

**SOUTHERN STATE COMMUNITY COLLEGE
HIGHLAND COUNTY**



SOUTHERN STATE
COMMUNITY COLLEGE

SINGLE AUDIT

FOR THE YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020

OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Southern State Community College, Highland County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2020 through June 30, 2021. 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.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

December 01, 2022

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**SOUTHERN STATE COMMUNITY COLLEGE
HIGHLAND COUNTY
FOR THE YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Southern State Community College

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Southern State Community College, Highland County, Ohio, (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, 2021 and 2020, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the discretely presented component unit of the College, as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the College's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2021, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 15, 2021

Accounting Standards

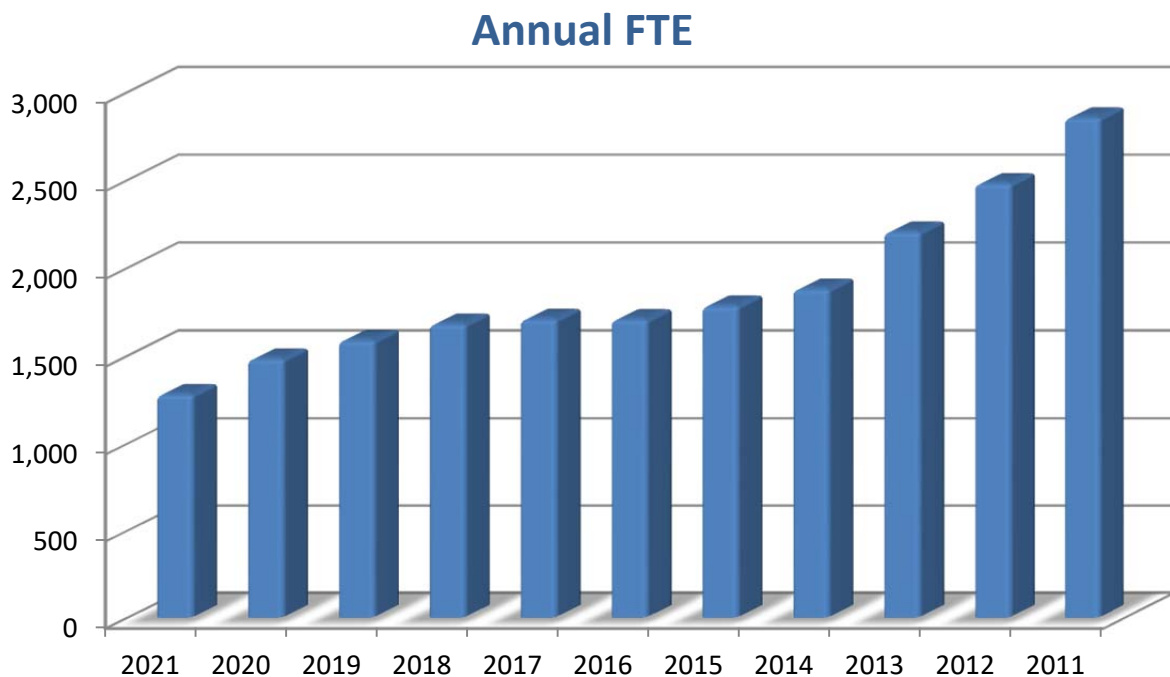
In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," which established a new reporting format for annual financial statements. In November 1999, GASB released 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 twentieth 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

- State Appropriations increased 0.85%.
- In FY2021 the College experienced a decrease in full-time equivalent enrollment of 13.68%.



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.

Southern State Community College
 Highland County
Management's Discussion and Analysis
 For the Fiscal Years Ended June 30, 2021 and 2020 (Unaudited)

	2021	2020	2019
Assets:			
Current Assets	\$7,596,446	\$7,002,172	\$10,884,593
Noncurrent Assets	5,032,988	4,241,031	4,142,260
Capital assets, net	28,812,450	26,701,027	27,824,166
Total Assets	41,441,884	37,944,230	42,851,019
Deferred Outflows of Resources	1,986,351	2,861,645	4,878,426
Liabilities:			
Current Liabilities	2,396,612	2,820,626	6,793,689
Noncurrent Liabilities	22,909,486	28,716,304	32,625,081
Total Liabilities	25,306,098	31,536,930	39,418,770
Deferred Inflows of Resources	5,497,660	5,390,613	4,818,727
Net Position:			
Net Investment in Capital Assets	17,337,450	14,896,629	14,802,698
Restricted	3,319,887	2,900,635	2,765,349
Unrestricted	(8,032,860)	(13,918,932)	(14,076,099)
Total Net Position	\$12,624,477	\$3,878,332	\$3,491,948

Receivables include student accounts for tuition, company accounts for training, and grant receivables. Deferred inflows of resources in FY2021 and FY2020 are largely a result of the continued reporting in accordance with GASB 68 and GASB 75. These balances increased in FY2021 and FY2020 due to changes in actuarially determined deferrals and the net pension liability and net OPEB liability recognized by the College. See below for more discussion on GASB 68 and GASB 75. Long-term liabilities include deferred compensation (accrued vacation and sick days), outstanding balances of bond issues, and the College's proportionate share of the State-wide net pension liability and net OPEB liability. The overall decrease in noncurrent liabilities for 2021 is due to a decrease in the actuarially determined net pension and OPEB liabilities, and bond principal payments. Net position includes the net investment in capital assets and both restricted and unrestricted funds. Total net position increased approximately 225.5% from FY2020 to FY2021.

The net pension liability (NPL) is the largest single liability reported by the College at June 30, 2021 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. The College adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the College's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

Southern State Community College
 Highland County
Management's Discussion and Analysis
 For the Fiscal Years Ended June 30, 2021 and 2020 (Unaudited)

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

As a result of implementing GASB 75, the College is reporting a net OPEB liability/asset and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting.

Statement of Revenues, Expenses and Changes in Net Position

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

	2021	2020	2019
Operating revenue:			
Net tuition and fees	\$4,226,291	\$5,240,284	\$6,078,474
Auxiliary	1,049,645	958,793	1,192,904
Grants and contracts	2,490,528	1,419,742	1,327,527
Other	495,413	330,755	305,795
Total operating revenue	<u>8,261,877</u>	<u>7,949,574</u>	<u>8,904,700</u>
Operating expenses:			
Instructional	3,797,774	5,850,729	6,302,242
Community service	1,385,375	1,282,379	1,066,646
Academic support	1,215,573	1,882,910	1,908,297
Student services	2,183,472	2,104,460	2,097,388
Institutional support	1,724,753	2,401,732	2,034,080
Plant operations	1,018,758	1,408,561	1,419,336
Depreciation	1,108,194	1,202,802	1,305,347
Scholarships	1,484,225	2,212,364	2,720,433
Auxiliary	902,514	982,104	1,099,921
Total operating expenses	<u>14,820,638</u>	<u>19,328,041</u>	<u>19,953,690</u>
Operating loss	<u>(6,558,761)</u>	<u>(11,378,467)</u>	<u>(11,048,990)</u>
Nonoperating revenues (expenses):			
Federal grants	3,812,779	3,750,741	3,649,758
State subsidy	8,137,457	8,068,193	8,058,729
Investment income	576,627	215,855	316,545
Interest on capital asset-related debt	(418,620)	(451,390)	(477,353)
Capital appropriations	3,196,663	181,452	447,567
Other nonoperating revenue (expenses)	0	0	47,733
Total Nonoperating revenues (expenses)	<u>15,304,906</u>	<u>11,764,851</u>	<u>12,042,979</u>
Change in net position	8,746,145	386,384	993,989
Net position - beginning of year	<u>3,878,332</u>	<u>3,491,948</u>	<u>2,497,959</u>
Net position - end of year	<u><u>\$12,624,477</u></u>	<u><u>\$3,878,332</u></u>	<u><u>\$3,491,948</u></u>

Net tuition and fees were \$4,226,291 in FY2021 and \$5,240,284 in FY2020. Auxiliary revenue consists of the non-grant portion of corporate and community services. These revenues increased slightly from FY2020 to FY2021. Operating expense decreases primarily reflect decreases in pension and OPEB expenses, associated with these balances were less than the prior year, based on actuarially determined information, allocated amongst various functions. State appropriation in FY2021 and FY2020 represented 67.2% and 68.5%, respectively of non-operating revenues (expenses).

