Southern State Community College
Highland County
Single Audit
For the Fiscal Years Ended June 30, 2015 and 2014

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

Millhuff-Stang, CPA, Inc.
1428 Gallia Street / Portsmouth, Ohio 45662 / Phone: 740.876.8548
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549
natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com

Dave Yost • Auditor of State

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, 2014 through June 30, 2015. 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.

Dave Yost
Auditor of State

January 12, 2016

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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, 2015 and 2014, 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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natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com

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, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 13 to the financial statements, during 2015, the College adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68." The 2015 financial statements have been restated due to implementation of these pronouncements. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the College's proportionate share of the net pension liability, and the schedule of College contributions on pages 4 through 9 and 35 through 36 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 13, 2015 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Natalie Millhuff-Stang

Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

October 13, 2015

Accounting Standards

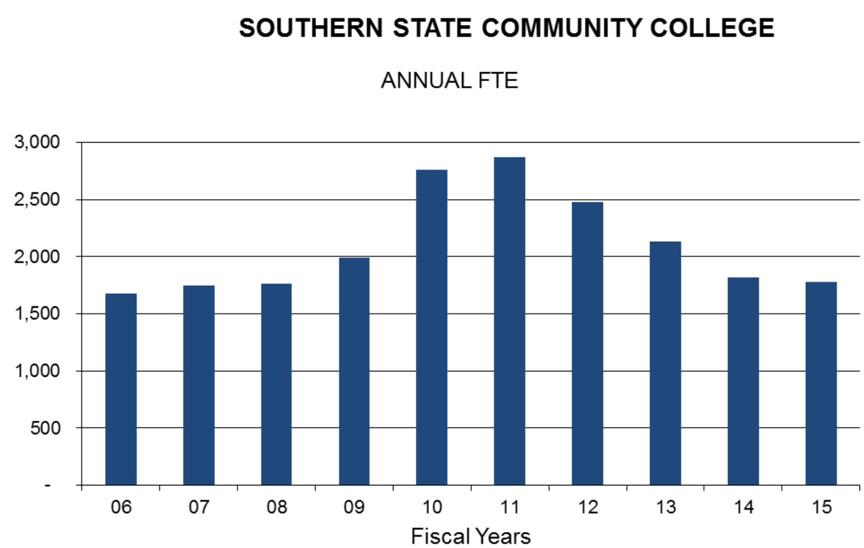
In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," which established a new reporting format for annual financial statements. In November 1999, GASB released 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 fourteenth 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 15 the College experienced an enrollment decrease of 2.1%.
- Gross student fee revenue increased 2.2%.



- State Appropriations increased by 1.2%.
- Health care costs increased by 1.7%.

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 15	FY 14	FY 13
Assets			
Current assets	$8,591,512	$9,587,421	$11,002,537
Noncurrent assets	2,829,142	5,554,312	12,775,243
Capital assets, net	31,547,434	29,929,361	22,923,443
Total assets	42,968,088	45,071,094	46,701,223
Deferred outflows of resources	1,416,961	0	0
Liabilities			
Current liabilities	1,804,105	1,762,959	1,234,215
Noncurrent liabilities	36,055,479	18,072,381	19,309,009
Total liabilities	37,859,584	19,835,340	20,543,224
Deferred inflows of resources	2,643,073	661,644	344,913
Net position			
Net investment in capital assets	14,087,551	11,516,531	13,120,889
Restricted	5,224,328	8,298,140	8,304,078
Unrestricted (deficit)	(15,429,487)	4,759,439	4,388,119
Total net position	$3,882,392	$24,574,110	$25,813,086

Receivables include student accounts for tuition, daycare charges, company accounts for training, and grant receivables. The increase in receivables is the result of an increase in summer enrollment between years and for a receivable recognized related to the outsourcing of the bookstore in fiscal year 2016. Deferred inflows of resources in FY14 and FY13 is largely represented by tuition and fees generated from registrations for the next fiscal year. In FY15, the deferred inflows of resources increased significantly as a result of the implementation of GASB 68. A significant increase in deferred outflows of resources is also a result of the implementation of GASB 68. See below for more discussion on GASB 68. Long-term liabilities include deferred compensation (accrued vacation and sick days) and the net present value of the future capital lease and the bond issue payments. Net position includes the net investment in capital assets and both restricted and unrestricted funds. Total net position increased 3.0% from FY 14 to FY 15, with restatements considered (see note 13 of the notes to the basic financial statements).

During 2015, the College adopted GASB Statement No. 68, which significantly revised accounting for pension costs and liabilities. GASB 68 was an amendment to GASB 27, which focused on a funding approach. GASB 27 limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanations in order to properly understand the information presented in these financial statements.

Under the new standards required by GASB 68, the net pension liability equals the College's proportionate share of each plan's collective:

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

GASB notes that pension 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. GASB noted that the unfunded portion of this pension promise is a present obligation of the College, 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 this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system 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 pension system is responsible for the administration of the plan.

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and the other changes are insufficient to keep up with required pension 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

As a result of implementing GASB 68, the College is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014 from $22,373,391 to $1,567,322, which significantly impacted unrestricted net position.

