Southern State Community College
Highland County
Single Audit
For the Fiscal Years Ended June 30, 2019 and 2018

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

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KEITH FABER

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Board of Trustees
Southern State Community College
100 Hobart Drive
Hillsboro, Ohio 45133

We have reviewed the *Independent Auditor's Report* of the Southern State Community College, Highland County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

November 7, 2019

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Highland County
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Independent Auditor's Report

Board of Trustees
Southern State Community College
100 Hobart Drive
Hillsboro, Ohio 45133

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Southern State Community College, Highland County, (the College), a component unit of the State of Ohio, and its discretely presented component unit, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 business-type activities and the discretely presented component unit of Southern State Community College, Highland County, as of June 30, 2019 and 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the College's proportionate share of the net pension liability and net OPEB liability, and the schedule of College contributions on pages 4 through 8, 45 through 46, and 47, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

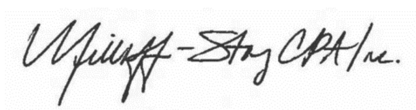
Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

October 15, 2019

Accounting Standards

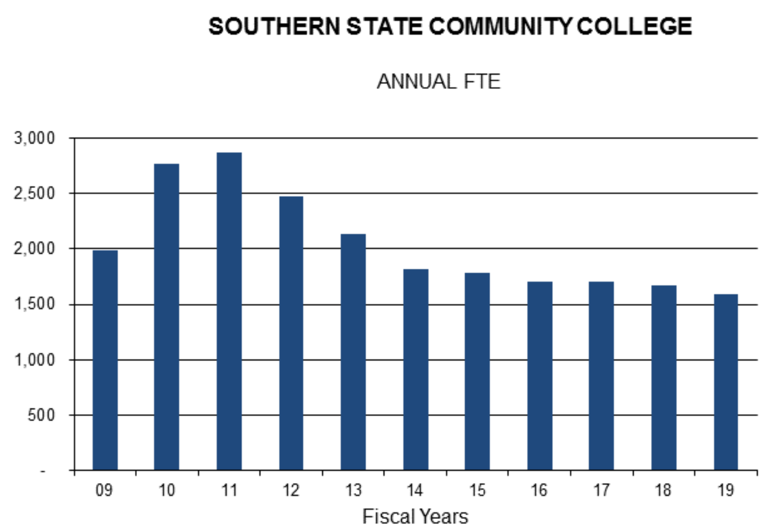
In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," which applies the new reporting standards to public colleges and universities. Southern State Community College was required to adopt these new standards for the fiscal year ending June 30, 2002, and has done so.

The following discussion and analysis provides an overview of the College's financial activities. This is the eighteenth year using this format.

The annual report consists of three basic financial statements that provide information on the College: the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows. Each one of these statements will be discussed.

Financial and Enrollment Highlights

- In FY 19 the College experienced a decrease in full-time equivalent enrollment of -5.1%.
- Gross student fee revenue decreased -.2%.



- State Appropriations increased .65%.
- Health care costs increased by 6.7%.

Statement of Net Position

The statement of net position includes assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way of measuring the financial health of the College.

	FY 19	FY 18	FY 17
Assets			
Current assets	$ 10,884,593	$10,617,424	$9,509,030
Noncurrent assets	4,142,260	3,029,295	3,060,832
Capital assets, net	27,824,166	28,762,615	29,133,805
Total assets	$ 42,851,019	42,409,334	41,703,667
Deferred outflows of resources	4,878,426	4,698,764	4,911,676
Liabilities			
Current liabilities	6,793,689	5,909,372	4,041,224
Noncurrent liabilities	32,625,081	33,836,030	36,800,904
Total liabilities	39,418,770	39,745,402	40,842,128
Deferred inflows of resources	4,818,727	4,864,737	3,153,936
Net position			
Net investment in capital assets	14,802,698	14,837,452	14,203,998
Restricted	2,765,349	3,500,203	4,564,009
Unrestricted	(14,076,099)	(15,839,696)	(16,148,728)
Total net position	$ 3,491,948	$2,497,959	$2,619,279

Receivables include student accounts for tuition, company accounts for training, and grant receivables. Deferred inflows of resources in FY19 and FY18 are largely a result of the implementation and continued reporting in accordance with GASB 68 and GASB 75. These balances increased in FY19 and decreased in FY18 due to changes in actuarially determined deferrals and the net pension liability and net OPEB liability recognized by the College. See below for more discussion on GASB 68 and GASB 75. Long-term liabilities include deferred compensation (accrued vacation and sick days), outstanding balances of bond issues, and the College's proportionate share of the State-wide net pension liability and net OPEB liability. The overall decrease in noncurrent liabilities for 2019 is due to a decrease in the actuarially determined net OPEB liability and by bond principal payments, which was partially offset by an increase in the actuarially determined net pension liability. Net position includes the net investment in capital assets and both restricted and unrestricted funds. Total net position increased 39.8% from FY 18 to FY 19.

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 OBEP 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.

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position presents the operating results of the College operations, as well as the non-operating revenues and expenses. Annual state appropriations, while budgeted for, are considered non-operating revenues according to generally accepted accounting principles.

	FY 19	FY 18	FY 17*
Operating revenue:			
Net tuition and fees	$ 6,078,474	$5,912,328	$6,178,110
Auxiliary	1,192,904	1,231,395	1,493,992
Grants and contracts	1,327,527	1,274,538	504,917
Other	305,795	483,791	367,621
Total	8,904,700	8,902,052	8,544,640
Operating expenses			
Instructional	6,302,242	4,367,100	7,250,480
Research	0	7,742	38,294
Community service	1,066,646	618,222	892,060
Academic support	1,908,297	1,562,831	2,466,988
Student services	2,097,388	1,576,805	2,050,322
Institutional support	2,034,080	1,435,369	1,353,427
Plant operations	1,419,336	1,377,420	1,596,270
Depreciation	1,305,347	1,307,820	1,306,372
Scholarships	2,720,433	2,748,664	3,018,419
Auxiliary	1,099,921	1,150,103	1,554,014
Total	19,953,690	16,152,076	21,526,646
Operating loss	(11,048,990)	(7,250,024)	(12,982,006)
Nonoperating revenues (expenses):			
Federal grants	3,649,758	3,955,804	4,108,866
State subsidy	8,058,729	8,006,995	8,324,677
Investment income	316,545	286,595	329,767
Interest on capital asset-related debt	(477,353)	(501,042)	(523,448)
Capital appropriations	447,567	747,116	161,547
Addition to endowments	0	4,748	14,920
Other nonoperating revenue (expenses)	47,733	0	535,928
Total	12,042,979	12,500,216	12,952,257
Change in net position	993,989	5,250,192	(29,749)
Net position - beginning of year	2,497,959	(2,752,233)	N/A
Net position - end of year	$3,491,948	$2,497,959	($2,752,233)

*As restated. See note 11 of the basic financial statements for more information.

Net tuition and fees represents gross student fee revenue of $7,435,044 in FY 19 and $7,452,214 in FY 18 net of scholarship allowances of $1,356,570 and $1,539,886 for those years, respectively. Auxiliary revenue consists of the non-grant portion of corporate and community services. These revenues decreased slightly due to enrollment decline. Operating expense increases primarily reflect increases in pension and OPEB expenses, as negative expenses associated with these balances were less than the prior year, based on actuarially determined information, allocated amongst various functions. These were partially offset by decreases in scholarship expenses and enrollment driven costs. State appropriation in FY19 and FY18 represented 67% and 64%, respectively of non-operating revenues (expenses).

Statement of Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the year. This statement also helps users assess the College's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external funding.

	FY 19	FY 18	FY 17
Cash provided by (used in):			
Operating activities	($10,378,273)	($9,661,809)	($10,356,320)
Non-capital financing activities	11,756,220	11,967,547	12,984,391
Capital and related financing activities	(1,396,684)	(1,665,556)	(1,478,449)
Investing activities	239,251	136,977	43,928
Net increase (decrease) in cash	220,514	777,159	1,193,550
Cash - beginning of year	6,657,406	5,880,247	4,686,697
Cash - end of year	$6,877,920	$6,657,406	$5,880,247

The primary cash receipts from operating activities are student fees. State subsidies and federal grants represent the primary non-operating sources of funds. Payments to employees are the primary use of funds.