Statement of Cash Flows

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash provided by (used in):			
Operating activities	(\$9,837,938)	(\$14,092,208)	(\$10,378,273)
Non-capital financing activities	11,950,236	11,818,934	11,756,220
Capital and related financing activities	(1,528,252)	(1,263,380)	(1,396,684)
Investing activities	<u>196,658</u>	<u>70,806</u>	<u>239,251</u>
Net increase (decrease) in cash	<u>780,704</u>	<u>(3,465,848)</u>	<u>220,514</u>
Cash - beginning of year	<u>3,412,072</u>	<u>6,877,920</u>	<u>6,657,406</u>
Cash - end of year	<u><u>\$4,192,776</u></u>	<u><u>\$3,412,072</u></u>	<u><u>\$6,877,920</u></u>

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 \$28,812,450 at June 30, 2021 and \$26,701,027 at June 30, 2020 an increase of \$2,111,423 from the prior year-end. Additions to capital assets during the year totaled \$3,219,618 and disposals were \$0 in FY2021. Depreciation expense for the year ended June 30, 2021 totaled \$1,108,194. For more information on capital assets, see note 4 to the basic financial statements.

Debt

As of June 30, 2021, the College had outstanding debt of \$11,475,000 of which \$935,000 was short-term (or due within one year) and \$10,540,000 was long-term debt (would come due beyond one year). The outstanding debt related to three 20 year bond issues that were used to provide a portion of the funding of the Patriot Center located on the Central Campus, and a portion of the funding for a renovation and expansion project on the Fayette Campus, and the construction of a new Brown County campus, which will replace the existing facility. The Patriot Center was completed in March of 2005. The Fayette expansion was completed in 2009. The construction of the new Brown County Campus began March 2013, and completed in July 2014. For more information on debt, see note 9 to the basic financial statements.

Economic Factors that will affect the Future

Challenges

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

Opportunities

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

Southern State Community College
Highland County
Statements of Net Position
As of June 30, 2021 and 2020

	2021		2020	
	College	Foundation	College	Foundation
Assets:				
Current assets:				
Cash and Cash equivalents	\$3,026,279	\$257,153	\$2,527,966	\$211,894
Accounts receivable, net	3,547,276	0	3,823,767	0
Pledges receivable	0	3,504	0	3,444
Prepaid expenses	479,007	0	153,452	0
Inventories	9,553	0	7,976	0
Other assets	271,819	1,855	271,818	1,855
Total current assets	7,333,934	262,512	6,784,979	217,193
Noncurrent assets:				
Restricted cash equivalents	909,344	0	672,212	0
Restricted investments	0	3,085,338	0	2,705,369
Net pension asset	0	0	155,855	0
Net OPEB asset	1,038,306	0	707,595	0
Capital assets, net	28,812,450	0	26,701,027	0
Total noncurrent assets	30,760,100	3,085,338	28,236,689	2,705,369
Total assets	38,094,034	3,347,850	35,021,668	2,922,562
Deferred outflows of resources:				
Pension plans	1,718,183	0	2,281,396	0
OPEB plans	268,168	0	580,249	0
Total deferred outflows of resources	1,986,351	0	2,861,645	0
Liabilities:				
Current liabilities:				
Accrued liabilities	167,021	0	235,116	0
Held in custody for others	1,294,591	0	1,535,510	0
Bonds payable, current portion	935,000	0	1,050,000	0
Total current liabilities	2,396,612	0	2,820,626	0
Noncurrent liabilities:				
Bonds payable, long-term portion	10,540,000	0	11,511,677	0
Compensated absences	413,034	0	430,026	0
Net pension liability	11,956,452	0	13,608,616	0
Net OPEB liability	0	0	3,165,985	0
Total noncurrent liabilities	22,909,486	0	28,716,304	0
Total liabilities	25,306,098	0	31,536,930	0
Deferred inflows of resources				
Grants and contracts	345,452	0	583,731	0
Pension plans	2,960,109	0	3,075,569	0
OPEB plans	2,192,099	0	1,731,313	0
Total deferred inflows of resources	5,497,660	0	5,390,613	0
Net position:				
Net investment in capital assets	17,337,450	0	14,896,629	0
Restricted for:				
Nonexpendable:				
Endowments	12,318	3,120,440	12,318	2,737,698
Expendable:				
Loans	17,696	0	17,696	0
Scholarships and fellowships	0	169,433	0	132,923
Unrestricted (deficit)	(8,090,837)	57,977	(13,970,873)	51,941
Total net position	\$9,276,627	\$3,347,850	\$955,770	\$2,922,562

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, 2021 and 2020

	2021		2020	
	College	Foundation	College	Foundation
Revenues:				
Operating revenues:				
Student tuition and fees (net of scholarship allowance)	\$4,226,291	\$0	\$5,240,284	\$0
State grants and contracts	2,234,147	0	1,171,993	0
Local grants and contracts	81,537	0	70,369	0
Private grants and contracts	70,697	104,147	113,025	64,355
Auxiliary services	1,049,645	0	958,793	0
Other operating revenue	495,413	0	330,755	0
Total operating revenue	8,157,730	104,147	7,885,219	64,355
Expenses:				
Operating expenses:				
Instructional	3,797,774	0	5,850,729	0
Community service	1,385,375	0	1,282,379	0
Academic support	1,215,573	0	1,882,910	0
Student services	1,989,496	193,976	2,007,813	96,647
Institutional support	1,724,753	0	2,401,732	0
Plant operations	1,018,758	0	1,408,561	0
Depreciation	1,108,194	0	1,202,802	0
Scholarships	1,484,225	0	2,212,364	0
Auxiliary activities	902,514	0	982,104	0
Total operating expenses	14,626,662	193,976	19,231,394	96,647
Operating income (loss)	(6,468,932)	(89,829)	(11,346,175)	(32,292)
Nonoperating revenues (expenses):				
Federal grants and contracts	3,812,779	0	3,750,741	0
State appropriations	8,137,457	0	8,068,193	0
Investment income (net of investment expense)	61,510	515,117	82,703	133,152
Interest on capital asset-related debt	(418,620)	0	(451,390)	0
Total nonoperating revenues (expenses)	11,593,126	515,117	11,450,247	133,152
Income (loss) before other revenues, expenses, gains, losses	5,124,194	425,288	104,072	100,860
Capital appropriations	3,196,663	0	181,452	0
Change in net position	8,320,857	425,288	285,524	100,860
Net position - beginning of year	955,770	2,922,562	670,246	2,821,702
Net position - end of year	\$9,276,627	\$3,347,850	\$955,770	\$2,922,562