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 15	FY 14	FY 13
Operating revenue:			
Net tuition and fees	$6,811,161	$7,336,176	$11,344,509
Auxiliary	3,541,789	3,625,382	3,924,640
Grants and contracts	468,870	980,093	732,270
Other	115,875	134,527	252,765
Total	10,937,695	12,076,178	16,254,184
Operating expenses			
Instructional	7,415,850	8,056,850	9,155,627
Research	18	14	15
Community service	649,590	940,831	832,227
Academic support	2,278,350	2,386,350	2,638,946
Student services	2,041,221	2,012,987	2,189,381
Institutional support	1,895,264	2,073,835	2,345,460
Plant operations	1,826,592	1,569,614	2,001,241
Depreciation	1,218,898	991,864	960,408
Scholarships	4,744,102	5,951,404	9,078,530
Auxiliary	3,336,942	3,389,302	3,335,070
Total	25,406,827	27,373,051	32,536,905
Operating loss	(14,469,132)	(15,296,873)	(16,282,721)
Nonoperating revenues (expenses):			
Federal grants	5,810,990	6,329,292	7,832,508
State subsidy	8,202,449	8,108,228	8,037,891
Investment income	72,382	258,781	196,661
Interest on capital asset-related debt	(566,441)	(623,315)	(599,492)
Capital appropriations	709,311	0	345,786
Addition to endowments	0	0	6,311
Return of endowments	0	(25,910)	0
Other nonoperating revenue	354,792	10,821	269,605
Total	14,583,483	14,057,897	16,089,270
Change in net position	114,351	(1,238,976)	(193,451)
Net position - beginning of year - restated	3,768,041	25,813,086	26,006,537
Net position - end of year	$3,882,392	$24,574,110	$25,813,086

Net tuition and fees represents gross student fee revenue of $8,204,907 in FY 15 and $8,024,703 in FY 14 net of scholarship allowances of $1,393,746 and $688,527 for those years, respectively. Auxiliary revenue consists of bookstore, daycare, and the non-grant portion of corporate and community services. These revenues decreased slightly due to enrollment decline. Operating expense decreases primarily reflect decreases in scholarship expenses, as well as decreases in enrollment driven costs.

State appropriation in FY 15 and FY 14 represented 57% and 55%, respectively of non-operating revenues.

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 15	FY 14	FY 13
Cash provided by (used In):			
Operating activities	($15,545,430)	($14,291,623)	($16,571,193)
Non-capital financing activities	14,368,231	14,448,341	16,146,316
Capital and related financing activities	(3,667,759)	(9,078,119)	(1,807,570)
Investing activities	225,888	(21,035)	593,419
Net increase (decrease) in cash	(4,619,070)	(8,942,436)	(1,639,028)
Cash - beginning of year	9,636,024	18,578,460	20,217,488
Cash - end of year	$5,016,954	$9,636,024	$18,578,460

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 $31,547,434 at June 30, 2015 a net increase of $1,618,073 from the prior year-end. Additions to capital assets during the year totaled $2,836,971 and there were no disposals. Depreciation expense for the year ended June 30, 2015 totaled $1,218,898. For more information on capital assets, see note 4 to the basic financial statements.

Debt

As of June 30, 2015, the College had outstanding debt of $17,459,086 of which $974,433 was short-term (or due within one year) and $16,484,653 was long-term debt (would come due beyond after one year). Of the outstanding debt, $44,086 related to capital leases, and $17,415,000 related to four 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 capital leases and debt, see notes 6 and 11 to the basic financial statements.

Economic Factors that will effect the Future

Challenges

- The College has one of the lowest tuition rates in the state among non-levy state colleges. Maintaining the appropriate balance between affordability and quality is a continuing challenge.
- Understanding enrollment trends is critical. Sorting through contributing factors such as the economy, demand for varied course offerings, and competing options for both traditional and nontraditional students is a significant challenge.
- Although the College performs very well relative to its peers, the increased focus on completion and time to degree are challenges for open access institutions and those serving a percentage of students seeking to simply update skills.
- Flattening enrollment, the minimal increases in our state share of instruction (SSI) as well as the recent two year mandated tuition freeze significantly limit the College's primary resources.

- A legislated mandate to reduce the cost of attendance by 5 percent in all public colleges and universities, while supporting the affordability aspect of our mission, had a disproportionate effect on institutions already functioning well below the state's average tuition rate.

Opportunities

- The new campus in Brown County provides access to an increased number of students. It presents a fresh opportunity to develop new programming as needs and preferences present themselves.
- Recent retirements have provided some savings opportunities.
- The College has had significant experience in providing college level instruction to high school students both on the college campus and at the local high schools. Demand for these courses extend beyond our traditional service area. An increased State level focus in this area could present greater opportunities for both the College and Ohio's students.
- The College continues to extend its reach in offering college programming beyond our four campuses and in partnership with other institutions throughout southern Ohio.
- Newly created accelerated evening and weekend programs have potential to reach larger numbers of working adult students.