Capital Assets

Capital assets, net of accumulated depreciation totaled $27,824,166 at June 30, 2019 and $28,762,615 at June 30, 2018 a decrease of $938,449 from the prior year-end. Additions to capital assets during the year totaled $366,898 and disposals were $0 in FY19. Depreciation expense for the year ended June 30, 2019 totaled $1,305,347. For more information on capital assets, see note 4 to the basic financial statements.

Debt

As of June 30, 2019, the College had outstanding debt of $13,550,000 of which $1,025,000 was short-term (or due within one year) and $12,525,000 was long-term debt (would come due beyond one year). The outstanding debt related to three 20 year bond issues that were used to provide a portion of the funding of the Patriot Center located on the Central Campus, and a portion of the funding for a renovation and expansion project on the Fayette Campus, and the construction of a new Brown County campus, which will replace the existing facility. The Patriot Center was completed in March of 2005. The Fayette expansion was completed in 2009. The construction of the new Brown County Campus began March 2013, and completed in July 2014. For more information on debt, see note 9 to the basic financial statements.

Economic Factors that will effect the Future

Challenges:

- The historically strong local and national economies along with declining demographics present major enrollment challenges.
- Responding responsibly to market demand for technical programs while limiting disruption.
- Addressing current facility roles and online potential expeditiously.

Opportunities:

- Building on the recent Program Vitality Assessments can serve to assure that offerings remain relevant in preparing students to succeed in the current and future workforce.
- Taking advantage of the college community's overall awareness of the financial impact of recent enrollment challenges provides an excellent atmosphere to work towards major structural budget modifications that are sustainable.
- To become an even stronger resource for college credit plus students.

Southern State Community College
Highland County
Statements of Net Position
As of June 30, 2019 and 2018

	2019		2018	
	College	Foundation	College	Foundation
Assets:				
Current assets:				
Cash	$1,871,426	$0	$2,503,506	$0
Cash equivalents	4,087,269	152,048	3,596,855	10,656
Accounts receivable, net	3,961,535	0	3,820,459	0
Pledges receivable	0	4,404	0	4,524
Prepaid expenses	526,105	0	532,522	0
Inventories	8,132	0	9,633	0
Other assets	271,819	1,855	137,414	1,855
Total current assets	10,726,286	158,307	10,600,389	17,035
Noncurrent assets:				
Restricted cash equivalents	664,102	103,075	423,091	123,298
Restricted investments	0	2,560,320	0	2,482,906
Net pension asset	96,176	0	0	0
Net OPEB asset	718,587	0	0	0
Capital assets, net	27,824,166	0	28,762,615	0
Total noncurrent assets	29,303,031	2,663,395	29,185,706	2,606,204
Total assets	40,029,317	2,821,702	39,786,095	2,623,239
Deferred outflows of resources:				
Pension plans	4,515,919	0	4,365,839	0
OPEB plans	362,507	0	332,925	0
Total deferred outflows of resources	4,878,426	0	4,698,764	0
Liabilities:				
Current liabilities:				
Accrued liabilities	349,509	0	350,341	0
Held in custody for others	5,419,180	0	4,559,031	0
Bonds payable, current portion	1,025,000	0	1,000,000	0
Total current liabilities	6,793,689	0	5,909,372	0
Noncurrent liabilities:				
Bonds payable, long-term portion	12,525,000	0	13,550,000	0
Compensated absences	169,057	0	140,164	0
Net pension liability	16,500,560	0	15,230,534	0
Net OPEB liability	3,430,464	0	4,915,332	0
Total noncurrent liabilities	32,625,081	0	33,836,030	0
Total liabilities	39,418,770	0	39,745,402	0
Deferred inflows of resources				
Grants and contracts	740,677	0	671,835	0
Pension plans	2,722,641	0	3,707,760	0
OPEB plans	1,355,409	0	485,142	0
Total deferred inflows of resources	4,818,727	0	4,864,737	0
Net position:				
Net investment in capital assets	14,802,698	0	14,837,452	0
Restricted for:				
Nonexpendable:				
Endowments	12,318	2,626,720	12,318	2,456,693
Expendable:				
Loans	17,696	0	17,696	0
Scholarships and fellowships	0	108,615	0	89,312
Other	0	0	924,184	0
Unrestricted (deficit)	(14,162,466)	86,367	(15,916,930)	77,234
Total net position	$670,246	$2,821,702	($125,280)	$2,623,239

The notes to the basic financial statements are an integral part of this statement.

Southern State Community College
Highland County
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2019 and 2018

	2019		2018	
	College	Foundation	College	Foundation
Revenues:				
Operating revenues:				
Student tuition and fees (net of scholarship allowance)	$6,078,474	$0	$5,912,328	$0
State grants and contracts	1,019,112	0	1,058,824	0
Local grants and contracts	65,212	0	63,294	0
Private grants and contracts	146,685	96,518	115,393	37,027
Auxiliary services	1,192,904	0	1,231,395	0
Other operating revenue	305,795	0	483,791	0
Total operating revenue	8,808,182	96,518	8,865,025	37,027
Expenses:				
Operating expenses:				
Instructional	6,302,242	0	4,367,100	0
Research	0	0	7,742	0
Community service	1,066,646	0	618,222	0
Academic support	1,908,297	0	1,562,831	0
Student services	2,028,531	68,857	1,449,834	126,971
Institutional support	2,034,080	0	1,435,369	0
Plant operations	1,419,336	0	1,377,420	0
Depreciation	1,305,347	0	1,307,820	0
Scholarships	2,720,433	0	2,748,664	0
Auxiliary activities	1,099,921	0	1,150,103	0
Total operating expenses	19,884,833	68,857	16,025,105	126,971
Operating income (loss)	(11,076,651)	27,661	(7,160,080)	(89,944)
Nonoperating revenues (expenses)				
Federal grants and contracts	3,649,758	0	3,955,804	0
State appropriations	8,058,729	0	8,006,995	0
Investment income (net of investment expense)	145,743	170,802	104,575	182,020
Interest on capital asset-related debt	(477,353)	0	(501,042)	0
Other nonoperating revenues (expenses)	47,733	0	0	0
Total nonoperating revenues (expenses)	11,424,610	170,802	11,566,332	182,020
Income before other revenues, expenses, gains, losses	347,959	198,463	4,406,252	92,076
Capital appropriations	447,567	0	747,116	0
Additions to permanent endowments	0	0	0	4,748
Change in net position	795,526	198,463	5,153,368	96,824
Net position - beginning of year - restated	(125,280)	2,623,239	(5,278,648)	2,526,415
Net position - end of year	$670,246	$2,821,702	($125,280)	$2,623,239

The notes to the basic financial statements are an integral part of this statement.

Southern State Community College
Highland County
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2019 and 2018

	2019		2018	
	College	Foundation	College	Foundation
Cash flows from operating activities:				
Tuition and fees	$6,006,240	$0	$6,299,572	$0
Grants and contracts	1,231,009	0	1,237,511	0
Private gifts	0	96,518	0	37,726
Payments to suppliers	(4,341,105)	0	(4,284,029)	0
Payments for utilities	(453,932)	0	(527,730)	0
Payments to employees	(9,200,267)	0	(9,838,948)	0
Payments for benefits	(3,286,294)	0	(3,265,501)	0
Scholarships	(2,720,433)	(68,857)	(2,748,664)	(126,971)
Auxiliary enterprise charges	1,192,904	0	1,231,395	0
Other receipts	1,165,944	0	2,323,830	0
Net cash provided (used) by operating activities	(10,405,934)	27,661	(9,572,564)	(89,245)
Cash flows from noncapital financing activities:				
Federal grants and contracts	3,649,758	0	3,955,804	0
State appropriations	8,058,729	0	8,006,995	0
Other nonoperating revenues	47,733	0	0	4,748
Net cash provided by noncapital financing activities	11,756,220	0	11,962,799	4,748
Cash flows from capital and related financing activities:				
Capital appropriations	447,567	0	747,116	0
Purchase of capital assets	(366,898)	0	(936,630)	0
Principal paid on capital debt and lease	(1,000,000)	0	(975,000)	0
Interest paid on capital debt and lease	(477,353)	0	(501,042)	0
Net cash used by capital and related financing activities	(1,396,684)	0	(1,665,556)	0
Cash flows from investing activities:				
Interest on investments	145,743	170,802	104,575	182,020
Purchase of investments	0	(77,294)	0	(149,618)
Net cash provided by investing activities	145,743	93,508	104,575	32,402
Net increase (decrease) in cash and cash equivalents	99,345	121,169	829,254	(52,095)
Cash and cash equivalents - beginning of year	6,523,452	133,954	5,694,198	186,049
Cash and cash equivalents - end of year	$6,622,797	$255,123	$6,523,452	$133,954
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	($11,076,651)	$27,661	($7,160,080)	($89,944)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	1,305,347	0	1,307,820	0
Changes in assets and liabilities:				
Receivables, net	(141,076)	0	(92,915)	699
Inventories	1,501	0	2,902	0
Other assets	(134,405)	0	54,881	0
Accrued liabilities	(832)	0	3,109	0
Deferred outflows of resources-pension/OPEB	(179,662)	0	212,912	0
Deferred inflows of resources-grants and contracts	68,842	0	480,159	0
Deferred inflows of resources-pension/OPEB	(114,852)	0	1,230,642	0
Net pension asset	(814,763)	0	0	0
Net pension liability	1,270,026	0	(6,816,205)	0
Net OPEB liability	(1,484,868)	0	(456,180)	0
Deposits held for others	860,149	0	1,840,039	0
Compensated absences	28,893	0	(64,001)	0
Prepaid expenses	6,417	0	(115,647)	0
Net cash provided (used) by operating activities	($10,405,934)	$27,661	($9,572,564)	($89,245)