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, 2021 and 2020

	2021		2020	
	College	Foundation	College	Foundation
Cash flows from operating activities:				
Tuition and fees	\$4,513,038	\$0	\$5,221,106	\$0
Grants and contracts	2,334,418	0	1,355,387	0
Private gifts	0	104,087	0	65,315
Other operating revenue	495,413	0	0	0
Payments to suppliers	(4,924,694)	0	(3,694,916)	0
Payments for utilities	(373,729)	0	(409,079)	0
Payments to employees	(7,959,572)	0	(8,177,600)	0
Payments for benefits	(2,666,947)	0	(3,549,288)	0
Scholarships	(1,541,115)	(193,976)	(2,212,364)	(96,647)
Auxiliary enterprise charges	1,087,180	0	958,793	0
Other disbursements	(712,041)	0	(3,552,915)	0
Net cash provided (used) by operating activities	(9,748,049)	(89,889)	(14,060,876)	(31,332)
Cash flows from noncapital financing activities:				
Federal grants and contracts	3,812,779	0	3,750,741	0
State appropriations	8,137,457	0	8,068,193	0
Net cash provided (used) by noncapital financing activities	11,950,236	0	11,818,934	0
Cash flows from capital and related financing activities:				
Capital appropriations	3,196,663	0	181,452	0
Purchase of capital assets	(3,219,618)	0	(5,119)	0
Principal paid on capital debt and lease	(1,086,677)	0	(988,323)	0
Interest paid on capital debt and lease	(418,620)	0	(451,390)	0
Net cash provided (used) by capital and related financing activities	(1,528,252)	0	(1,263,380)	0
Cash flows from investing activities:				
Interest on investments	61,510	515,117	82,703	133,152
(Purchase) sale of investments	0	(379,969)	0	(145,049)
Net cash provided (used) by investing activities	61,510	135,148	82,703	(11,897)
Net increase (decrease) in cash and cash equivalents	735,445	45,259	(3,422,619)	(43,229)
Cash and cash equivalents - beginning of year	3,200,178	211,894	6,622,797	255,123
Cash and cash equivalents - end of year	\$3,935,623	\$257,153	\$3,200,178	\$211,894
Reconciliation of operating income (loss) to net cash used by operating activities:				
Operating income (loss)	(\$6,468,932)	(\$89,829)	(\$11,346,175)	(\$32,292)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation expense	1,108,194	0	1,202,802	0
Changes in assets and liabilities:				
Receivables, net	276,491	(60)	137,768	960
Inventories	(1,577)	0	156	0
Other assets	0	0	298,110	0
Accrued liabilities	(68,095)	0	(114,393)	0
Deferred outflows of resources-pension/OPEB	875,294	0	2,016,781	0
Deferred inflows of resources-grants and contracts	(238,279)	0	(156,946)	0
Deferred inflows of resources-pension/OPEB	345,326	0	728,832	0
Net pension/OPEB asset	(174,856)	0	(48,687)	0
Net pension liability	(1,652,164)	0	(2,891,944)	0
Net OPEB liability	(3,165,985)	0	(264,479)	0
Deposits held for others	(240,919)	0	(3,883,670)	0
Compensated absences	(16,992)	0	260,969	0
Prepaid expenses	(325,555)	0	0	0
Net cash provided (used) by operating activities	(\$9,748,049)	(\$89,889)	(\$14,060,876)	(\$31,332)

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

**Southern State Community College
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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 money market funds, which amounted to \$3,935,623 and \$3,200,178 at June 30, 2021 and 2020, respectively.

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During fiscal years 2021 and 2020, the College and Foundation invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The College and Foundation measure their investments in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal years 2021 and 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserved the right to limit the transaction to \$100 million. All accounts of the participant will be combined for these purposes.

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, 2021 and 2020, investments held by the College and Foundation were valued at \$3,085,338 and \$2,705,369, respectively. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value.

Accounts and Pledges Receivables

At June 30, 2021 and 2020, 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 \$953,560 and \$710,369 at June 30, 2021 and 2020, respectively, whereas other receivables are reported at net, based on separate allowances for doubtful accounts estimated by management. Pledges receivable are unconditional promises to give and are recognized at the present value of future cash flows. No allowance for uncollectible promises to give is considered necessary.

Inventory

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

Restricted Assets

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

Capital Assets

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

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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, 2021 and 2020. Deferred inflows and outflows of resources related to pensions/OPEB are explained in notes 6 and 7.

Operating Revenues

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

Scholarships and Allowances and Student Aid

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

Pensions/Other Postemployment Benefits (OPEB)

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

Federal Financial Assistance Programs

The College participates in federally funded Pell Grants, SEOG Grants, and Federal Direct Lending programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). During fiscal years 2021 and 2020, the College distributed \$1,964,094 and \$2,595,756, respectively, for direct lending through the U.S. Department of Education, which is not included as revenues and expenses on the accompanying financial statements.

Net Position

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

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Of the College's \$3,319,887 and \$2,900,635 in restricted net position at June 30, 2021 and 2020, respectively, none is restricted by enabling legislation.

Prepaid Items

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

Use of Estimates

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

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:

	<u>Cash</u>	<u>Investments</u>
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.

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Primary Government - College

At June 30, 2021, the carrying amount of the College's cash deposits was \$1,863,749 and the bank balance was \$2,578,375. At June 30, 2021, \$326,886 of the bank balance was insured by the FDIC (Category 1); the remaining bank balances were Category 3.

The College held \$1,162,530 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:

June 30, 2021			
Investment Type	Fair Value/NAV	Investment Maturities < 1 Year	Fair Value Hierarchy
Star Ohio	\$1,162,530	\$1,162,530	N/A
Money Market Funds	909,344	909,344	Level 1
Total	<u>\$2,071,874</u>	<u>\$2,071,874</u>	

At June 30, 2020, the carrying amount of the College's cash deposits was \$2,154,338 and the bank balance was \$2,526,153. At June 30, 2020, \$608,091 of the bank balance was insured by the FDIC (Category 1); the remaining bank balances were Category 3.

The College held \$724,661 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:

June 30, 2020			
Investment Type	Fair Value/NAV	Investment Maturities < 1 Year	Fair Value Hierarchy
Star Ohio	\$724,661	\$724,661	N/A
Money Market Funds	549,002	549,002	Level 1
Total	<u>\$1,273,663</u>	<u>\$1,273,663</u>	

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Component Unit – Foundation

At June 30, 2021, the carrying amount of the Foundation's cash deposits was \$0 and the bank balance was \$0. At June 30, 2020, the carrying amount of the Foundation's cash deposits was \$0 and the bank balance was \$0. The following summarizes the market value of the Foundation's investments:

June 30, 2021		
Investment Type	Fair Value/NAV	Investment Maturities < 1 Year
Star Ohio	\$206,665	\$206,665
Money Market Funds	50,487	50,487
Other Bonds	1,285,117	1,285,117
Equity Funds	1,575,582	1,575,582
Common Stock	224,640	224,640
Total	\$3,342,491	\$3,342,491

June 30, 2020		
Investment Type	Fair Value/NAV	Investment Maturities < 1 Year
Star Ohio	\$133,019	\$133,019
Money Market Funds	78,876	78,876
Other Bonds	1,195,449	1,195,449
Common Stock	224,640	224,640
Equity Funds	1,285,279	1,285,279
Total	\$2,917,263	\$2,917,263

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

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

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

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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, 2021 and 2020, the College's investments in STAR Ohio rated AAAM by Standard & Poor's. Money market funds are unrated.