Southern State Community College
Highland County
Statements of Net Position
As of June 30, 2015 and 2014

	2015		2014	
	College	Foundation	College	Foundation
Assets:				
Current assets:				
Cash	$2,962,864	$0	$3,774,371	$0
Cash equivalents	1,058,165	49,466	2,184,842	158,688
Accounts receivable, net	4,322,358	0	3,015,300	0
Pledges receivable	0	4,582	0	3,987
Inventories	12,569	0	335,035	0
Other assets	179,653	1,855	113,343	1,855
Total current assets	8,535,609	55,903	9,422,891	164,530
Noncurrent assets:				
Restricted cash equivalents	694,355	252,104	3,518,123	0
Restricted investments	0	1,882,683	0	2,036,189
Capital assets, net	31,547,434	0	29,929,361	0
Total noncurrent assets	32,241,789	2,134,787	33,447,484	2,036,189
Total assets	40,777,398	2,190,690	42,870,375	2,200,719
Deferred outflows of resources:				
Pension plans	1,416,961	0	0	0
Total deferred outflows of resources	1,416,961	0	0	0
Liabilities:				
Current liabilities:				
Accounts payable	306,749	0	298,921	0
Accrued liabilities	335,951	0	326,973	0
Held in custody for others	186,972	0	163,407	0
Bonds payable, current portion	935,000	0	905,000	0
Capital lease obligation, current portion	39,433	0	68,658	0
Total current liabilities	1,804,105	0	1,762,959	0
Noncurrent liabilities:				
Bonds payable, long-term portion	16,480,000	0	17,415,000	0
Capital lease obligation, long-term portion	4,653	0	44,086	0
Compensated absences	258,537	0	613,295	0
Net pension liability	19,312,289	0	0	0
Total noncurrent liabilities	36,055,479	0	18,072,381	0
Total liabilities	37,859,584	0	19,835,340	0
Deferred inflows of resources				
Grants and contracts	331,837	0	661,644	0
Pension plans	2,311,236	0	0	0
Total deferred inflows of resources	2,643,073	0	661,644	0
Net position:				
Net investment in capital assets	14,087,551	0	11,516,531	0
Restricted for:				
Nonexpendable:				
Endowments	12,318	2,076,537	12,318	2,122,249
Expendable:				
Loans	17,696	0	17,696	0
Scholarships and fellowships	0	66,984	0	44,242
Capital Improvements	2,734,542	0	2,136,518	0
Other	316,251	0	3,965,117	0
Unrestricted (deficit)	(15,476,656)	47,169	4,725,211	34,228
Total net position	$1,691,702	$2,190,690	$22,373,391	$2,200,719

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, 2015 and 2014

	2015		2014	
	College	Foundation	College	Foundation
Revenues:				
Operating revenues:				
Student tuition and fees (net of scholarship allowance)	$6,811,161	$0	$7,336,176	$0
State grants and contracts	81,954	0	464,434	0
Local grants and contracts	180,944	0	256,818	0
Private grants and contracts	177,604	28,368	237,452	21,389
Auxiliary services	3,541,789	0	3,625,382	0
Other operating revenue	115,875	0	134,527	0
Total operating revenue	10,909,327	28,368	12,054,789	21,389
Expenses:				
Operating expenses:				
Instructional	7,415,850	0	8,056,850	0
Research	18	0	14	0
Community service	649,590	0	940,831	0
Academic support	2,278,350	0	2,386,350	0
Student services	1,981,927	59,294	1,995,253	17,734
Institutional support	1,895,264	0	2,073,835	0
Plant operations	1,826,592	0	1,569,614	0
Depreciation	1,218,898	0	991,864	0
Scholarships	4,744,102	0	5,951,404	0
Auxiliary activities	3,336,942	0	3,389,302	0
Total operating expenses	25,347,533	59,294	27,355,317	17,734
Operating gain (loss)	(14,438,206)	(30,926)	(15,300,528)	3,655
Nonoperating revenues (expenses)				
Federal grants and contracts	5,810,990	0	6,329,292	0
State appropriations	8,202,449	0	8,108,228	0
Investment income (net of investment expense)	51,485	20,897	48,620	210,161
Interest on capital asset-related debt	(566,441)	0	(623,315)	0
Other nonoperating revenues (expenses)	354,792	0	10,821	0
Total nonoperating revenues (expenses)	13,853,275	20,897	13,873,646	210,161
Income (loss) before other revenues, expenses, gains, losses	(584,931)	(10,029)	(1,426,882)	213,816
Capital appropriations	709,311	0	0	0
Additions to (return of) permanent endowments	0	0	0	(25,910)
Change in net position	124,380	(10,029)	(1,426,882)	187,906
Net position - beginning of year - as restated	1,567,322	2,200,719	23,800,273	2,012,813
Net position - end of year	$1,691,702	$2,190,690	$22,373,391	$2,200,719