The notes to the basic financial statements are an integral part of this statement.

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Southern State Community College (the College) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio and is considered to be a component unit of the primary reporting unit of the State of Ohio. The financial statements present the financial position and results of operations of the College along with the Southern State Community College Foundation (the Foundation), as a component unit of the College.

The College was chartered on February 21, 1975 as the Southern State General and Technical College. On October 21, 1977, the name of the College was officially changed to Southern State Community College.

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

The College was organized principally to offer educational programs beyond high school, normally not exceeding two years in duration, and leading to the award of an associate degree. The College offers programs in the liberal arts and sciences, technical training, and adult and continuing education, as outlined in ORC Section 3358.01.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities*, issued in June and November 1999, respectively. The College reports as a special purpose government engaged solely in "business-type activities" under GASB Statement No. 34.

Basis of Accounting

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

Cash and Cash Equivalents

The College's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents include the College's investment in the STAR Ohio and STAR Plus funds and money market funds, which amounted to $5,006,494 and $4,153,900 at June 30, 2019 and 2018, respectively.

During fiscal years 2018 and 2017, the College and Foundation invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The College and Foundation measure their investments in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal years 2019 and 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserved the right to limit the transaction to $100 million. All accounts of the participant will be combined for these purposes.

Note 1 - Summary of Significant Accounting Policies (Continued)

Investments

The College does not have a formal investment policy but consults the Ohio Revised Code for guidance with respect to allowable investments. The Foundation does have a formal policy, and the purchase of specific investment instruments is at the discretion of the Treasurer within these policy guidelines. As of June 30, 2019 and 2018, investments held by the College and Foundation were valued at $2,560,320 and $2,482,906, respectively. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value.

Accounts and Pledges Receivables

At June 30, 2019 and 2018, accounts receivable consist primarily of student tuition and fees, third party, and intergovernmental grants and contracts. Student and third party accounts receivable are reported net of an allowance for doubtful accounts of $620,908 and $615,231 at June 30, 2019 and 2018, respectively, whereas other receivables are reported at net, based on separate allowances for doubtful accounts estimated by management.

Pledges receivable are unconditional promises to give and are recognized at the present value of future cash flows. No allowance for uncollectible promises to give is considered necessary.

Inventory

Inventories consist principally of office supplies and the truck driving academy tire stock. Inventories, which are stated at the lower of cost or market, are determined on the first-in-first-out (FIFO) basis.

Restricted Assets

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

Capital Assets

Capital assets with a unit cost of over $5,000, and all library books, are recorded at cost at the date of acquisition, or, if donated, at acquisition value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Expenditures for construction in progress are capitalized as incurred. Interest expense related to construction is capitalized net of interest income earned on resources set aside for this purpose. Routine maintenance and repairs are charged to expenses as incurred. Certain assets purchased through capital leases have been capitalized and included as part of equipment in the accompanying financial statements.

Deferred Inflows/Outflows of Resources

Deferred inflows of resources 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, 2019 and 2018. Deferred inflows of resources related to pensions/OPEB are explained in notes 6 and 7.

Deferred outflows of resources related to pensions/OPEB are explained in notes 6 and 7.

Operating Revenues

All revenues from programmatic sources are considered to be operating revenues. Included in non-operating revenues are certain federal grants and contracts, state appropriations, investment income, and gifts. Gifts (pledges) that are received on an installment basis are recorded at net present value.

Scholarships and Allowances and Student Aid

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported

Note 1 - Summary of Significant Accounting Policies (Continued)

as operating expense represents the portion of aid provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition.

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.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates, primarily related to collectibility of receivables, compensated absences, and net pension and OPEB liabilities. Actual results could differ from those estimates.

Federal Financial Assistance Programs

The College participates in federally funded Pell Grants, SEOG Grants, and Federal Direct Lending programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). During fiscal years 2019 and 2018, the College distributed \$3,065,960 and \$3,433,105, respectively, for direct lending through the U.S. Department of Education, which is not included as revenues and expenses on the accompanying financial statements.

Net Position

Net position is classified according to external donor restrictions or availability of assets for satisfaction of College obligations. Capital assets, net of accumulated depreciation, reduced by related debt represents the College's net investment in capital assets. Nonexpendable restricted net position represents gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net position represents funds that have been received for specific purposes. Unrestricted net position includes resources which can be used at the College's discretion.

Of the College's \$2,765,349 and \$3,500,203 in restricted net position at June 30, 2019 and 2018, respectively, none is restricted by enabling legislation.

Prepaid Items

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

Note 2 - Cash, Cash Equivalents and Investments

Statement No. 3 of the Governmental Accounting Standards Board requires governmental entities to categorize deposits and investments to give an indication of the level of risk assumed by the entity at year-end. These categories of risk follow:

Note 2 - Cash, Cash Equivalents and Investments (Continued)

	Cash	Investments
Category 1	Deposits that are either insured or collateralized with securities held by the College or by its agent in the College's name.	Investments that are insured or registered, or securities held by the College or by its agent in the College's name.
Category 2	Deposits collateralized with securities held by the pledging financial institution's trust department or agent in the College's name.	Investments that are uninsured and registered, with securities held by the counterparty's trust department or agent in the College's name.
Category 3	Deposits that are uncollateralized (including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the College's name).	Investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent but not held in the College's name.
Not Categorized		Investments in mutual funds, money markets and investment management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Primary Government - College

At June 30, 2019, the carrying amount of the College's cash deposits was $3,962,231 and the bank balance was $4,420,460. At June 30, 2019, $2,347,678 of the bank balance was insured by the FDIC (Category 1); the remaining bank balances were Category 3.

The College held $1,996,464 in STAR Ohio investments, which is an external investment pool and is considered cash equivalents under GASB Statement No. 9. Oversight of the pool is through the Treasurer of State. The fair value of the College's position in the pool is the same as the value of its pool shares. Such investments are not required to be categorized in accordance with Governmental Accounting Standards Board Statement No. 3. All other investments are Category 1. The following summarizes the market value of the College's investments:

Description	Value	Less than One Year
June 30, 2019:		
STAR Ohio	$1,996,464	$1,996,464
Money Market Funds	664,102	664,102
Total Investments	$2,660,566	$2,660,566

At June 30, 2018, the carrying amount of the College's cash deposits was $4,317,661 and the bank balance was $5,173,872. At June 30, 2018, $2,299,020 of the bank balance was insured by the FDIC (Category 1); the remaining bank balances were Category 3.

The College held $1,554,877 in STAR Ohio investments, which is an external investment pool and is considered cash equivalents under GASB Statement No. 9. Oversight of the pool is through the Treasurer of State. The fair value of the College's position in the pool is the same as the value of its pool shares. Such investments are not required to be categorized in accordance with Governmental Accounting Standards Board Statement No. 3. All other investments are Category 1. The following summarizes the market value of the College's investments:

Description	Value	Less than One Year
June 30, 2018:		
STAR Ohio	$1,554,877	$1,554,877
Money Market Funds	650,914	650,914
Total Investments	$2,205,791	$2,205,791

Component Unit – Foundation

At June 30, 2019, the carrying amount of the Foundation's cash deposits was $0 and the bank balance was $0.