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

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

Primary Government - The College places no limit on the amount the College may invest in any one issuer. More than 5% of the College's investments are in STAR Ohio and money market funds. These investments were 59% and 41% as of June 30, 2021 and 61% and 39%, respectively, as of June 30, 2020, respectively of the College's total investments.

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

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

For the fiscal year ended June 30, 2021, more than 5% of the Foundation's investments are equity funds, common stock, and other bonds. These investments represent 51%, 7%, and 42% of the Foundation's total investments, respectively. For the fiscal year ended June 30, 2020, more than 5% of the Foundation's investments are equity funds, common stock, and other bonds. These investments represent 48%, 8%, and 44% of the Foundation's total investments, respectively.

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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.

Primary Government - Deposits. As of June 30, 2021 and 2020, the College’s bank balances of \$2,578,375 and \$1,665,160, respectively, was either covered by FDIC or collateralized by the financial institution’s public entity deposit pool in the manner described below.

The College has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

- Eligible securities pledged to the College and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

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

Note 3 – Accounts Receivable

Accounts receivable at June 30, 2021 was comprised of the following:

	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$4,271,377	(\$953,560)	\$3,317,817
Intergovernmental	133,044	0	133,044
Third Party	96,415	0	96,415
Total Current Receivables	<u>\$4,500,836</u>	<u>(\$953,560)</u>	<u>\$3,547,276</u>

Accounts receivable at June 30, 2020 was comprised of the following:

	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$4,311,171	(\$710,369)	\$3,600,802
Intergovernmental	81,080	0	81,080
Third Party	141,885	0	141,885
Total Current Receivables	<u>\$4,534,136</u>	<u>(\$710,369)</u>	<u>\$3,823,767</u>

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Note 4 – Capital Assets

Capital asset activity for the years ended June 30, 2021 and 2020 were as follows:

	2021			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not depreciated:				
Land	\$4,517,468	\$0	\$0	\$4,517,468
Construction in Progress	74,544	3,005,661	0	3,080,205
Non-Depreciable Artwork	51,900	0	0	51,900
Total capital assets not depreciated	<u>4,643,912</u>	<u>3,005,661</u>	<u>0</u>	<u>7,649,573</u>
Capital assets being depreciated:				
Buildings and Improvements	37,318,644	0	0	37,318,644
Equipment	3,837,521	213,956	0	4,051,477
Library books	545,426	0	0	545,426
Vehicles	642,070	0	0	642,070
Total capital assets depreciated	<u>42,343,661</u>	<u>213,956</u>	<u>0</u>	<u>42,557,617</u>
Total capital assets	46,987,573	3,219,617	0	50,207,190
Accumulated depreciation:				
Buildings and Improvements	(15,925,280)	(985,788)	0	(16,911,068)
Equipment	(3,185,084)	(117,343)	0	(3,302,427)
Library books	(542,654)	(1,445)	0	(544,099)
Vehicles	(633,528)	(3,618)	0	(637,146)
Total accumulated depreciation	<u>(20,286,546)</u>	<u>(1,108,194)</u>	<u>0</u>	<u>(21,394,740)</u>
Capital assets, net	<u>\$26,701,027</u>	<u>\$2,111,423</u>	<u>\$0</u>	<u>\$28,812,450</u>

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	2020			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not depreciated:				
Land	\$4,517,468	\$0	\$0	\$4,517,468
Construction in Progress	0	74,544	0	74,544
Non-Depreciable Artwork	51,900	0	0	51,900
Total capital assets not depreciated	4,569,368	74,544	0	4,643,912
Capital assets being depreciated:				
Buildings and Improvements	37,318,644	0	0	37,318,644
Equipment	3,832,402	5,119	0	3,837,521
Library books	545,426	0	0	545,426
Vehicles	642,070	0	0	642,070
Total capital assets depreciated	42,338,542	5,119	0	42,343,661
Total capital assets	46,907,910	79,663	0	46,987,573
Accumulated depreciation:				
Buildings and Improvements	(14,938,648)	(986,632)	0	(15,925,280)
Equipment	(3,003,963)	(181,121)	0	(3,185,084)
Library books	(539,140)	(3,514)		(542,654)
Vehicles	(601,993)	(31,535)	0	(633,528)
Total accumulated depreciation	(19,083,744)	(1,202,802)	0	(20,286,546)
Capital assets, net	\$27,824,166	(\$1,123,139)	\$0	\$26,701,027

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.

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

Note 6 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension/OPEB liability (asset) on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the required pension disclosures. See Note 7 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description

The College’s employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. College employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

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

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

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

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	<u>State and Local</u>
Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
Actual Contribution Rates	
Employer:	
Pension	14.00 %
Post-employment Health Care Benefits	<u>0.00</u>
Total Employer	<u>14.00 %</u>
Employee	10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The College's contractually required contributions to OPERS were \$463,090 and \$458,226 for fiscal years 2021 and 2020, respectively.

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 system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

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The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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. New members 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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 fiscal year 2021 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

The College's contractually required contributions to STRS were \$559,078 and \$615,721 for fiscal years 2021 and 2020, respectively.

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

The net pension liability was measured as of December 31, 2020 (OPERS) and June 30, 2020 (STRS), 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:

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	OPERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$3,084,914	\$8,871,538	\$11,956,452
Proportion of the Net Pension Liability:			
Current Measurement Date	0.02083300%	0.03666464%	
Prior Measurement Date	0.02105000%	0.04272303%	
Change in Proportionate Share	-0.00021700%	-0.00605839%	
Pension Expense	(\$340,428)	\$222,106	(\$118,322)

At June 30 2021, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	STRS	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$0	\$19,906	\$19,906
Changes of assumptions	0	476,230	476,230
Net difference between projected and actual earnings on pension plan investments	0	431,424	431,424
Contributions subsequent to the measurement date	231,545	559,078	790,623
Total Deferred Outflows of Resources	<u>\$231,545</u>	<u>\$1,486,638</u>	<u>\$1,718,183</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$129,045	\$56,728	\$185,773
Changes of assumptions	0	0	0
Net difference between projected and actual earnings on pension plan investments	1,202,409	0	1,202,409
Changes in employer proportionate share of net pension liability	184,957	1,386,970	1,571,927
Total Deferred Inflows of Resources	<u>\$1,516,411</u>	<u>\$1,443,698</u>	<u>\$2,960,109</u>

\$790,623 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement dates will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year			
Ending June 30:	OPERS	STRS	Total
2022	(\$682,487)	(\$130,555)	(\$813,042)
2023	(179,791)	(252,286)	(432,077)
2024	(490,143)	(80,661)	(570,804)
2025	(163,990)	(52,636)	(216,626)
Total	<u>(\$1,516,411)</u>	<u>(\$516,138)</u>	<u>(\$2,032,549)</u>

As of and for the year ended June 30, 2020, the proportionate share and pension expense were as follows:

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	OPERS Traditional	OPERS Combined	STRS	Total
Proportionate Share of the Net Pension Liability	\$4,160,675	\$0	\$9,447,941	\$13,608,616
Proportionate Share of the Net Pension (Asset)	0	(155,855)	0	(155,855)
Proportion of the Net Pension Liability:				
Current Measurement Date	0.02105000%	0.07474200%	0.04272303%	
Prior Measurement Date	0.02434600%	0.08600800%	0.04471891%	
Change in Proportionate Share	-0.00329600%	-0.01126600%	-0.00199588%	
Pension Expense	\$266,257	\$33,327	\$410,192	\$709,776

At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional	OPERS Combined	STRS	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	\$0	\$0	\$76,922	\$76,922
Changes of assumptions	222,229	16,070	1,109,843	1,348,142
Changes in employer proportionate share of net pension liability	0	11,498	0	11,498
Contributions subsequent to the measurement date	205,974	23,139	615,721	844,834
Total Deferred Outflows of Resources	<u>\$428,203</u>	<u>\$50,707</u>	<u>\$1,802,486</u>	<u>\$2,281,396</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$52,606	\$36,590	\$40,898	\$130,094
Net difference between projected and actual earnings on pension plan investments	829,961	20,215	461,764	1,311,940
Changes in employer proportionate share of net pension liability	558,259	57,823	1,017,453	1,633,535
Total Deferred Inflows of Resources	<u>\$1,440,826</u>	<u>\$114,628</u>	<u>\$1,520,115</u>	<u>\$3,075,569</u>

\$844,834 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2020, are presented below.

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Wage Inflation	3.25%
Future Salary Increases	3.25% to 10.75%, includes wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.00%, simple
Post-January 7, 2013 Retirees	0.50%, simple through 2021, then 2.15%, simple
Investment Rate of Return	7.20%
Actuarial Cost Method	Individual Entry Age

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

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

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00%	1.32%
Domestic Equities	21.00%	5.64%
Real Estate	10.00%	5.39%
Private Equity	12.00%	10.42%
International Equities	23.00%	7.36%
Other Investments	9.00%	4.75%
Total	100.00%	5.43%

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Discount Rate

The discount rate used to measure the total pension liability was 7.2% for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the net pension liability or asset calculated using the discount rate of 7.2%, and the expected net pension liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

	1% Decrease <u>6.20%</u>	Current Discount Rate <u>7.20%</u>	1% Increase <u>8.20%</u>
Proportionate share of the net pension liability	\$5,884,489	\$3,084,914	\$757,071

For the year ended June 30, 2020, the following table presents the net pension liability or asset calculated using the discount rate of 7.2%, and the expected net pension liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

	1% Decrease <u>6.20%</u>	Current Discount Rate <u>7.20%</u>	1% Increase <u>8.20%</u>
Proportionate share of the net pension liability (asset):			
Traditional	\$6,862,300	\$4,160,675	\$1,731,994
Combined	(94,175)	(155,855)	(200,309)

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation are presented below:

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Discount Rate of Return	7.45%
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0%, effective July 1, 2017

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

Actuarial assumptions used in the July 1 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with 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. 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, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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

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

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June 30, 2021			
	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability	\$12,631,526	\$8,871,538	\$5,685,262
June 30, 2020			
	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability	\$13,807,114	\$9,447,941	\$5,757,679

Changes in Actuarial Assumptions between Measurement Date and the Fiscal Year End

The STRS Board approved a change in the discount rate from 7.45 percent to 7.00 percent for the June 30, 2021 valuation. The effect on the net pension liability is unknown.

Note 7 - Defined Benefit OPEB Plans

See Note 6 for a description of the net OPEB liability (asset).

Ohio Public Employees Retirement System (OPERS)

Health Care Plan Description

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS Comprehensive Annual Financial Report referenced below for additional information.

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

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

Funding Policy

The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020 and 2021, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2020 and 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The College's contractually required contributions to OPERS were \$0 and \$0 for fiscal years 2021 and 2020, respectively.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

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

Funding Policy

Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of December 31, 2020 (OPERS) and June 30, 2020 (STRS), and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an

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actuarial valuation as of that date. The College's proportion of the net OPEB liability (asset) was based on the College's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB (Asset)	(\$393,925)	(\$644,381)	(\$1,038,306)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.02211100%	0.03666464%	
Prior Measurement Date	<u>0.02292100%</u>	<u>0.04272303%</u>	
Change in Proportionate Share	-0.00081000%	-0.00605839%	
OPEB Expense	(\$2,667,614)	(\$56,215)	(\$2,723,829)

At June 30 2021, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$0	\$41,289	\$41,289
Changes of assumptions	193,658	10,638	204,296
Net difference between projected and actual earnings on OPEB plan investments	<u>0</u>	<u>22,583</u>	<u>22,583</u>
Total Deferred Outflows of Resources	<u>\$193,658</u>	<u>\$74,510</u>	<u>\$268,168</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$355,515	\$128,352	\$483,867
Changes of assumptions	638,277	612,054	1,250,331
Net difference between projected and actual earnings on OPEB plan investments	209,810	0	209,810
Changes in employer proportionate share of net OPEB liability	<u>175,392</u>	<u>72,699</u>	<u>248,091</u>
Total Deferred Inflows of Resources	<u>\$1,378,994</u>	<u>\$813,105</u>	<u>\$2,192,099</u>

No amount is reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as an adjustment to net OPEB asset in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
2022	(\$676,167)	(\$184,296)	(\$860,463)
2023	(393,272)	(169,010)	(562,282)
2024	(91,175)	(164,648)	(255,823)
2025	(24,722)	(156,374)	(181,096)
2026	0	(32,719)	(32,719)
Thereafter	<u>0</u>	<u>(32,548)</u>	<u>(32,548)</u>
Total	<u>(\$1,185,336)</u>	<u>(\$739,595)</u>	<u>(\$1,924,931)</u>

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Following is information related to the proportionate share and OPEB expense for the fiscal year ending June 30, 2020:

	<u>STRS</u>	<u>OPERS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$3,165,985	\$0	\$3,165,985
Proportionate Share of the Net OPEB (Asset)	0	(707,595)	(707,595)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.02292100%	0.04272303%	
Prior Measurement Date	<u>0.02631200%</u>	<u>0.04471891%</u>	
Change in Proportionate Share	-0.00339100%	-0.00199588%	
OPEB Expense	\$118,977	(\$214,302)	(\$95,325)

At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>STRS</u>	<u>OPERS</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$64,149	\$85	\$64,234
Changes of assumptions	<u>14,873</u>	<u>501,142</u>	<u>516,015</u>
Total Deferred Outflows of Resources	<u>\$79,022</u>	<u>\$501,227</u>	<u>\$580,249</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$36,000	\$289,544	\$325,544
Changes of assumptions	775,797	0	775,797
Net difference between projected and actual earnings on OPEB plan investments	44,442	161,210	205,652
Changes in employer proportionate share of net OPEB liability	<u>80,808</u>	<u>343,512</u>	<u>424,320</u>
Total Deferred Inflows of Resources	<u>\$937,047</u>	<u>\$794,266</u>	<u>\$1,731,313</u>

No amount is reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as an adjustment to net OPEB asset in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense in subsequent years.