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, 2015 and 2014

	2015		2014	
	College	Foundation	College	Foundation
Cash flows from operating activities:				
Tuition and fees	$5,174,296	$0	$7,547,636	$0
Grants and contracts	440,502	0	958,704	0
Private gifts	0	27,773	0	48,170
Payments to suppliers	(4,377,348)	0	(5,842,697)	0
Payments for utilities	(655,677)	0	(482,795)	0
Payments to employees	(11,169,920)	0	(11,017,575)	0
Payments for benefits	(3,862,889)	0	(3,303,961)	0
Scholarships	(4,744,102)	(59,294)	(5,951,404)	(17,734)
Auxiliary enterprise charges:				
Bookstores	3,541,789	0	3,625,382	0
Other receipts	139,440	0	144,651	0
Net cash provided (used) by operating activities	(15,513,909)	(31,521)	(14,322,059)	30,436
Cash flows from noncapital financing activities:				
Federal grants and contracts	5,810,990	0	6,329,292	0
State appropriations	8,202,449	0	8,108,228	0
Other nonoperating revenues (expenses)	354,792	0	10,821	0
Net cash provided by noncapital financing activities	14,368,231	0	14,448,341	0
Cash flows from capital and related financing activities:				
Capital appropriations	709,311	0	0	0
Purchase of capital assets	(2,836,971)	0	(7,997,782)	0
Principal paid on capital debt and lease	(973,658)	0	(457,022)	0
Interest paid on capital debt and lease	(566,441)	0	(623,315)	0
Net cash used by capital and related financing activities	(3,667,759)	0	(9,078,119)	0
Cash flows from investing activities:				
Interest on investments	51,485	20,897	48,620	210,161
(Purchase) sale of investments	0	153,506	0	(279,816)
Net cash provided (used) by investing activities	51,485	174,403	48,620	(69,655)
Net decrease in cash	(4,761,952)	142,882	(8,903,217)	(39,219)
Cash and cash equivalents - beginning of year - restated	9,477,336	158,688	18,380,553	197,907
Cash and cash equivalents - end of year	$4,715,384	$301,570	$9,477,336	$158,688
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:				
Operating gain (loss)	($14,438,206)	($30,926)	($15,300,528)	$3,655
Adjustments to reconcile net gain (loss) to net cash used by operating activities:				
Depreciation expense	1,218,898	0	991,864	0
Changes in assets and liabilities:				
Receivables, net	(1,307,058)	(595)	(105,271)	26,781
Inventories	322,466	0	18,530	0
Other assets	(66,310)	0	7,477	0
Accounts payable	7,828	0	(17,809)	0
Accrued liabilities	8,978	0	19,786	0
Deferred outflows of resources	(268,671)	0	0	0
Deferred inflows of resourcs	1,981,429	0	316,731	0
Net pension liability	(2,642,070)	0	0	0
Deposits held for others	23,565	0	10,124	0
Compensated absences	(354,758)	0	(262,963)	0
Net cash provided (used) by operating activities	($15,513,909)	($31,521)	($14,322,059)	$30,436

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 \$2,054,090 and \$5,861,653 at June 30, 2015 and 2014, respectively.

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, 2015 and 2014, investments held by the College and Foundation were valued at \$1,882,683 and \$2,036,189, 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Accounts and Pledges Receivables
At June 30, 2015 and 2014, 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 $1,315,318 and $1,371,972 at June 30, 2015 and 2014, 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 books and supplies of the bookstore and central stores inventory. 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 fair market 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, 2015 and 2014. Deferred inflows of resources related to pensions are explained in note 8.

Deferred outflows of resources related to pensions are explained in note 8.

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 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
A pension cost provision is recorded when the related payroll is accrued and the obligation is incurred.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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 and compensated absences. 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, the U.S. Office of Management and Budget Revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the Compliance Supplement. During fiscal years 2015 and 2014, the College distributed $5,422,225 and $6,461,210, 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 total investment in capital assets, net of outstanding debt obligations related to those 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 gifted for specific purposes. Unrestricted net position includes resources which can be used at the College's discretion.

Of the College's $5,224,328 and $8,298,140 in restricted net position at June 30, 2015 and 2014, respectively, none is restricted by enabling legislation.

With the implementation of GASB 68, as discussed in note 13, the College experienced a significant reduction of unrestricted net position due primarily to the recognition of a net pension liability.

Reclassifications
Certain amounts from the prior year have been reclassified to conform to current-year presentation. These reclassifications had no effect on the change in net position.

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, 2015, the carrying amount of the College's cash deposits was $3,291,102 and the bank balance was $3,974,367. At June 30, 2015, $585,028 of the bank balance was insured by the FDIC (Category 1); the remaining bank balances were Category 3.

The College held $729,927 in STAR Ohio investments, which is an external investment pool and is considered cash equivalents under GASB Statement No. 9. Oversight of the pools 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, 2015:		
STAR Ohio	$729,927	$729,927
Money Market Funds	694,355	694,355
Total Investments	$1,424,282	$1,424,282

At June 30, 2014, the carrying amount of the College's cash deposits was $6,598,139 and the bank balance was $6,465,063. At June 30, 2014, $3,329,380 of the bank balance was insured by the FDIC (Category 1); the remaining bank balances were Category 3.

Note 2 - <u>Cash, Cash Equivalents and Investments</u> (Continued)

The College held $2,184,842 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, 2014:		
STAR Ohio	$2,184,842	$2,184,842
Money Market Funds	694,355	694,355
Total Investments	$2,879,197	$2,879,197

Component Unit – Foundation

At June 30, 2015, the carrying amount of the Foundation's cash deposits was $0 and the bank balance was $0.