At June 30, 2018, the carrying amount of the Foundation's cash deposits was $0 and the bank balance was $0.

The following summarizes the market value of the Foundation's investments:

Description	Market Value	Investment Maturities (in years) Less than 1
June 30, 2019:		
STAR Ohio	$152,048	$152,048
Money market funds	103,075	103,075
Other Bonds	1,116,797	1,116,797
Common Stock	224,640	224,640
Equity Funds	1,218,883	1,218,883
Total Cash Equivalents & Investments	$2,815,443	$2,815,443

Description	Market Value	Investment Maturities (in years) Less than 1
June 30, 2018:		
STAR Ohio	$10,656	$10,656
Money market funds	123,297	123,297
Other Bonds	1,021,296	1,021,296
Common Stock	205,920	205,920
Equity Funds	1,255,690	1,255,690
Total Cash Equivalents & Investments	$2,616,859	$2,616,859

The College has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. STAR Ohio is reported at its share price. All other investments of the College are valued using pricing sources as provided by the investments managers (Level 1 inputs). The Foundation's money market fund, bond, and equity fund investments are also Level 1 inputs. STAR Ohio investments are valued as previously noted. Common stock investments are Level 3 inputs.

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

Note 2 - Cash, Cash Equivalents and Investments (Continued)

Primary Government - The College does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Component Unit - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Foundation's investment policy provides for management of the portfolio to minimize principal fluctuations with a long-term investment mix and with an initial target allocation of 40 percent of its assets to be invested in fixed income investments. Cash equivalents should represent maturities of one year or less at the time of purchase. Also, weighted average portfolio maturity may not exceed 10 years.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Primary Government - The College has no investment policy that limits its investment choices. As of the fiscal years ended June 30, 2019 and 2018, the College's investments in STAR Ohio and money market funds were rated AAAm by Standard & Poor's.

Component Unit - The Foundation's investment policy limits investments to the following categories: Cash Equivalents, Fixed Income Assets, Equities Assets, and Mutual Funds. Fixed income assets are subject to several limitations including only corporate debt issues that meet or exceed a credit rating of "A" from S&P or "A2" or higher from Moody's. Preferred stocks should be rated "A" or better by Moody's or S&P at the time of purchase. Equities holdings should represent companies meeting a minimum capitalization requirement of two hundred and fifty million with high market liquidity. Standard & Poor's rated STAR Ohio and money market funds AAAm. All other investments are unrated.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Primary Government - The College places no limit on the amount the College may invest in any one issuer. More than 5% of the College's investments are in STAR Ohio and money market funds. These investments were 75% and 25% as of June 30, 2019 and 70% and 30%, respectively, as of June 30, 2018, respectively of the College's total investments.

Component Unit - The Foundation's investment policy calls for initial targets of asset categories along with acceptable ranges in order to balance the risks as follows:

Asset Category	Initial Target Allocation	Acceptable Range
Cash	10%	1-10%
Fixed Income	40%	30-70%
Stocks	50%	30-70%

For the fiscal year ended June 30, 2019, more than 5% of the Foundation's investments are equity funds, common stock, and other bonds. These investments represent 43%, 8%, and 40% of the Foundation's total investments, respectively. For the fiscal year ended June 30, 2018, more than 5% of the Foundation's investments are equity funds, common stock, and other bonds. These investments represent 48%, 8%, and 39% of the Foundation's total investments, respectively.

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

Note 2 - Cash, Cash Equivalents and Investments (Continued)

Primary Government - *Deposits*. As of June 30, 2019 and 2018, the College's bank balances of $4,420,460 and $5,173,872, respectively, was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described below.

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.

Component Unit - The Foundation's endowment investment policy provides that the investments will be made for the sole interest and exclusive purpose of providing benefits to the investment committee. All investments are held in the name of the Foundation.

Note 3 – Accounts Receivable

Accounts receivable at June 30, 2019 was comprised of the following:

	Gross Receivables	Allowance For Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$3,193,572	($620,908)	$2,572,664
Intergovernmental	236,337	(2,433)	233,904
Third Party	1,164,967	0	1,164,967
Total Current Receivables	$4,594,876	($623,341)	$3,961,535

Accounts receivable at June 30, 2018 was comprised of the following:

	Gross Receivables	Allowance For Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$3,278,668	($615,231)	$2,663,437
Intergovernmental	153,803	(2,433)	151,370
Third Party	1,005,652	0	1,005,652
Total Current Receivables	$4,438,123	($617,644)	$3,820,459

Note 4 - Capital Assets

Capital asset activity for the years ended June 30, 2019 and 2018 were as follows:

June 30, 2019	Beginning	Additions	Deductions	Ending
Land	$4,517,468	$0	$0	$4,517,468
Non-depreciable artwork	51,900	0	0	51,900
Total cost of nondepreciable capital assets	4,569,368	0	0	4,569,368
Building and Improvements	37,250,721	67,923	0	37,318,644
Equipment	3,540,416	291,986	0	3,832,402
Library books	543,362	2,064	0	545,426
Vehicles	637,145	4,925	0	642,070
Total cost of depreciable capital assets	41,971,644	366,898	0	42,338,042
Total cost of capital assets	46,541,012	366,898	0	46,907,910
Less accumulated depreciation				
Buildings and Improvements	(13,952,267)	(986,381)	0	(14,938,648)
Equipment	(2,746,761)	(257,202)	0	(3,003,963)
Library books	(533,751)	(5,389)	0	(539,140)
Vehicles	(545,618)	(56,375)	0	(601,993)
Total accumulated depreciation	(17,778,397)	(1,305,347)	0	(19,083,744)
Net capital assets	$28,762,615	($938,449)	0	$27,824,166

June 30, 2018	Beginning	Additions	Deductions	Ending
Land	$4,017,468	$500,000	$0	$4,517,468
Non-depreciable artwork	51,900	0	0	51,900
Total cost of nondepreciable capital assets	4,069,368	500,000	0	4,569,368
Building and Improvements	37,031,364	219,357	0	37,250,721
Equipment	3,323,143	217,273	0	3,540,416
Library books	543,362	0	0	543,362
Vehicles	637,145	0	0	637,145
Total cost of depreciable capital assets	41,535,014	436,630	0	41,971,644
Total cost of capital assets	45,604,382	936,630	0	46,541,012
Less accumulated depreciation				
Buildings and Improvements	(12,948,753)	(1,003,514)	0	(13,952,267)
Equipment	(2,506,967)	(239,794)	0	(2,746,761)
Library books	(526,154)	(7,597)	0	(533,751)
Vehicles	(488,703)	(56,915)	0	(545,618)
Total accumulated depreciation	(16,470,577)	(1,307,820)	0	(17,778,397)
Net capital assets	$29,133,805	($371,190)	0	$28,762,615

The following estimated useful lives are used to compute depreciation:

Buildings and Improvements	20 – 40 years
Library Books	7 years
Equipment and Vehicles	5 – 15 years

Note 5 - State Support

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

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

The facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state assisted institutions of higher education throughout the State. As a result of the above-described financial assistance provided by the State of Ohio to the College, outstanding debt issued by the Ohio Public Facilities Commission is not included on the College's statement of net position.

Note 6 - 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 (asset) 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 (asset) 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 College cannot control benefit terms or the manner in which pensions are financed; however, the College does receive the benefit of employees' services in exchange for compensation including pension.

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

Note 6 - Defined Benefit Pension Plans (Continued)

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 – Ohio Public Employees Retirement System (OPERS)

Plan Description – College non-teaching employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features.

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members of the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Traditional Plan Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Traditional Plan Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

Note 6 - Defined Benefit Pension Plans (Continued)

When a traditional benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the Combined Plan receive a cost-of-living adjustment of the Defined Benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	2019 and 2018
Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee*	10.0 %
Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
Employee	10.0 %

*Member contributions within the Combined Plan are not used to fund the Defined Benefit retirement allowance.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The College's contractually required contributions to OPERS were $509,296 and $548,952 for fiscal years 2019 and 2018, respectively.

Note 6 - Defined Benefit Pension Plans (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of-living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 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 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent 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 plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit 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.

Note 6 - Defined Benefit Pension Plans (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2019 contribution rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

The College's contractually required contributions to STRS were $702,218 and $708,003 for fiscal years 2019 and 2018, respectively.

