service Plan for vision insurance. The College pays 80 percent of the total monthly premiums for dental and vision coverage's and the employee pays for the remaining 20 percent. The College pays 50 percent, 80 percent, or 90 percent of the total monthly premiums for hospitalization and major medical and the employees pay the remaining 50 percent, 20 percent, or 10 percent depending on level of benefit chosen. Premiums are paid from the same funds that pay the employees' salaries.

The College is involved from time to time in routine litigation. Management does not believe that the ultimate resolution of this litigation will be material to its financial condition or results of operations.

Note 13 – Reclassifications of Presentation

Certain June 30, 2017 amounts have been reclassified for consistency with the June 30, 2018 presentation.

Note 14 – Component Unit Disclosures

The Washington State Community College Foundation (Foundation) is a legally separate, tax-exempt component unit of Washington State Community College (College).

The accompanying financial statements of the Foundation have been prepared in accordance with pronouncements of the Financial Accounting Standards Board. 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.
Contributions to the Foundation are recognized and reported as revenue at fair value upon the earlier of the period in which a pledge becomes unconditional or the period in which the contribution is received. Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted support while contributions without donor-imposed restrictions are reported as unrestricted support.

Equity in Pooled Cash and Cash Equivalents and Investments:

Deposits - Custodial credit risk is the risk of the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party in the event of a depository financial institution or counterparty failure to a transaction. The Foundation has not established a policy for deposits at this time.

As of June 30, 2018, the carrying amount of the Foundation's deposits was $129,781 and the bank balance of $119,511 was covered by FDIC.

As of June 30, 2017, the carrying amount of the Foundation's deposits was $140,112 and the bank balance of $139,184 was covered by FDIC.

Investments - Foundation investments are stated at fair value with changes in market value being recognized as gains and losses during the period in which they occur. The following summarizes the fair value of investments of the Foundation as of June 30, 2018 and 2017:

Investment Type	2018 Fair Value	2017 Fair Value
Money Market Funds	$56,926	$30,230
Equities	718,950	654,854
Fixed Income	293,116	279,826
	$1,068,992	$964,910

As defined in FASB ASC 820, fair value is the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

> Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
>
> Level 2 – Significant other observable inputs other than Level 1 quoted prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
>
> Level 3 – Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would rise in pricing an asset or liability.

Equities are deemed level 1 inputs and money market and fixed income are deemed level 2 inputs.

Support Provided to the College:

During the years ended June 30, 2018 and 2017 the Foundation provided resources of $53,406, and $56,222, respectively, to or on behalf of the College for scholarships and other purposes.

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REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
College's Proportion of the Net Pension Liability	0.0552136%	0.0616484%	0.0716504%	0.0710010%	0.0710010%
College's Proportionate Share of the Net Pension Liability	$3,298,891	$4,512,094	$4,088,441	$3,593,320	$4,223,467
College's Covered-Employee Payroll	1,690,957	2,200,850	2,291,070	2,083,990	1,946,503
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	195.09%	205.02%	178.45%	172.43%	216.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

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

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

See accompanying notes to the required supplementary information

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
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	0.03362876%	0.03307519%	0.03695785%	0.03704419%	0.03704419%
College's Proportionate Share of the Net Pension Liability	$7,988,584	$11,071,263	$10,114,575	$9,010,429	$10,704,259
College's Covered-Employee Payroll	3,475,757	3,616,936	3,591,036	4,076,038	4,069,423
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	229.84%	306.10%	281.66%	221.06%	263.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

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

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

See accompanying notes to the required supplementary information

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
Required Supplementary Information
Schedule of College Contributions for Pension
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	$234,386	$236,734	$308,119	$301,963	$288,841	$269,396
Contributions in Relation to the Contractually Required Contribution	(234,386)	(236,734)	(308,119)	(301,963)	(288,841)	(269,396)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0
College Covered-Employee Payroll	$1,736,193	$1,690,957	$2,200,850	$2,291,070	$2,083,990	$1,946,503
Contributions as a Percentage of Covered-Employee Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%

See accompanying notes to the required supplementary information

2012	2011	2010	2009
$318,903	$372,536	$427,329	$462,291
(318,903)	(372,536)	(427,329)	(462,291)
$0	$0	$0	$0
$2,371,026	$2,963,691	$3,156,049	$4,698,079
13.45%	12.57%	13.54%	9.84%

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
Required Supplementary Information
Schedule of College Contributions for Pension
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	$493,891	$486,606	$506,371	$502,745	$529,885	$529,025
Contributions in Relation to the Contractually Required Contribution	(493,891)	(486,606)	(506,371)	(502,745)	(529,885)	(529,025)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0
College Covered-Employee Payroll	$3,527,793	$3,475,757	$3,616,936	$3,591,036	$4,076,038	$4,069,423
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%