At June 30, 2014, the carrying amount of the Foundation's cash deposits was $0 and the bank balance was $0.

	Market	Investment Maturities (in years)	
Description	Value	Less than 1	1-5
June 30, 2015:			
STAR Ohio	$49,466	$49,466	$0
Money market funds	252,104	252,104	0
Other Bonds	676,972	597,690	79,282
Common Stock	107,640	107,640	0
Equity Funds	1,098,071	1,098,071	0
Total Cash Equivalents & Investments	$2,184,253	$2,104,971	$79,282

	Market	Investment Maturities (in years)	
Description	Value	Less than 1	1-5
June 30, 2014:			
STAR Ohio	$90,618	$90,618	$0
Money market funds	68,070	68,070	0
Other Bonds	744,978	608,016	136,962
Common Stock	107,640	107,640	0
Equity Funds	1,183,571	1,183,571	0
Total Cash Equivalents & Investments	$2,194,877	$2,057,915	$136,962

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

<u>Primary Government</u> - 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.

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

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, 2015 and 2014, 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 AAAm, Goldman Sachs Financial Square Prime Obligations money market funds AAAm, and Fifth Third Banksafe Trust money market funds A-2. 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 51% and 49%, respectively, as of June 30, 2015 and 76% and 14%, respectively, of the College's total investments as of June 30, 2014.

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, 2015, more than 5 percent of the Foundation's investments are money market, common stock, equity funds, and other bonds. These investments represent 12%, 5%, 50%, and 31% of the Foundation's total investments, respectively. For the fiscal year ended June 30, 2014, more than 5 percent of the Foundation's investments are common stock, equity funds, and other bonds. These investments represent 5%, 54%, and 34% 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*. The College does not have a policy for custodial credit risk. As of June 30, 2015, $585,028 was insured by FDIC. The remaining balance of $3,389,339 was collateralized with securities held by the pledging institutions but not in the College's name. As of June 30, 2014, $3,329,380 was insured by FDIC. The remaining balance of $3,135,683 was collateralized with securities held by the pledging institutions but not in the College's name.

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, 2015 was comprised of the following:

	Gross Receivables	Allowance For Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$3,354,047	($834,342)	$2,519,705
Intergovernmental	128,029	0	128,029
Third Party	1,778,537	(480,976)	1,297,561
Other	379,496	(2,433)	377,063
Total Current Receivables	$5,640,109	($1,317,751)	$4,322,358

Accounts receivable at June 30, 2014 was comprised of the following:

	Gross Receivables	Allowance For Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$2,688,403	($1,115,342)	$1,573,061
Intergovernmental	171,707	0	171,707
Third Party	1,526,485	(256,630)	1,269,855
Other	82,738	(82,061)	677
Total Current Receivables	$4,469,333	($1,454,033)	$3,015,300

Note 4 - Capital Assets

Capital asset activity for the years ended June 30, 2015 and 2014 were as follows:

June 30, 2015	Beginning	Additions	Deductions	Ending
Land	$4,017,468	$0	$0	$4,017,468
Non-depreciable artwork	51,900	0	0	51,900
Construction in progress	8,446,165	0	(8,446,165)	0
Total cost of nondepreciable capital assets	12,515,533	0	(8,446,165)	4,069,368
Building and Improvements	29,723,936	10,048,854	0	39,772,790
Equipment	2,611,909	966,462	0	3,578,371
Library books	543,362	0	0	543,362
Vehicles	357,971	267,820	0	625,791
Total cost of depreciable capital assets	33,237,178	11,283,136	0	44,520,314
Total cost of capital assets	45,752,711	11,283,136	(8,446,165)	48,589,682
Less accumulated depreciation				
Buildings and Improvements	(12,815,720)	(927,222)	0	(13,742,942)
Equipment	(2,200,272)	(228,607)	0	(2,428,879)
Library books	(488,767)	(14,676)	0	(503,443)
Vehicles	(318,591)	(48,393)	0	(366,984)
Total accumulated depreciation	(15,823,350)	(1,218,898)	0	(17,042,248)
Net capital assets	$29,929,361	$10,064,238	($8,446,165)	$31,547,434

June 30, 2014	Beginning	Additions	Deductions	Ending
Land	$4,017,468	$0	$0	$4,017,468
Non-depreciable artwork	51,900	0	0	51,900
Construction in progress	490,985	7,955,180	0	8,446,165
Total cost of nondepreciable capital assets	4,560,353	7,955,180	0	12,515,533
Building and Improvements	29,723,936	0	0	29,723,936
Equipment	2,590,810	21,099	0	2,611,909
Library books	527,259	16,103	0	543,362
Vehicles	352,571	5,400	0	357,971
Total cost of depreciable capital assets	33,194,576	42,602	0	33,237,178
Total cost of capital assets	37,754,929	7,997,782	0	45,752,711
Less accumulated depreciation				
Buildings and Improvements	(12,017,654)	(798,066)	0	(12,815,720)
Equipment	(2,045,597)	(154,675)	0	(2,200,272)
Library books	(473,196)	(15,571)	0	(488,767)
Vehicles	(295,039)	(23,552)	0	(318,591)
Total accumulated depreciation	(14,831,486)	(991,864)	0	(15,823,350)
Net capital assets	$22,923,443	$7,005,918	$0	$29,929,361