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

The June 30, 2019 and June 30, 2018 net pension liabilities (assets) were measured as of December 31, 2018 and 2017 for OPERS and June 30, 2018 and 2017 for STRS, respectively, and the total pension liabilities (assets) used to calculate the net pension liabilities (assets) were determined by an actuarial valuation as of those dates. The College's proportion of the net pension liabilities (assets) were based on the College's share of contributions to the pension plan relative to the contributions of all participating entities.

As of and for the year ended June 30, 2019, the proportionate share and pension expense were as follows:

	OPERS-Traditional	OPERS-Combined	STRS	Total
Proportion of the Net Pension Liability (Asset) Prior Measurement Date	0.02664300%	0.08798200%	0.04651932%	
Proportion of the Net Pension Liability (Asset) Current Measurement Date	0.02434600%	0.08600800%	0.04471891%	
Change in Proportionate Share	-0.00229700%	-0.00197400%	-0.00180041%	
Proportionate Share of the Net Pension Liability	$6,667,876	$0	$9,832,684	$16,500,560
Proportionate Share of the Net Pension Asset	$0	($96,176)	$0	($96,176)
Pension Expense	$938,103	($54,439)	$111,853	$995,517

At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 6 - Defined Benefit Pension Plans (Continued)

	OPERS-Traditional	OPERS-Combined	STRS	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	$308	$0	$226,968	$227,276
Change in assumptions	580,453	21,480	1,742,536	2,344,469
Net difference between projected and actual earnings on pension plan investments	905,018	20,718	0	925,736
Changes in proportionate share and difference between College contributions and proportionate share of contributions	59,053	1,512	1,007	61,572
College contributions subsequent to the measurement date	230,104	24,544	702,218	956,866
Total Deferred Outflows of Resources	$1,774,936	$68,254	$2,672,729	$4,515,919
Deferred Inflows of Resources				
Differences between expected and actual experience	$87,554	$39,280	$64,214	$191,048
Net difference between projected and actual earnings on pension plan investments	0	0	596,243	596,243
Changes in proportionare share and difference between College contributions and proportionate share of contributions	338,496	46,167	1,550,687	1,935,350
Total Deferred Inflows of Resources	$426,050	$85,447	$2,211,144	$2,722,641

$956,866 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS-Traditional	OPERS-Combined	STRS	Total
Fiscal Year Ending June 30:				
2020	$418,991	($2,220)	$10,621	$427,392
2021	194,934	(6,356)	(8,456)	180,122
2022	83,959	(5,922)	(43,652)	34,385
2023	420,898	566	(199,146)	222,318
2024	0	(7,949)	0	(7,949)
Thereafter	0	(19,856)	0	(19,856)
Total	$1,118,782	($41,737)	($240,633)	$836,412

As of and for the year ended June 30, 2018, the proportionate share and pension expense were as follows:

Note 6 - Defined Benefit Pension Plans (Continued)

	OPERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.02775100%	0.04703777%	
Proportion of the Net Pension Liability Current Measurement Date	0.02664300%	0.04651932%	
Change in Proportionate Share	-0.00110800%	-0.00051845%	
Proportionate Share of the Net Pension Liability	$4,179,770	$11,050,764	$15,230,534
Pension Expense	$460,447	($4,993,737)	($4,533,290)

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

	OPERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$4,269	$426,729	$430,998
Change in assumptions	499,509	2,416,923	2,916,432
Changes in proportionate share and difference between College contributions and proportionate share of contributions	25,488	1,343	26,831
College contributions subsequent to the measurement date	283,575	708,003	991,578
Total Deferred Outflows of Resources	$812,841	$3,552,998	$4,365,839
Deferred Inflows of Resources			
Differences between expected and actual experience	$82,371	$89,065	$171,436
Net difference between projected and actual earnings on pension plan investments	897,342	364,688	1,262,030
Changes in proportionare share and difference between College contributions and proportionate share of contributions	264,349	2,009,945	2,274,294
Total Deferred Inflows of Resources	$1,244,062	$2,463,698	$3,707,760

$991,578 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date was 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 in subsequent years.

Note 6 - Defined Benefit Pension Plans (Continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liabilities in the December 31, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented as follows:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 percent to 10.75 percent
COLA or Ad Hoc COLA	Pre 1/7/13 retirees: 3.00% simple Post 1/7/13 retirees: 3.00% simple through 2018 then 2.15% simple
Investment Rate of Return	7.2 percent (2018) and 7.5 percent (2017)
Actuarial Cost Method	Individual Entry Age

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

The most recent experience study was for the 5 year period ended December 31, 2015.

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

During 2018 and 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 2.94% for 2018 and 16.82% for 2017.

Note 6 - Defined Benefit Pension Plans (Continued)

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2018 and 2017 and the long-term expected real rates of return.

Asset Class	Target Allocation	2018 Long-Term Expected Real Rate of Return (Arithmetic)	2017 Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.79 %	2.20 %
Domestic Equities	19.00	6.21	6.37
Real Estate	10.00	4.90	5.26
Private Equity	10.00	10.81	8.97
International Equities	20.00	7.83	7.88
Other investments	18.00	5.50	5.26
Total	100.00 %	5.95 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent for the December 31, 2018 actuarial valuation. The discount rate used to measure the total pension liability was 7.5 percent for the December 31, 2017 actuarial valuations. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate For the year ended June 30, 2019, the following table presents the College's proportionate share of the net pension liability calculated using the current period discount rate of 7.2 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
College's proportionate share of the net pension liability-Traditional	$9,850,392	$6,667,876	$4,023,177
College's proportionate share of the net pension asset-Combined	($31,823)	($96,176)	($142,773)

For the year ended June 30, 2018, the following table presents the College's proportionate share of the net pension liability calculated using the current period discount rate of 7.5 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

Note 6 - Defined Benefit Pension Plans (Continued)

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net pension liability	$7,422,207	$4,179,770	$1,476,555

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018 and 2017 actuarial valuations are presented below:

Inflation	2.50 percent
Projected salary increases	2.50 percent at age 65 to 12.50 percent at age 20
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent effective July 1, 2017

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

Actuarial assumptions used in the July 1, 2018 and 2017 valuations are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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:

Note 6 - Defined Benefit Pension Plans (Continued)

For the years ended June 30, 2018 and 2017:

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 Ohio's 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 percent as of June 30, 2018 and 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018 and 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018 and 2017.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following tables present the College's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent for 2018 and 2017, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

For the year ended June 30, 2019:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of the net pension liability	$14,359,341	$9,832,684	$6,001,483

Note 6 - Defined Benefit Pension Plans (Continued)

For the year ended June 30, 2018:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of the net pension liability	$15,840,894	$11,050,764	$7,015,797

Note 7 - Defined Benefit OPEB Plans

Net 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 (asset) 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 (asset) 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 College cannot control benefit terms or the manner in which OPEB are financed; however, the College 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 (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All 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 (asset). Resulting adjustments to the net OPEB liability (asset) 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 the end of the year is included in *accrued liabilities* on the accrual basis of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

Note 7 - Defined Benefit OPEB Plans (Continued)

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. Please see the Plan Statement in the OPERS CAFR for details.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml#CAFR, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. When funding is approved by the System's Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In fiscal years 2019 and 2018, State and Local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided.

Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for fiscal year 2018 was 4.0%.

The College's contractually required contributions to OPERS were $0 and $20,414 for fiscal years 2019 and 2018, respectively.

Note 7 - Defined Benefit OPEB Plans (Continued)

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 years ended June 30, 2019 and 2018, STRS did not allocate any employer contributions to post-employment health care.