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020. The actuarial valuation used the

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

Wage Inflation	3.25%
Projected Salary	3.25% to 10.75% (including wage inflation)
Single Discount Rate:	
Current measurement date	6.00%
Prior Measurement date	3.16%
Investment Rate of Return	6.00%
Municipal Bond Rate:	
Current measurement date	2.00%
Prior Measurement date	2.75%
Health Care Cost Trend Rate:	
Current measurement date	8.50% initial, 3.50% ultimate in 2035
Prior Measurement date	10.50% initial, 3.50% ultimate in 2030
Actuarial Cost Method	Individual Entry Age

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

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

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System’s primary goal is to achieve and maintain a fully funded status for benefits provided through the defined benefit pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by the Board’s investment consultant. For each major asset class that is included in the Health Care portfolio’s target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	1.07%
Domestic Equities	25.00%	5.64%
Real Estate Investment Trusts	7.00%	6.48%
International Equities	25.00%	7.36%
Other Investments	9.00%	4.02%
Total	100.00%	4.43%

Discount Rate

A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.00%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

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

The following table presents the net OPEB liability or asset calculated using the single discount rate of 6.00%, and the expected net OPEB liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

June 30, 2021

	1% Decrease	Current Discount Rate	1% Increase
	2.16%	3.16%	4.16%
Proportionate share of the net OPEB (asset)	(\$97,952)	(\$393,925)	(\$637,239)

The following table presents the net OPEB liability calculated using the single discount rate of 3.16%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

June 30, 2020

	1% Decrease	Current Discount Rate	1% Increase
	2.16%	3.16%	4.16%
Proportionate share of the net OPEB liability	\$4,143,200	\$3,165,986	\$2,383,555

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

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

Retiree health care valuations use a health care cost trend assumption with changes over several years built into that assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health care cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

June 30, 2021

	Current Health Care Cost Trend Rate		
	1% Decrease	Assumption	1% Increase
Proportionate share of the net OPEB (asset)	(\$403,526)	(\$393,925)	(\$383,184)

June 30, 2020

	Current Health Care Cost Trend Rate		
	1% Decrease	Assumption	1% Increase
Proportionate share of the net OPEB liability	\$3,072,560	\$3,165,986	\$3,258,220

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented below:

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3.00%
Discount Rate of Return	7.45%
Health Care Cost Trends:	
Medical	
Pre-Medicare	5.00% initial, 4% ultimate
Medicare	-6.69% initial, 4% ultimate
Prescription Drug	
Pre-Medicare	6.50% initial, 4% ultimate
Medicare	11.87% initial, 4% ultimate

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

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

Actuarial assumptions used in the June 30, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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

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

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

Discount Rate

The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2020.

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

The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

June 30, 2021

	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net OPEB (asset)	(\$560,653)	(\$644,381)	(\$715,420)

	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$711,011)	(\$644,381)	(\$563,215)

The following tables represent the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

June 30, 2020

	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net OPEB (asset)	(\$603,792)	(\$707,596)	(\$794,871)

	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$802,381)	(\$707,596)	(\$591,507)

Note 8 – Compensated Absences

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

The College accrues sick leave liability for those employees who are currently eligible to receive termination payments as well as other employees who are expected to become eligible to receive such payments. This liability is calculated using the “vesting method” which is set forth in Appendix C, Example 5 of GASB Statement No. 16, *Accounting for Compensated Absences*. Under the vesting

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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 \$413,034 and \$430,026 as of June 30, 2021 and 2020, respectively.

Note 9 – Long-Term Liabilities

During fiscal year ended June 30, 2008, the College issued General Receipts Bonds, Series 2008. During fiscal year ended June 30, 2012, the College issued General Receipts Bonds, Series 2011 and Series 2012.

The following summarizes as of June 30, 2021:

2021							
	Interest Rate	Due Serially Thorough	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bonds:							
Series 2008	3.5-5.05%	2025	\$1,570,000	\$0	(\$145,000)	\$1,425,000	\$0
Series 2011	2.0-4.0%	2031	7,205,000	0	(500,000)	6,705,000	515,000
Series 2012	2.0-3.6%	2031	3,786,677	0	(441,677)	3,345,000	420,000
Total Bonds			12,561,677	0	(1,086,677)	11,475,000	935,000
Net Pension Liability:							
OPERS			4,160,675	0	(1,075,761)	3,084,914	0
STRS			9,447,941	0	(576,403)	8,871,538	0
Total Net Pension Liability			13,608,616	0	(1,652,164)	11,956,452	0
Net OPEB Liability:							
OPERS			3,165,985	0	(3,165,985)	0	0
Total Net OPEB Liability			3,165,985	0	(3,165,985)	0	0
Total Long-Term Liabilities			\$29,336,278	\$0	(\$5,904,826)	\$23,431,452	\$935,000

The following summarizes as of June 30, 2020:

2020							
	Interest Rate	Due Serially Thorough	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bonds:							
Series 2008	3.5-5.05%	2025	\$1,710,000	\$0	(\$140,000)	\$1,570,000	\$145,000
Series 2011	2.0-4.0%	2031	7,695,000	0	(490,000)	7,205,000	500,000
Series 2012	2.0-3.6%	2031	4,145,000	0	(358,323)	3,786,677	405,000
Total Bonds			13,550,000	0	(988,323)	12,561,677	1,050,000
Net Pension Liability:							
OPERS			6,667,876	0	(2,507,201)	4,160,675	0
STRS			9,832,684	0	(384,743)	9,447,941	0
Total Net Pension Liability			16,500,560	0	(2,891,944)	13,608,616	0
Net OPEB Liability:							
OPERS			3,430,464	0	(264,479)	3,165,985	0
Total Net OPEB Liability			3,430,464	0	(264,479)	3,165,985	0
Total Long-Term Liabilities			\$33,481,024	\$0	(\$4,144,746)	\$29,336,278	\$1,050,000

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Principal and interest amounts due within each of the next five years and thereafter on obligations outstanding at June 30, 2021, are as follows:

Fiscal Year End	Series 2008		Series 2011		Series 2012	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$0	\$69,486	\$515,000	\$227,458	\$420,000	\$98,750
2023	305,000	62,318	530,000	211,783	430,000	87,378
2024	0	55,150	550,000	195,583	245,000	77,974
2025	340,000	47,075	565,000	178,293	250,000	70,795
2026	0	39,000	585,000	159,746	260,000	63,143
2027-2031	780,000	60,500	3,235,000	463,895	1,425,000	182,494
2032	0	0	725,000	14,500	315,000	5,670
Total	<u>\$1,425,000</u>	<u>\$333,529</u>	<u>\$6,705,000</u>	<u>\$1,451,256</u>	<u>\$3,345,000</u>	<u>\$586,203</u>

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

Mandatory Redemption

The Series 2008 bonds are subject to mandatory sinking fund redemption on of the following fiscal year end:

	<u>Series 2008</u>
2022	\$0
2023	305,000
2024	0
2025	340,000
2026	0
2027	370,000
2028	0
2029	<u>410,000</u>
Total	<u>\$1,425,000</u>

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 \$13,845,988. Principal and interest paid for the current year and total general revenues were \$1,474,491 and \$8,137,457, respectively.