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 - Capital Leases

The College is obligated under certain leases accounted for as capital leases. The leased assets have a carrying value of approximately $235,781. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2015:

Years Ended June 30,	Amount
2016	$41,615
2017	4,788
Total minimum lease payments	46,403
Less: Amount representing interest	(2,317)
Present value of minimum lease payments	$44,086

Note 7 - Retirement Plans – Governmental Accounting Standards Board Statement No. 27

Public Employees Retirement System (OPERS)

The College's faculty is covered by the State Teachers Retirement Systems of Ohio (STRS). Substantially all other employees are covered by the Ohio Public Employees Retirement System (OPERS). This retirement program is a statewide cost-sharing multiple employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute. OPERS issues separate, publicly-available financial reports that include financial statements and required supplementary information. That report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or calling (614) 222-5601 or (800) 222-7377.

The Revised Code of Ohio (ORC) provides OPERS statutory authority for employee and employer contributions. The required contribution rates for plan members and employers at June 30, 2014 were 10% and 14% of covered payroll, respectively. Contributions made by the College, which represent 100% of the required contributions, for the years ended 2014 and 2013 were $559,925 and $442,785, respectively.

Note 7 - Retirement Plans – Governmental Accounting Standards Board Statement No. 27 (Continued)

State Teachers Retirement System (STRS)
The College's faculty is covered under the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3771 or calling (888) 227-7877.

Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2014, plan members were required to contribute 11% of their annual covered salaries. For fiscal year 2013, plan members were required to contribute 10% of their annual covered salaries. The College was required to contribute 14%. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The College's required contributions for pension obligations for the fiscal years ended 2014 and 2013 were $776,386 and $803,347, respectively.

Alternative Retirement Plan (ARP)
Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 1998, authorizing an alternative retirement system for academic and administrative college employees of public institutions of higher education, who are currently covered by the Ohio Public Employees Retirement System (OPERS) or State Teachers Retirement System (STRS). The College Board of Trustees adopted such plan effective March 31, 1999. This plan is a defined contribution plan under IRS Section 401(a).

Eligible employees (those who are full-time and salaried) have 120 days from their date of hire to make an irrevocable election to participate in the alternate retirement plan. Under this plan, employees who would have otherwise been required to be in OPERS or STRS and who elect to participate in the alternate retirement program must contribute the employee's share of retirement contributions (10% OPERS, 12% STRS) to one of eight private providers approved by the State Department of Insurance. The legislation mandates that the employer must contribute the first 3.5% of the 14% employer contribution to the State Teachers Retirement System (STRS) with the remaining balance being sent to the ARP vendor selected by the employee. The College's required contribution rate for OPERS is 14%. This entire balance is to be paid to the member's ARP account. Vesting of all contributions made by the College occurs after five (5) years of service. For the year ended June 30, 2015, the College had two employees participate in the ARP. These employees were eligible to participate in STRS. The total employer contributions to the alternative retirement plan for the year ended June 30, 2015 were $27,843.

Note 8 - Defined Benefit Pension Plans – Governmental Accounting Standards Board Statement No. 68

Net Pension Liability

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *accrued 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), a cost-sharing multiple-employer defined benefit pension plan administered by OPERS. OPERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 145. OPERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Age and service requirements for retirement are as follows:

	Groups A/B*	Group C*
Full Benefits	Age 60 with 60 contributing months of service credit; or Age 55 with 25 or more years of service credit	Age 57 with 25 years of service credit; or Age 62 with 5 years of service credit

Note 8 - Defined Benefit Pension Plans – Governmental Accounting Standards Board Statement No. 68

*Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire under law in effect prior to SB 343 or will be eligible to retire no later than five years after January 7, 2013, comprise transition Group A. Members who have 20 years of service credit prior to January 7, 2013, or will be eligible to retire no later than 10 years after January 7, 2013, are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013. See OPERS CAFR for additional details.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30 for Groups A and B, and 2.2 percent for the first thirty-five years of service and 2.5 percent for years of service credit over 35 for Group C. Final average salary is the average of the highest three years of salary for Groups A and B. Final average salary is the average of the highest five years of salary for Group C.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the OPERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care. The portion of employer contributions allocated to health care for members was 2.0 percent in fiscal year 2015. For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent.

The College's contractually required contribution to OPERS was $515,378 for fiscal year 2015.