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

OPERS net OPEB liability was measured as of December 31, 2018 and STRS net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability (asset) used to calculate the net OPEB liability was determined by an actuarial valuation as of those dates. The College's proportion of the net OPEB liability (asset) was based on the College'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 and OPEB expense for the fiscal year ending June 30, 2019:

	OPERS	STRS	Total
Proportion of the Net OPEB Liability (Asset) Prior Measurement Date	0.02855000%	0.04651932%	
Proportion of the Net OPEB Liability (Asset) Current Measurement Date	0.02631200%	0.04471891%	
Change in Proportionate Share	-0.00223800%	-0.00180041%	
Proportionate Share of the Net OPEB Liability	$3,430,464	$0	$3,430,464
Proportionate Share of the Net OPEB Asset	$0	($718,587)	($718,587)
OPEB Expense	$206,521	($1,569,291)	($1,362,770)

Note 7 - Defined Benefit OPEB Plans (Continued)

At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$1,162	$83,932	$85,094
Changes of assumptions	110,602	0	110,602
Net difference between projected and actual earnings on pension plan investments	157,266	0	157,266
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	9,545	0	9,545
Total Deferred Outflows of Resources	$278,575	$83,932	$362,507
Deferred Inflows of Resources			
Differences between expected and actual experience	$9,308	$41,867	$51,175
Changes of assumptions	0	979,132	979,132
Net difference between projected and actual earnings on OPEB plan investments	0	82,092	82,092
Difference between College contributions and proportionate share of contributions	178,852	64,158	243,010
Total Deferred Inflows of Resources	$188,160	$1,167,249	$1,355,409

$0 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$32,853	($193,161)	($160,308)
2021	(45,262)	(193,161)	(238,423)
2022	23,599	(193,161)	(169,562)
2023	79,225	(174,518)	(95,293)
2024	0	(167,977)	(167,977)
Thereafter	0	(161,339)	(161,339)
Total	$90,415	($1,083,317)	($992,902)

Note 7 - Defined Benefit OPEB Plans (Continued)

Following is information related to the proportionate share and OPEB expense for the fiscal year ending June 30, 2018:

	OPERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.03001170%	0.04703777%	
Proportion of the Net OPEB Liability Current Measurement Date	0.02855000%	0.04651932%	
Change in Proportionate Share	-0.00146170%	-0.00051845%	
Proportionate Share of the Net OPEB Liability	$3,100,320	$1,815,012	$4,915,332
OPEB Expense	$249,881	($553,844)	($303,963)

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

	OPERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$2,415	$104,774	$107,189
Changes of assumptions	225,736	0	225,736
Total Deferred Outflows of Resources	$228,151	$104,774	$332,925
Deferred Inflows of Resources			
Changes of assumptions	$0	$146,205	$146,205
Net difference between projected and actual earnings on OPEB plan investments	230,953	77,578	308,531
Difference between College contributions and proportionate share of contributions	30,406	0	30,406
Total Deferred Inflows of Resources	$261,359	$223,783	$485,142

$0 reported as deferred outflows of resources related to OPEB resulting from College 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 in subsequent years:

Actuarial Assumptions - OPERS

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

Note 7 - Defined Benefit OPEB Plans (Continued)

Projections of health care costs 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 coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018.

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Actuarial Valuation Date	December 31, 2017	December 31, 2016
Rolled-Forward Measurement Date	December 31, 2018	December 31, 2017
Experience Study	5-Year Period Ended December 31, 2015	5-Year Period Ended December 31, 2015
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal
Single Discount Rate	3.96 percent	3.85 percent
Investment Rate of Return	6.00 percent	6.50 percent
Municipal Bond Rate	3.71 percent	3.31 percent
Wage Inflation	3.25 percent	3.25 percent
Projected Salary Increases, includes inflate rate	3.25 percent to 10.75 percent	3.25 percent to 10.75 percent
Health Care Cost Trend Rate		
Initial	10.00 percent	7.50 percent
Ultimate in 2029/2028	3.25 percent	3.25 percent

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

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

During 2018 and 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.6% for 2018 and a gain of 15.2% for 2017.

Note 7 - Defined Benefit OPEB Plans (Continued)

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and 2017 and the long-term expected real rates of return.

Asset Class	Target Allocation	2018 Long-Term Expected Real Rate of Return	2017 Long-Term Expected Real Rate of Return
Fixed Income	34.00 %	2.42 %	1.88 %
Domestic Equities	21.00	6.21	6.37
REITs	6.00	5.98	5.91
International Equities	22.00	7.83	7.88
Other Investments	17.00	5.57	5.39
Total	100.00 %	5.16 %	4.98 %

Discount Rate A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71% for 2018. This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50% and a municipal bond rate of 3.31% for 2017. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates For the year ended June 30, 2019, the net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the OPEB liability calculated using the single discount rate of 3.96%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

	1% Decrease (2.96%)	Single Discount Rate (3.96%)	1% Increase (4.96%)
College's proportionate share of the net OPEB liability	$4,388,842	$3,430,464	$2,668,300

Note 7 - Defined Benefit OPEB Plans (Continued)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
College's proportionate share of the net OPEB liability	$3,297,420	$3,430,464	$3,583,694

For the year ended June 30, 2018, the net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the OPEB liability calculated using the single discount rate of 3.85%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

	1% Decrease (2.85%)	Single Discount Rate (3.85%)	1% Increase (4.85%)
College's proportionate share of the net OPEB liability	$4,118,909	$3,100,320	$2,276,292

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

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
College's proportionate share of the net OPEB liability	$2,966,345	$3,100,320	$3,238,712

Note 7 - Defined Benefit OPEB Plans (Continued)

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018 actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Health Care Cost Trends	
Medical	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	6 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 percent initial, 4 percent ultimate

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 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent 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, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Note 7 - Defined Benefit OPEB Plans (Continued)

Since the prior measurement date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service, effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 2020. However, in June 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

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 include the real rate of return and inflation of 2.25 percent 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 7.45 percent as of June 30, 2018. The blended 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 projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. 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 at June 30, 2017.

Note 7 - Defined Benefit OPEB Plans (Continued)

Sensitivity of the College's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount and Health Care Cost Trend Rate The following tables represent the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current assumption. Also shown is the net OPEB asset 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 (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of the net OPEB asset	($615,897)	($718,587)	($804,894)

	1% Decrease	Current Trend Rate	1% Increase
College's proportionate share of the net OPEB asset	($800,022)	($718,587)	($635,884)

The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher 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%)
College's proportionate share of the net OPEB liability	$2,436,625	$1,815,012	$1,323,735

	1% Decrease	Current Trend Rate	1% Increase
College's proportionate share of the net OPEB liability	$1,260,993	$1,815,012	$2,544,167

Note 8 - Compensated Absences

College faculty and support staff accrue vacation benefits; however, vacation carryover balances are limited to a maximum of 60 days. For all classes of employees, any earned but unused vacation benefit is payable upon termination. Sick leave may be accrued without limit. However, earned but unused sick leave benefits are payable only upon retirement from the College. The amount of sick leave benefit payable at retirement is one fourth of the value of the accrued but unused sick leave up to a maximum of 43 days.

The College accrues sick leave liability for those employees who are currently eligible to receive termination payments as well as other employees who are expected to become eligible to receive such payments. This liability is calculated using the "vesting method" which is set forth in Appendix C, Example 5 of GASB Statement No. 16, *Accounting for Compensated Absences*. Under the vesting method, the College calculates the probability factor that employees will meet retention and eligibility requirements.

The liability for the cost of vacation and sick leave benefits was approximately $169,057 and $140,164 as of June 30, 2019 and 2018, respectively.

Note 9 – Long-Term Liabilities

During fiscal year ended June 30, 2008, the College issued General Receipts Bonds, Series 2008. During fiscal year ended June 30, 2012, the College issued General Receipts Bonds, Series 2011 and Series 2012. The following summarizes bonds payable as of June 30, 2019:

Bonds	Interest Ranging From	Due Serially Through	Balance 6/30/18	Additions	Deletions	Balance 6/30/19	Current Portion
Series 2008	3.5-5.05%	2025	$1,840,000	$0	($130,000)	$1,710,000	$140,000
Series 2011	2.0-4.0%	2031	8,175,000	0	(480,000)	7,695,000	490,000
Series 2012	2.0-3.6%	2031	4,535,000	0	(390,000)	4,145,000	395,000
Total Bonds			14,550,000	0	(1,000,000)	13,550,000	1,025,000
Net Pension Liability:							
OPERS			4,179,770	2,488,106	0	6,667,876	0
STRS			11,050,764	0	(1,218,080)	9,832,684	0
Total NPL			15,230,534	2,488,106	(1,218,080)	16,500,560	0
Net OPEB Liability:							
OPERS			3,100,320	330,144	0	3,430,464	0
STRS			1,815,012	0	(1,815,012)	0	0
Total OPEB			4,915,332	330,144	(1,815,012)	3,430,464	0
Total Long-Term Liabilities			$34,695,866	$2,818,250	($4,033,092)	$33,481,024	$1,025,000

Note 9 - Long-Term Liabilities (Continued)

The following summarizes bonds payable as of June 30, 2018:

Bonds	Interest Ranging From	Due Serially Through	Balance 6/30/18	Additions	Deletions	Balance 6/30/19	Current Portion
Series 2008	3.5-5.05%	2025	$1,965,000	$0	($125,000)	$1,840,000	$130,000
Series 2011	2.0-4.0%	2031	8,645,000	0	(470,000)	8,175,000	480,000
Series 2012	2.0-3.6%	2031	4,915,000	0	(380,000)	4,535,000	390,000
Total Bonds			15,525,000	0	(975,000)	14,550,000	1,000,000
Net Pension Liability:							
OPERS			6,301,780	0	(2,122,010)	4,179,770	0
STRS			15,744,959	0	(4,694,195)	11,050,764	0
Total NPL			22,046,739	0	(6,816,205)	15,230,534	0
Net OPEB Liability:							
OPERS			2,883,647	216,673	0	3,100,320	0
STRS			2,487,865	0	(672,853)	1,815,012	0
Total OPEB			5,371,512	216,673	(672,852)	4,915,332	0
Total Long-Term Liabilities			$42,943,251	216,673	(8,464,058)	$34,695,866	$1,000,000

Principal and interest amounts due within each of the next five years and thereafter on obligations outstanding at June 30, 2019, are as follows:

Year Ended	Series 2008		Series 2011		Series 2012	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2020	$140,000	$82,310	$490,000	$262,433	$395,000	$118,176
2021	145,000	76,010	500,000	250,183	405,000	109,070
2022	150,000	69,485	515,000	235,183	420,000	98,750
2023	155,000	62,435	530,000	219,733	430,000	87,378
2024	165,000	55,150	550,000	203,833	245,000	77,974
2025-2029	955,000	147,313	3,020,000	743,430	1,335,000	272,421
2030-2032	0	0	2,090,000	166,670	915,000	49,679
Total	$1,710,000	$492,703	$7,695,000	$2,081,465	$4,145,000	$813,448

In 2012, the College issued Series 2012 bonds, a portion of which was used to advance refund $1,690,000 of the Series 2003 bonds, resulting in an economic gain of $224,905. The refunded bonds portion of this bond issuance was placed in an escrow account to repay the bonds when callable on December 1, 2013. As a result, this portion of the Series 2003 bonds is considered defeased. As such, the assets and related liability for these bonds are not included in the College's financial statements. As of June 30, 2016, all of the refunded bonds were repaid.

Note 9 - Long-Term Liabilities (Continued)

Mandatory Redemption. The Series 2008 bonds are subject to mandatory sinking fund redemption on December 1 of the following years:

	Series 2008
2020	$145,000
2021	150,000
2022	155,000
2023	165,000
2024	175,000
2025	180,000
2026	190,000
2027	200,000
2028	210,000
	$1,570,000

In connection with the General Receipts Bonds, the College has pledged future general revenues of the main campus, net of certain specified receipts such as state appropriations and taxes, to repay these bonds. The bonds are payable, through their final maturities, from net revenues applicable to the main campus. Annual principal and interest payments on the bonds are expected to require less than 1.4 percent of net revenues. Total principal and interest remaining to be paid on these bonds is $16,937,616. Principal and interest paid for the current year and total general revenues were $1,477,353 and $6,384,269, respectively.

The College pays obligations related to employee compensation from the program benefitting from their service.

Note 10 – Risk Management

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters, for which the College carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Note 11 – Change in Accounting Principle/Restatement of Beginning Balances

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.

Note 11 - Change in Accounting Principle/Restatement of Beginning Balances (Continued)

GASB 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported July 1, 2017:

	College
Net Position, As Reported, June 30, 2017	$92,864
Adjustments:	
Net OPEB Liability	(5,371,512)
Net Position, As Restated, July 1, 2017	($5,278,648)

The College made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

In addition, the College opted to restate beginning balance to correct previously reported common stock investment balances by reporting it at its current market value. This correction had the following effect on net position as reported June 30, 2017:

	Foundation
Net Position, As Reported, June 30, 2017	$2,463,235
Adjustments:	
Adjustment to market value	63,180
Net Position, As Restated, June 30, 2017	$2,526,415

Southern State Community College
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
Last Six Fiscal Years (1)

	2013	2014	2015	2016	2017	2018
State Teachers Retirement System						
College's proportion of the net pension liability (asset)	0.05919894%	0.05919894%	0.05499036%	0.04703777%	0.04651932%	0.04471891%
College's proportionate share of the net pension liability (asset)	$17,152,271	$14,399,231	$15,197,727	$15,744,959	$11,050,764	$9,832,684
College's covered-employee payroll	$6,179,593	$5,972,200	$5,671,321	$4,949,279	$5,298,143	$5,057,164
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	277.6%	241.1%	268.0%	318.1%	208.6%	194.4%
Plan fiduciary net position as a percentage of the total pension liability	69.3%	74.7%	72.1%	66.8%	75.3%	77.3%
Ohio Public Employees Retirement System						
College's proportion of the net pension liability (asset) - Traditional	0.04073468%	0.04073468%	0.03099000%	0.02775100%	0.02664300%	0.02434600%
College's proportion of the net pension liability (asset) - Combined	0.00000000%	0.00000000%	0.00000000%	0.00000000%	0.08798200%	0.08600800%
College's proportionate share of the net pension liability (asset) - Traditional	$4,802,088	$4,913,057	$5,367,859	$6,301,780	$4,179,770	$6,667,876
College's proportionate share of the net pension liability (asset) - Combined	$0	$0	$0	$0	$0	($96,176)
College's covered-employee payroll - Traditional	$4,427,764	$4,307,114	$4,294,814	$4,139,575	$3,622,942	$3,701,799
College's covered-employee payroll - Combined	$0	$0	$0	$0	$0	$364,512
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll - Traditional	108.5%	114.1%	125.0%	152.2%	115.4%	180.1%
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll - Combined	0.0%	0.0%	0.0%	0.0%	0.0%	-26.4%
Plan fiduciary net position as a percentage of the total pension liability - Traditional	86.4%	86.5%	81.2%	77.3%	84.7%	74.7%
Plan fiduciary net position as a percentage of the total pension liability - Combined	0.0%	0.0%	0.0%	0.0%	137.3%	126.6%

The amounts presented for each fiscal year were determined as of the College's measurement date, which is June 30 for STRS and December 31 for OPERS.
(1) Information not available prior to 2013.
See accompanying notes to the required supplementary information.

Southern State Community College
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net OPEB Liability
Last Three Fiscal Years (1)

	2016	2017	2018
State Teachers Retirement System			
College's proportion of the net OPEB liability (asset)	0.04703777%	0.04651932%	0.04471891%
College's proportionate share of the net OPEB liability (asset)	$2,487,865	$1,815,012	($718,587)
College's covered-employee payroll	$4,949,279	$5,298,143	$5,057,164
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	50.3%	34.3%	-14.2%
Plan fiduciary net position as a percentage of the total OPEB liability	37.3%	47.1%	176.0%
Ohio Public Employees Retirement System			
College's proportion of the net OPEB liability (asset)	0.03001170%	0.02855000%	0.02631200%
College's proportionate share of the net OPEB liability (asset)	$2,883,647	$3,100,320	$3,430,464
College's covered-employee payroll	$4,139,575	$3,622,942	$4,066,311
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	69.7%	85.6%	84.4%
Plan fiduciary net position as a percentage of the total OPEB liability	54.0%	54.1%	46.3%

The amounts presented for each fiscal year were determined as of the College's measurement date, which is June 30
(1) Information not available prior to 2016.
See accompanying notes to the required supplementary information.