See accompanying notes to the required supplementary information

2012	2011	2010	2009
$589,842	$672,548	$700,358	$679,729
(589,842)	(672,548)	(700,358)	(679,729)
$0	$0	$0	$0
$4,537,246	$5,173,446	$5,387,369	$5,228,685
13.00%	13.00%	13.00%	13.00%

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
Proportion of the Net OPEB Liability	0.05557400%	0.06153646%
Proportionate Share of the Net OPEB Liability	$1,491,460	$1,754,017
College's Covered-Employee Payroll	$1,690,957	$2,200,850
College's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	88.20%	79.70%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

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

See accompanying notes to the required supplementary information

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net OPEB Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
Proportion of the Net OPEB Liability	0.03362876%	0.03307519%
Proportionate Share of the Net OPEB Liability	$1,312,070	$1,768,870
College's Covered-Employee Payroll	$3,475,757	$3,616,936
College's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	37.75%	48.91%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

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

See accompanying notes to the required supplementary information

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
Required Supplementary Information
Schedule of College Contributions for OPEB
School Employees Retirement System of Ohio
Last Three Fiscal Years (1)

	2018	2017	2016
Contractually Required Contributions (2)	$30,966	$28,184	$28,131
Contributions in Relation to the Contractually Required Contribution	(30,966)	(28,184)	(28,131)
Contribution Deficiency (Excess)	$0	$0	$0
Covered Employee Payroll	$1,736,193	$1,690,957	$2,200,850
Contributions as a Percentage of Covered-Employee Payroll	1.78%	1.67%	1.28%

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information

WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
Required Supplementary Information
Schedule of College Contributions for OPEB
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1)

	2018	2017	2016
Contractually Required Contributions	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0
Covered Employee Payroll	$3,527,793	$3,475,757	$3,616,936
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%

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

See accompanying notes to the required supplementary information

Note 1 - SERS Change in Assumptions-Net Pension Liability

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

Note 2 - STRS Change in Assumptions and Benefit Terms-Net Pension Liability

Changes in Assumptions

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

Changes in Benefit Terms

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

Note 3 - SERS Change in Assumptions-Net OPEB Liability

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

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

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

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Note 4 - STRS Change in Assumptions-Net OPEB Liability

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

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

WASHINGTON STATE COMMUNITY COLLEGE

Single Audit Reports

June 30, 2018

PLATTENBURG
Certified Public Accountants

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WASHINGTON STATE COMMUNITY COLLEGE
WASHINGTON COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2018

	Federal CFDA Number	Pass through Entity Identifying Number	Expenditures
U.S. Department of Education			
Direct Awards			
Student Financial Aid Cluster			
Federal Pell Grant Program	84.063	N/A	$ 2,189,532
Federal Work Study Program	84.033	N/A	33,166
Federal Supplemental Educational Opportunity Grants	84.007	N/A	36,108
Federal Direct Student Loans	84.268	N/A	2,476,955
Total Student Financial Aid Cluster			4,735,761
TRIO Cluster			
TRIO Talent Search	84.044	N/A	424,932
TRIO Upward Bound	84.047	N/A	291,089
Total TRIO Cluster			716,021
Passed Through Ohio Department of Education			
Career and Technical Education - Basic Grants to States	84.048	3L90	160,919
Total U.S. Department of Education			5,612,701
Total Federal Awards			$ 5,612,701

See accompanying notes to the schedule of expenditures of federal awards

WASHINGTON STATE COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

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

NOTE 2: FEDERAL WORK-STUDY WAIVER

For fiscal year 2018, the College received a waiver from the Department of Education for the Institutional Share Requirement under the Federal Work-Study program.

NOTE 3: FEDERAL DIRECT LOAN PROGRAM

The College participates in the William D. Ford Federal Direct Loan Program. The College originates the loans which are then funded through the U.S. Department of Education.

CFDA Number	Program Name	Amount
84.268	Federal Subsidized Loans	$1,107,141
84.268	Federal Unsubsidized Loans	1,357,875
84.268	Federal PLUS Loans	11,939
	Total Federal Direct Student Loans	$2,476,955

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*

To the Board of Trustees
Washington State Community College

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 Washington State Community College, Washington County, Ohio, (the College) a component unit of the State of Ohio, and the discretely presented component unit, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 11, 2018, wherein we noted the College adopted GASB No. 75 as disclosed in Note 3.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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Purpose of this Report

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 11, 2018

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

To the Board of Trustees
Washington State Community College

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

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

We have audited the financial statements of the College and the discretely presented component unit of the College, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 11, 2018, which contained unmodified opinions on those financial statements, wherein we noted the College adopted GASB No. 75 as disclosed in Note 3. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 11, 2018

WASHINGTON STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Section I – Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

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

None

Section III – Federal Award Findings and Questioned Costs

None

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

Summary of Prior Audit Findings:

None Noted

WASHINGTON STATE COMMUNITY COLLEGE

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 8, 2018