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

Note 8 - Defined Benefit Pension Plans – Governmental Accounting Standards Board Statement No. 68 (Continued)

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The College was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS was $793,985 for fiscal year 2015.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Note 8 - <u>Defined Benefit Pension Plans – Governmental Accounting Standards Board Statement No. 68</u> (Continued)

	OPERS	STRS	Total
Proportionate Share of the Net Pension Liability	$4,913,057	$14,399,232	$19,312,289
Proportion of the Net Pension Liability	0.040735%	0.0591989%	
Pension Expense	$536,410	$665,231	$1,201,641

At June 30, 2015, 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	$262,146	$138,624	$400,770
Difference between College contributions and proportionate share of contributions	(52,429)	(26,002)	(78,431)
College contributions subsequent to the measurement date	300,637	793,985	1,094,622
Total Deferred Outflows of Resources	$510,354	$906,607	$1,416,961
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$86,313	$2,663,911	$2,750,224
Difference between College contributions and proportionate share of contributions	47,601	(486,589)	(438,988)
Total Deferred Inflows of Resources	$133,914	$2,177,322	$2,311,236

$1,094,622 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, 2016. 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	STRS	Total
Fiscal Year Ending June 30:			
2016	$18,951	($516,175)	($497,224)
2017	18,951	(516,175)	(497,224)
2018	18,951	(516,175)	(497,224)
2019	18,950	(516,175)	(497,225)
Total	$75,803	($2,064,700)	($1,988,897)

Note 8 - <u>Defined Benefit Pension Plans – Governmental Accounting Standards Board Statement No. 68</u> (Continued)

Actuarial Assumptions - OPERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

Note 8 - Defined Benefit Pension Plans – Governmental Accounting Standards Board Statement No. 68 (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Estate	10.00	5.00
Hedge Funds	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	$9,038,618	$4,913,057	$1,438,342

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Note 8 - Defined Benefit Pension Plans – Governmental Accounting Standards Board Statement No. 68 (Continued)

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014 valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. 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, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the College's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

Note 8 - Defined Benefit Pension Plans – Governmental Accounting Standards Board Statement No. 68 (Continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	$20,614,070	$14,399,232	$9,143,570

Note 9 - Other Postemployment Benefits

Public Employees Retirement System (OPERS)

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.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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 postemployment benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state employers contributed at a rate of 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care. The portion of employer contributions allocated to healthcare was 2% for both plans as recommended by the OPERS Actuary. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Note 9 - Other Postemployment Benefits (Continued)

The College's actual contributions for 2015, 2014, and 2013, which were used to fund OPEB were $85,896, $43,071, and $177,102, respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expected to be able to consistently allocated 4.0 percent of the employer contributions toward the health care fund after the end of the transition period.

State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The College's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $0, $59,722, and $66,549, respectively.

Note 10 - 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 $258,537 and $613,295 as of June 30, 2015 and 2014, respectively.

Note 11 – Long-Term Liabilities

During fiscal year ended June 30, 2004, the College issued General Receipts Bonds, Series 2003. 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, 2015:

Note 11 - Long-Term Liabilities (Continued)

Bonds	Interest Ranging From	Due Serially Through	Balance 6/30/14	Additions	Deletions	Balance 6/30/15	Current Portion
Series 2008	3.5-5.05%	2025	$2,305,000	$0	($105,000)	$2,200,000	$115,000
Series 2011	2.0-4.0%	2031	9,995,000	0	(440,000)	9,555,000	450,000
Series 2012	2.0-3.6%	2031	6,020,000	0	(360,000)	5,660,000	370,000
Total Bonds			18,320,000	0	(905,000)	17,415,000	935,000
Net Pension Liability:							
OPERS			4,802,088	110,969	0	4,913,057	0
STRS			17,152,271	0	(2,753,040)	14,399,231	0
Total NPL			21,954,359	110,969	(2,753,040)	19,312,288	0
Capital Leases			112,744	0	(68,658)	44,086	39,433
Total Long-Term Liabilities			$40,387,103	$110,969	($3,726,698)	$36,771,374	$974,433

Principal and interest amounts due within each of the next five years and thereafter on obligations outstanding at June 30, 2014, are as follows:

Year Ended	Series 2008		Series 2011		Series 2012	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2016	$115,000	$104,360	$450,000	$300,833	$370,000	$149,023
2017	120,000	99,185	460,000	291,833	375,000	141,573
2018	125,000	93,785	470,000	282,633	380,000	134,023
2019	130,000	88,160	480,000	273,233	390,000	126,333
2020	140,000	82,310	490,000	262,433	395,000	118,176
2021-2025	615,000	263,080	2,660,000	1,096,263	1,750,000	443,967
2026-2030	955,000	147,313	3,125,000	637,663	1,380,000	228,882
2031	0	0	1,420,000	85,103	620,000	22,423
Total	$2,200,000	$878,193	$9,555,000	$3,229,994	$5,660,000	$1,364,400

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, 2015, all of the refunded bonds were repaid.

Note 11 - 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
2019	$140,000
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
	$1,710,000

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 $22,887,588. Principal and interest paid for the current year and total general revenues were $1,471,411 and $6,927,036, respectively.

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

Note 12 – 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 13 – Changes in Accounting Principles

For fiscal year 2015, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68."

GASB Statement No. 68 replaces the requirements of GASB Statements No. 27 and 50 related to pension plans administered through trusts or similar arrangements. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also adds revised and new note disclosures and required supplementary information.

GASB Statement No. 71 amends Statement No. 68 related to transition provisions for certain pension contributions made to defined benefit pension plans prior to implementation of Statement No. 68 by employers and nonemployer contributing entities. The provisions of this Statement should be applied simultaneously with the provisions of Statement No. 68.

These pronouncements had the following effect on beginning net position as reported at July 1, 2014.