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

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Note 10 – Risk Management

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

Note 11 – Implementation of New Accounting Principles

For fiscal year 2021, the College implemented GASB Statement No. 84, Fiduciary Activities and related guidance from (GASB) Implementation Guide No. 2019-2, Fiduciary Activities, and GASB Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and GASB Statements No. 61.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the College will no longer be reporting agency funds. The College reviewed its agency funds and certain funds will be reported in the new fiduciary fund classification of custodial funds, while other funds have been reclassified as governmental funds. If applicable, fund reclassifications resulted in the restatement of the College's financial statements.

GASB Statement No. 90 improves consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the College.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. The future impact of COVID-19, recovery efforts and the scope of any ongoing impact on College finances and operations cannot be reasonably estimated at this time. Adverse consequences of the COVID-19 pandemic continue to include but is not limited to a decline in enrollment, additional decreases in financial support from the State, and a reduction in funding support from donors or other external sources.

REQUIRED SUPPLEMENTARY INFORMATION

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Required Supplementary Information

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

State Teachers Retirement System of Ohio

Last Eight Fiscal Years (1) (2)

<u>Year</u>	<u>College's Proportion of the Net Pension Liability</u>	<u>College's Proportionate Share of the Net Pension Liability</u>	<u>College's Covered Payroll</u>	<u>College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage as a of the Total Pension Liability</u>
2021	0.03666464%	\$8,871,538	\$4,398,007	201.72%	75.48%
2020	0.04272303%	9,447,941	5,015,843	188.36%	77.40%
2019	0.04471891%	9,832,684	5,057,164	194.43%	77.30%
2018	0.04651932%	11,050,764	5,298,143	208.58%	75.30%
2017	0.04703777%	15,744,959	4,949,279	318.13%	66.80%
2016	0.05499036%	15,197,727	5,671,321	267.98%	72.10%
2015	0.05919894%	14,399,231	5,972,200	241.10%	74.70%
2014	0.05919894%	17,152,271	6,179,593	277.56%	69.30%

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

(2) Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

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Required Supplementary Information
Schedule of College's Contributions for Net Pension Liability
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

Year	College's Contractually Required Contribution	College's Contributions in Relation to the Contractually Required Contributions	College's Contribution Deficiency (Excess)	College's Covered Payroll	College's Contributions as a Percentage of Covered Payroll
2021	\$559,078	(\$559,078)	\$0	\$3,993,414	14.00%
2020	615,721	(615,721)	0	4,398,007	14.00%
2019	702,218	(702,218)	0	5,015,843	14.00%
2018	708,003	(708,003)	0	5,057,164	14.00%
2017	741,740	(741,740)	0	5,298,143	14.00%
2016	692,899	(692,899)	0	4,949,279	14.00%
2015	793,985	(793,985)	0	5,671,321	14.00%
2014	776,386	(776,386)	0	5,972,200	13.00%
2013	803,347	(803,347)	0	6,179,593	13.00%
2012	811,098	(811,098)	0	6,239,214	13.00%

See accompanying notes to the required supplementary information.

**Southern State Community College
Highland County**

Required Supplementary Information

Schedule of the College's Proportionate Share of the Net Pension Liability (Asset)

Ohio Public Employees Retirement System

Last Eight Fiscal Years (1) (2)

<u>Year</u>	<u>College's Proportion of the Net Pension Liability</u>	<u>College's Proportionate Share of the Net Pension Liability</u>	<u>College's Covered Payroll</u>	<u>College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage as a of the Total Pension Liability</u>
2021	0.02083300%	\$3,084,914	\$2,942,486	104.84%	86.88%
2020	0.02105000%	4,160,675	3,287,200	126.57%	82.17%
2019	0.02434600%	6,667,876	3,701,799	180.13%	74.70%
2018	0.02664300%	4,179,770	3,622,942	115.37%	84.66%
2017	0.02775100%	6,301,780	4,139,575	152.23%	77.25%
2016	0.03099000%	5,367,859	4,294,814	124.98%	81.08%
2015	0.04073468%	4,913,057	4,307,114	114.07%	86.45%
2014	0.04073468%	4,802,088	4,427,764	108.45%	86.45%

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

(2) Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

**Southern State Community College
Highland County**

Required Supplementary Information

Schedule of College's Contributions for Net Pension Liability (Asset)

Ohio Public Employees Retirement System

Last Ten Fiscal Years

Year	College's Contractually Required Contribution	College's Contributions in Relation to the Contractually Required Contributions	College's Contribution Deficiency (Excess)	College's Covered Payroll	College's Contributions as a Percentage of Covered Payroll
2021	\$463,090	(\$463,090)	\$0	\$3,307,786	14.00%
2020	411,948	(411,948)	0	2,942,486	14.00%
2019	460,208	(460,208)	0	3,287,200	14.00%
2018	499,743	(499,743)	0	3,701,799	13.50%
2017	434,753	(434,753)	0	3,622,942	12.00%
2016	496,749	(496,749)	0	4,139,575	12.00%
2015	515,378	(515,378)	0	4,294,814	12.00%
2014	559,925	(559,925)	0	4,307,114	13.00%
2013	442,776	(442,776)	0	4,427,764	10.00%
2012	457,982	(457,982)	0	4,579,821	10.00%

See accompanying notes to the required supplementary information.

**Southern State Community College
Highland County**

Required Supplementary Information

Schedule of the College's Proportionate Share of the Net OPEB (Asset)/Liability

State Teachers Retirement System of Ohio

Last Five Years (1) (2)

Year	College's Proportion of the Net OPEB Asset/Liability	College's Proportionate Share of the Net OPEB (Asset)/Liability	College's Covered Payroll	College's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB (Asset)/Liability
2021	0.03666464%	(\$644,381)	\$4,398,007	(14.65%)	182.13%
2020	0.04272303%	(707,595)	5,015,843	(14.11%)	174.74%
2019	0.04471891%	(718,587)	5,057,164	(14.21%)	176.00%
2018	0.04651932%	1,815,012	5,298,143	34.26%	47.10%
2017	0.04703777%	2,515,592	4,949,279	50.83%	37.30%

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

(2) Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

**Southern State Community College
Highland County**

Required Supplementary Information

Schedule of College's Contributions for Net OPEB (Asset)/Liability

State Teachers Retirement System of Ohio

Last Ten Fiscal Years

Year	College's Contractually Required Contribution	College's Contributions in Relation to the Contractually Required Contributions	College's Contribution Deficiency (Excess)	College's Covered Payroll	College's Contributions as a Percentage of Covered Payroll
2021	\$0	\$0	\$0	\$3,993,414	0.00%
2020	0	0	0	4,398,007	0.00%
2019	0	0	0	5,015,843	0.00%
2018	0	0	0	5,057,164	0.00%
2017	0	0	0	5,298,143	0.00%
2016	0	0	0	4,949,279	0.00%
2015	0	0	0	5,671,321	0.00%
2014	59,722	(59,722)	0	5,972,200	1.00%
2013	61,796	(61,796)	0	6,179,593	1.00%
2012	62,392	(62,392)	0	6,239,214	1.00%

See accompanying notes to the required supplementary information.