Southern State Community College
Required Supplementary Information
Schedule of College Contributions
Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
State Teachers Retirement System										
Pension Contributions										
Contractually required contribution	$805,212	$818,323	$811,098	$803,347	$776,386	$793,985	$692,899	$741,740	$708,003	$702,218
Contributions in relation to the contractually required contribution	805,212	818,323	811,098	803,347	776,386	793,985	692,899	741,740	708,003	702,218
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
College's covered-employee payroll	$6,193,936	$6,294,793	$6,239,214	$6,179,593	$5,972,200	$5,671,321	$4,949,279	$5,298,143	$5,057,164	$5,015,843
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%	14.00%	14.00%	14.00%	14.00%	14.00%
OPEB Contributions										
Contractually required contribution	$61,939	$62,948	$62,392	$61,796	$59,722	$0	$0	$0	$0	$0
Contributions in relation to the contractually required contribution	61,939	62,948	62,392	61,796	59,722	0	0	0	0	0
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
College's covered-employee payroll	$6,193,936	$6,294,793	$6,239,214	$6,179,593	$5,972,200	$5,671,321	$4,949,279	$5,298,143	$5,057,164	$5,015,843
Contributions as a percentage of covered-employee payroll	1.00%	1.00%	1.00%	1.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Ohio Public Employees Retirement System										
Pension Contributions - Traditional										
Contractually required contribution	$310,192	$387,173	$457,982	$442,776	$559,925	$515,378	$496,749	$434,753	$499,743	$460,208
Contributions in relation to the contractually required contribution	310,192	387,173	457,982	442,776	559,925	515,378	496,749	434,753	499,743	460,208
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
College's covered-employee payroll	$3,817,750	$4,301,921	$4,579,821	$4,427,764	$4,307,114	$4,294,814	$4,139,575	$3,622,942	$3,701,799	$3,287,200
Contributions as a percentage of covered-employee payroll	8.13%	9.00%	10.00%	10.00%	13.00%	12.00%	12.00%	12.00%	13.50%	14.00%
Pension Contributions - Combined										
Contractually required contribution	$0	$0	$0	$0	$0	$0	$0	$0	$49,209	$49,088
Contributions in relation to the contractually required contribution	0	0	0	0	0	0	0	0	49,209	49,088
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
College's covered-employee payroll	$0	$0	$0	$0	$0	$0	$0	$0	$364,512	$350,629
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	13.50%	14.00%
OPEB Contributions										
Contractually required contribution	$224,293	$215,096	$183,193	$177,110	$43,071	$85,896	$82,792	$72,459	$20,414	$0
Contributions in relation to the contractually required contribution	224,293	215,096	183,193	177,110	43,071	85,896	82,792	72,459	20,414	0
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
College's covered-employee payroll	$3,817,750	$4,301,921	$4,579,821	$4,427,764	$4,307,114	$4,294,814	$4,139,575	$3,622,942	$4,066,311	$0
Contributions as a percentage of covered-employee payroll	5.88%	5.00%	4.00%	4.00%	1.00%	2.00%	2.00%	2.00%	1.00%	0.00%

See accompanying notes to the required supplementary information.

State Teachers Retirement System

Pension

Changes in benefit terms

For fiscal year 2019, there were no significant changes in benefit terms.

For fiscal year 2018, the cost of living adjustment (COLA) was reduced to 0 percent effective July 1, 2017.

Changes in assumptions

For fiscal year 2019, there were no significant changes in assumptions.

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Inflation assumptions were lowered from 2.75 percent to 2.50 percent.
- Investment return assumptions were lowered from 7.75 percent to 7.45 percent.
- Total salary increases rates were lowered by decreasing merit component of the individual salary increases, as well as by 0.25 percent due to lower inflation.
- Payroll growth assumptions were lowered to 3.00 percent.
- Updated the health and disability mortality assumption 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.

OPEB

Changes in benefit terms

For fiscal year 2019, the following was the most significant change in benefit terms that affected the total OPEB liability since the prior measurement date:

- The subsidy multiplier for non-Medicare benefit recipients increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020, though the STRS Board voted in June 2019 to extent the current Medicare Part B partial reimbursement for one year.

For fiscal year 2018, STRS has the following changes in benefit terms since the previous measurement date:

- The HealthSpan HMO plans were eliminated.
- The subsidy multiplier for non-Medicare benefit recipients was reduced to 1.9 percent per year of service from 2.1 percent.
- Medicare Part B premium reimbursements were discontinued for survivors and beneficiaries who were age 65 by 2008 and either receiving a benefit or named as a beneficiary as of January 1, 2008.
- The remaining Medicare Part B premium reimbursements will be phased out over a three-year period.

Changes in assumptions

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate increased from a 4.13 percent blended discount rate to 7.45 percent.
- The health care trend assumption rate changed from 6 to 11 percent initial, 4.5 percent ultimate to:
    - Medical Medicare – 6 percent initial, 4 percent ultimate
    - Medical Pre-Medicare – 5 percent initial, 4 percent ultimate
    - Prescription Drug Medicare – 8 percent initial, 4 percent ultimate
    - Prescription Drug Pre-Medicare – -5.23 percent initial, 4 percent ultimate

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB 74.
- The long-term rate of return was reduced to 7.45 percent.
- Valuation-year per capita health costs were updated.
- The percentage of future retirees electing each option was updated based on current data.
- The assumed future trend rates were modified.
- Decrement rates including mortality, disability, retirement, and withdrawal were modified.
- The assumed percentage of future disabled retirees assumed to elect health coverage was decreased from 84 percent to 65 percent, and the assumed percentage of terminated vested participants assumed to elect health coverage at retirement was decreased from 47 percent to 30 percent.
- The assumed salary scale was modified.

Ohio Public Employees Retirement System

Pension

Changes in benefit terms

For fiscal year 2019, there were no significant changes in benefit terms.

For fiscal year 2018, there were no changes in benefit terms since the prior measurement date.

Changes in assumptions

For fiscal year 2019, the investment rate of return decreased from 7.5 percent to 7.2 percent.

For fiscal year 2018, were no changes in assumptions since the prior measurement date.

OPEB

Changes in benefit terms

For fiscal year 2019, there were no significant changes in benefit terms.

For fiscal year 2018, there were no changes in benefit terms since the prior measurement date.

Changes in assumptions

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate increased from 3.85 percent to 3.96 percent.
- The investment rate of return decreased from 6.5 percent to 6 percent.
- The municipal bond rate increased from 3.31 percent to 3.71 percent.
- The initial health care cost trend rate increased from 7.5 percent to 10 percent.

For fiscal year 2018, were no changes in assumptions since the prior measurement date.

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Southern State Community College
Highland County
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
United States Department of Education			
Direct from the Federal Agency			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grants	N	84.007	$148,866
Federal Direct Student Loans	N	84.268	3,065,960
Federal Work-Study Program	N	84.033	53,653
Federal Pell Grant Program	N	84.063	3,456,982
Total Student Financial Aid Cluster			6,725,461
Passed through the Ohio Department of Education			
Career and Technical Education - Basic Grants to States	3L90	84.048	52,027
Adult Education - Basic Grants to States	N/A	84.002	141,038
Total United States Department of Education			6,918,526
Total Federal Financial Assistance			$6,918,526

N/A - pass through entity number not available.
N - direct award.

The notes to the schedule of federal awards expenditures are an integral part of this statement.

Note 1 – Basis of Presentation

The accompanying schedule of federal awards expenditures (the schedule) is a summary of the activity of the College's federal award programs. 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). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The College has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Federal Direct Student Loans

The College participates in the Federal Direct Student Loan Program. The dollar amounts listed in the schedule of federal awards expenditures represents new loans advanced during the fiscal year ended June 30, 2019. The College is a direct lender for these loan funds; however, they are not responsible for collecting these loans in future periods.

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*

Independent Auditor's Report

Board of Trustees
Southern State Community College
100 Hobart Drive
Hillsboro, Ohio 45133

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Southern State Community College, Highland County, (the College) as of and for the year ended June 30, 2019, 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 15, 2019.

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.

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Compliance and Other Matters

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

Purpose of this Report

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

Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

October 15, 2019

Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Board of Trustees
Southern State Community College
100 Hobart Drive
Hillsboro, Ohio 45133

Report on Compliance for Each Major Federal Program

We have audited Southern State Community College's, Highland County (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2019. The College's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the College's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards 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 the 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 the College's major federal program for the year ended June 30, 2019.

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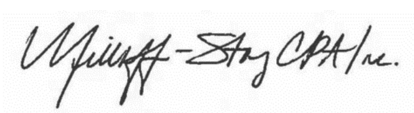
Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or 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.



Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

October 15, 2019

Section I – Summary of Auditor's Results

Financial Statements	
Type of report the auditor 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(ies) identified?	None reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major program(s):	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any auditing findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal program(s):	Student Financial Aid Cluster: Federal Supplemental Educational Opportunity Grants (CFDA 84.007), Federal Work-Study Program (CFDA 84.033), Federal Pell Grant Program (CFDA 84.063), Federal Direct Student Loans (CFDA (84.268)
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

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OHIO AUDITOR OF STATE
KEITH FABER

SOUTHERN STATE COMMUNITY COLLEGE

HIGHLAND 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.

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 19, 2019

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