Note 13 – Changes in Accounting Principles (Continued)

Net Position, As Reported, June 30, 2014	$22,373,391
Restatement of Net Pension Liability	(21,954,359)
Restatement of Deferred Outflows	1,148,290
Net Position, as Restated, July 1, 2014	$1,567,322

The College opted not to restate its comparative financial statements in accordance with GASB Statements No. 68 and 71. As such, the College presents pension plan disclosures in accordance with GASB Statement No. 27 for the prior year in addition to disclosures in accordance with GASB Statement No. 68 for fiscal year 2015.

Southern State Community College

Required Supplementary Information

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

Last Two Fiscal Years

	2013	2014
State Teachers Retirement System		
College's proportion of the net pension liability (asset)	0.05919894%	0.05919894%
College's proportionate share of the net pension liability (asset)	$17,152,271	$14,399,231
College's covered-employee payroll	$6,179,593	$5,972,200
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	277.563124%	241.104300%
Plan fiduciary net position as a percentage of the total pension liability	69.296426%	74.707076%
Ohio Public Employees Retirement System		
College's proportion of the net pension liability (asset)	0.04073468%	0.04073468%
College's proportionate share of the net pension liability (asset)	$4,802,088	$4,913,057
College's covered-employee payroll	$4,427,764	$4,307,114
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	108.454012%	114.068415%
Plan fiduciary net position as a percentage of the total pension liability	86.356808%	86.450836%

The amounts presented for each fiscal year were determined as of June 30.
Information not available prior to 2013.

Southern State Community College

Required Supplementary Information

Schedule of College Contributions

Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
State Teachers Retirement System										
Contractually required contribution	$634,266	$668,902	$655,785	$713,918	$805,212	$818,323	$811,098	$803,347	$776,386	$793,985
Contributions in relation to the contractually required contribution	634,266	668,902	655,785	713,918	805,212	818,323	811,098	803,347	776,386	793,985
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
College's covered-employee payroll	$4,878,971	$5,145,400	$5,044,500	$5,491,679	$6,193,936	$6,294,793	$6,239,214	$6,179,593	$5,972,200	$5,671,321
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	14.00%
Ohio Public Employees Retirement System										
Contractually required contribution	$255,554	$289,314	$285,955	$251,933	$310,192	$387,173	$457,982	$442,785	$559,925	$515,378
Contributions in relation to the contractually required contribution	255,554	289,314	285,955	251,933	310,192	387,173	457,982	442,785	559,925	515,378
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
College's covered-employee payroll	$2,555,536	$2,893,136	$3,364,171	$3,599,043	$3,817,750	$4,301,921	$4,579,821	$4,427,764	$4,307,114	$4,294,814
Contributions as a percentage of covered-employee payroll	10.00%	10.00%	8.50%	7.00%	8.13%	9.00%	10.00%	10.00%	13.00%	12.00%

The amounts presented for each fiscal year were determined as of June 30.

Southern State Community College
Highland County
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2015

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	$108,956
Federal Direct Student Loans	N	84.268	5,422,225
Federal Work-Study Program	N	84.033	88,451
Federal Pell Grant Program	N	84.063	5,479,413
Total Student Financial Aid Cluster			11,099,045
Passed through the Ohio Department of Education			
Career and Technical Education - Basic Grants to States	N/A	84.048	73,039
Adult Education - Basic Grants to States	N/A	84.002	181,014
Total United States Department of Education			11,353,098
United States Department of Agriculture			
Passed through the Ohio Department of Agriculture			
Child and Adult Care Food Program	135426-CCMN	10.558	12,689
Child and Adult Care Food Program	135426-LUCN	10.558	1,285
Total Child and Adult Care Food Program			13,974
Direct from the Federal Agency			
Rural Business Enterprise Grant	N	10.769	24,989
Total United States Department of Agriculture			38,963
Total Federal Financial Assistance			$11,392,061

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 is a summary of the activity of the College's federal award programs. The schedule has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 – 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, 2015. The College is a direct lender for these loan funds; however, they are not responsible for collecting these loans in future periods.

Note 3 – Child Care Food Subsidy

Non-monetary assistance is reported in the schedule of federal awards expenditures at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed that federal monies are expended first. At June 30, 2015, the College had no significant commodities in inventory.

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

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, 2015, 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 13, 2015, wherein we noted the College adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68," and restated beginning net position as a result of the implementation.

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.

Millhuff-Stang, CPA, Inc.
1428 Gallia Street / Portsmouth, Ohio 45662 / Phone: 740.876.8548
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549
natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com

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.

Natalie Millhuff-Stang

Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

October 13, 2015

Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 its major federal program for the year ended June 30, 2015.

Millhuff-Stang, CPA, Inc.
1428 Gallia Street / Portsmouth, Ohio 45662 / Phone: 740.876.8548
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549
natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Natalie Millhuff-Stang

Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

October 13, 2015

Section I – Summary of Auditor's Results

Financial Statements	
Type of financial statement opinion:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	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 that are not considered to be material weaknesses?	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 section 510(a) of OMB Circular A-133?	No
Identification of major 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:	$341,761
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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Dave Yost • Auditor of State

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.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 26, 2016