**Southern State Community College
Highland County**

Required Supplementary Information

Schedule of the College's Proportionate Share of the Net OPEB (Asset)/Liability

Ohio Public Employees Retirement System

Last Five Years (1) (2)

Year	College's Proportion of the Net OPEB Asset/Liability	College's Proportionate Share of the Net OPEB (Asset)/Liability	College's Covered Payroll	College's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset)/Liability
2021	0.02211100%	(\$393,925)	\$3,273,043	(12.04%)	115.57%
2020	0.02292100%	3,165,986	3,637,829	87.03%	47.80%
2019	0.02631200%	3,430,464	4,066,311	84.36%	46.33%
2018	0.02855000%	3,100,320	3,622,942	85.57%	54.14%
2017	0.03001170%	2,883,647	4,139,575	69.66%	54.05%

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

(2) Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

**Southern State Community College
Highland County**

Required Supplementary Information

Schedule of College's Contributions for Net OPEB (Asset)/Liability

Ohio Public Employees Retirement System

Last Ten Fiscal Years

Year	College's Contractually Required Contribution	College's Contributions in Relation to the Contractually Required Contributions	College's Contribution Deficiency (Excess)	College's Covered Payroll	College's Contributions as a Percentage of Covered Payroll
2021	\$0	\$0	\$0	\$3,307,786	0.00%
2020	0	0	0	3,273,043	0.00%
2019	0	0	0	3,637,829	0.00%
2018	20,414	(20,414)	0	4,066,311	0.50%
2017	72,459	(72,459)	0	3,622,942	2.00%
2016	82,792	(82,792)	0	4,139,575	2.00%
2015	85,896	(85,896)	0	4,294,814	2.00%
2014	43,071	(43,071)	0	4,307,114	1.00%
2013	177,110	(177,110)	0	4,427,764	4.00%
2012	183,193	(183,193)	0	4,579,821	4.00%

See accompanying notes to the required supplementary information.

**Southern State Community College
Highland County**

*Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2021 and 2020*

Note 1 - Net Pension Liability

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2019-2021: There were no changes in benefit terms from the amounts reported for these fiscal years.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

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

Changes in Assumptions:

2019-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,
- (3) The payroll growth assumption was lowered to 3.00%,
- (4) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

Ohio Public Employees Retirement System (OPERS)

Changes in Benefit Terms:

2014-2021: There were no changes in benefit terms for this period.

Changes in Assumptions:

2020-2021: There were no changes in assumptions from the amounts reported for these fiscal years.

2019: The investment rate of return decreased from 7.5 percent to 7.2 percent.

2018: There were no changes in assumptions since the prior measurement date.

2017: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- (1) Reduction in the actuarially assumed rate of return from 8.00% down to 7.50%,
- (2) For defined benefit investments, decreasing the wage inflation from 3.75% to 3.25%, and (3) Changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%.

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for

**Southern State Community College
Highland County**

*Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2021 and 2020*

Note 2 - Net OPEB (Asset)/Liability

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2021: There was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

2020: There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in Assumptions:

2021: There were changes in assumptions during the measurement year, which decreased the total OPEB liability by approximately \$0.26 billion. The assumption changes included changes in healthcare costs and trends.

2020: There were changes in assumptions during the measurement year, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

**Southern State Community College
Highland County**

*Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2021 and 2020*

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

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

Ohio Public Employees Retirement System (OPERS)

Changes in Benefit Terms:

2021: There were no changes in benefit terms from the amounts reported for this fiscal year.

2020: On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees.

2018-2019: There were no changes in benefit terms for the period.

Changes in Assumptions:

2021: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate increased from 3.16 percent to 6.00 percent.
- The municipal bond rate decreased from 2.75 percent to 2.00 percent.
- The initial health care cost trend rate decreased from 10.5 percent to 8.5 percent.

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate decreased from 3.96 percent to 3.16 percent.
- The municipal bond rate decreased from 3.71 percent to 2.75 percent.
- The initial health care cost trend rate increased from 10.0 percent to 10.5 percent.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

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

2018: The single discount rate changed from 4.23 percent to 3.85 percent.

Southern State Community College
Highland County
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Assistance Listing Number	Total Federal Expenditures
<u>United States Department of Education</u>			
<i>Direct from the Federal Agency</i>			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grants	N	84.007	\$86,606
Federal Direct Student Loans	N	84.268	1,964,094
Federal Work-Study Program	N	84.033	33,822
Federal Pell Grant Program	N	84.063	<u>2,108,060</u>
Total Student Financial Aid Cluster			4,192,582
COVID 19 Higher Education Emergency Relief Fund - Student Aid Portion	N	84.425E	744,070
COVID 19 Higher Education Emergency Relief Fund - Institutional Portion	N	84.425F	688,003
COVID 19 Higher Education Emergency Relief Fund - Strengthening Institution Program	N	84.425M	<u>50,102</u>
Total Educational Stabilization Fund			1,482,175
<i>Passed through the Ohio Department of Education</i>			
Career and Technical Education - Basic Grants to States	3L90	84.048	48,072
Adult Education - Basic Grants to States	3120	84.002	<u>110,490</u>
Total United States Department of Education			<u>5,833,319</u>
<u>United States Department of the Treasury</u>			
<i>Passed through the Ohio Department of Higher Education</i>			
COVID 19 Coronavirus Relief Fund	5CV1	21.019	<u>478,078</u>
Total United States Department of the Treasury			<u>478,078</u>
Total Expenditures of Federal Awards			<u>\$6,311,397</u>

N - direct award.

See accompanying notes to the Schedule of Expenditures of Federal Awards

Southern State Community College
Highland County
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Note 1 – Basis of Presentation

The accompanying schedule of federal awards expenditures (the schedule) is a summary of the activity of the College’s federal award programs. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

Note 2 - Significant Accounting Policies

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

Note 3 – Federal Direct Student Loan Program

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, 2021. The College is a direct lender for these loan funds; however, they are not responsible for collecting these loans in future periods.

Assistance Listing Number	Program Name	Amount
84.268	Federal Subsidized Loans	\$896,407
84.268	Federal Unsubsidized Loans	1,067,687
	Total Federal Direct Student Loans	<u>\$1,964,094</u>

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

To the Board of Trustees
Southern State Community College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Southern State Community College, Highland County, Ohio, (the College) a component unit of the State of Ohio, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 15, 2021.

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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 15, 2021

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

To the Board of Trustees
Southern State Community College

Report on Compliance for Each Major Federal Program

We have audited the Southern State Community College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2021. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

Subsequent to issuing our Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance dated October 15, 2021, we determined the Education Stabilization Fund ALN 84.425 should have been audited as a major program. We also determined that there was some additional testing required related to the Student Financial Aid Cluster.

Report on Internal Control over Compliance

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

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

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

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.

Cincinnati, Ohio

October 15, 2021, except for the Education Stabilization Fund ALN 84.425 audited as a major federal program and some additional testing related to the Student Financial Aid Cluster, which are dated November 28, 2022.

**SOUTHERN STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

- Student Financial Assistance Cluster
- COVID 19 Coronavirus Relief Fund ALN 21.019
- Education Stabilization Fund:
 - HEERF-Student Aid Portion ALN 84.425E
 - HEERF-Institutional Portion ALN 84.425F
 - HEERF-Strengthening Institutions Program ALN 84.425M

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? Yes

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

None

Section III – Federal Award Findings and Questioned Costs

None

**SOUTHERN STATE COMMUNITY COLLEGE
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021**

Southern State Community College had no prior audit findings or questioned costs.

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OHIO AUDITOR OF STATE KEITH FABER



SOUTHERN STATE COMMUNITY COLLEGE

HIGHLAND COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/13/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov