STARK STATE COLLEGE

STARK COUNTY, OHIO

Audit Report

For the Year Ended June 30, 2019

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

OHIO AUDITOR OF STATE
KEITH FABER

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

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

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

Keith Faber
Auditor of State
Columbus, Ohio

January 3, 2020

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Stark County

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Stark State College, Stark County, Ohio (the College), as of and for the year ended June 30, 2019, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Stark State College, Stark County, Ohio, as of June 30, 2019, and the changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2019, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Charles E. Harris & Associates, Inc.
December 24, 2019

The discussion and analysis of the financial statements of Stark State College (the "College") provides an overview of financial activities for the years ended June 30, 2019 and 2018. Management has prepared the financial statements and the related note disclosures along with this discussion and analysis. The responsibility for the completeness and fairness of this information rests with the preparers.

Using this Annual Report

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

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

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

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

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

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

Condensed Statement of Net Position
(in thousands)

	2019	2018
Assets		
Current Assets		
Cash & cash equivalents & investments	$11,624	$7,560
Student accounts receivable, net	6,717	5,992
Intergovernmental & other receivables	4,591	4,492
Other current assets	2,156	1,641
Total current assets	25,088	19,685
Noncurrent Assets		
Cash & cash equivalents & investments	10,794	15,808
Capital assets, net	113,122	110,587
Other noncurrent assets	3,584	216
Total noncurrent assets	127,500	126,611
Total assets	152,588	146,296
Deferred Outflow of Resources	18,490	18,861
Liabilities & Net Position		
Current Liabilities		
Accounts payable & accrued liabilities	1,720	2,715
Deferred income	2,010	1,657
Other current liabilities	3,871	4,165
Total current liabilities	7,601	8,537
Long-Term Liabilities	76,290	81,660
Total liabilities	83,891	90,197
Deferred Inflow of Resources	17,368	15,643
Net Position		
Net Investment in Capital Assets	112,455	108,958
Restricted	1,190	1,013
Unrestricted	(43,826)	(50,654)
Total net position	$69,819	$59,317

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

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

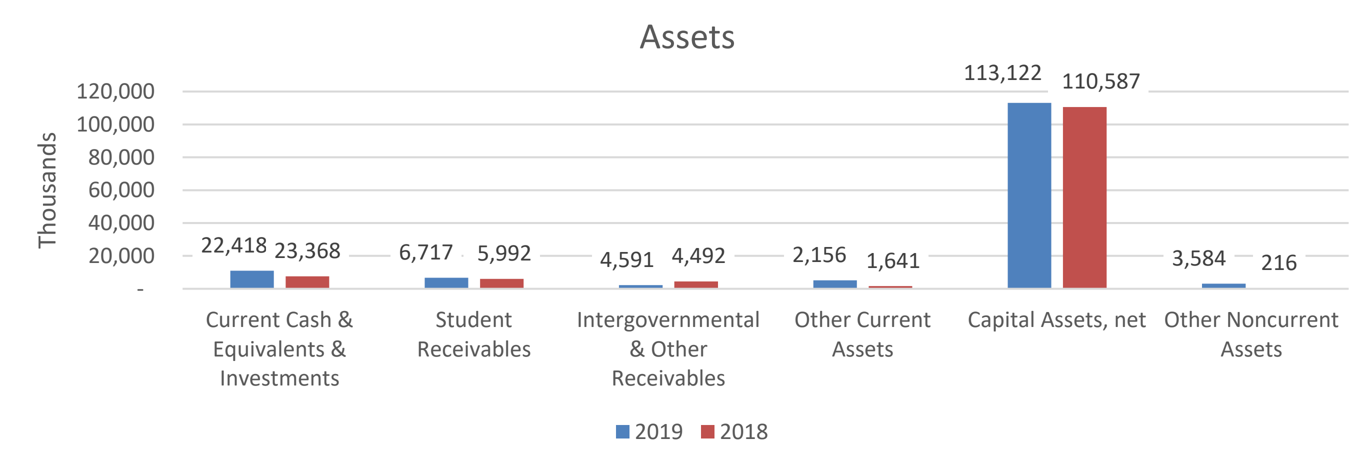
	2019	2018	Increase (Decrease) $	Increase (Decrease) %
Revenues				
Operating Revenues				
Tuition and fees, net	$22,492	$18,240	$4,252	23.3%
Federal grants and contracts	1,715	1,697	18	1.1%
Auxiliary enterprises: bookstore	4,367	4,691	(324)	-6.9%
Other operating revenues	3,685	3,805	(120)	-3.2%
Total operating revenues	32,259	28,433	3,826	
Expenses				
Operating Expenses				
Educational and general	68,128	47,052	21,076	44.8%
Auxiliary enterprises: bookstore	4,091	4,280	(189)	-4.4%
Total operating expenses	72,219	51,332	20,887	40.7%
Operating loss	(39,960)	(22,899)	(17,061)	
Nonoperating Revenues (Expenses)				
State appropriations	29,155	29,499	(344)	-1.2%
Federal grants	15,862	16,094	(232)	-1.4%
Other nonoperating revenue	1,130	739	391	52.9%
Other nonoperating (expenses)	(41)	(280)	239	-85.4%
Net nonoperating revenues (expenses)	46,106	46,052	54	
(Loss) Income before other revenues, expenses, gains or losses	6,146	23,153	(17,007)	-73.5%
Capital appropriations, gifts & grants	4,356	9,180	(4,824)	-52.5%
Increase (Decrease) in Net Position	10,502	32,333		
Net Position, beginning of year, restated	59,317	26,984		
Net Position - end of year	$69,819	59,317		

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

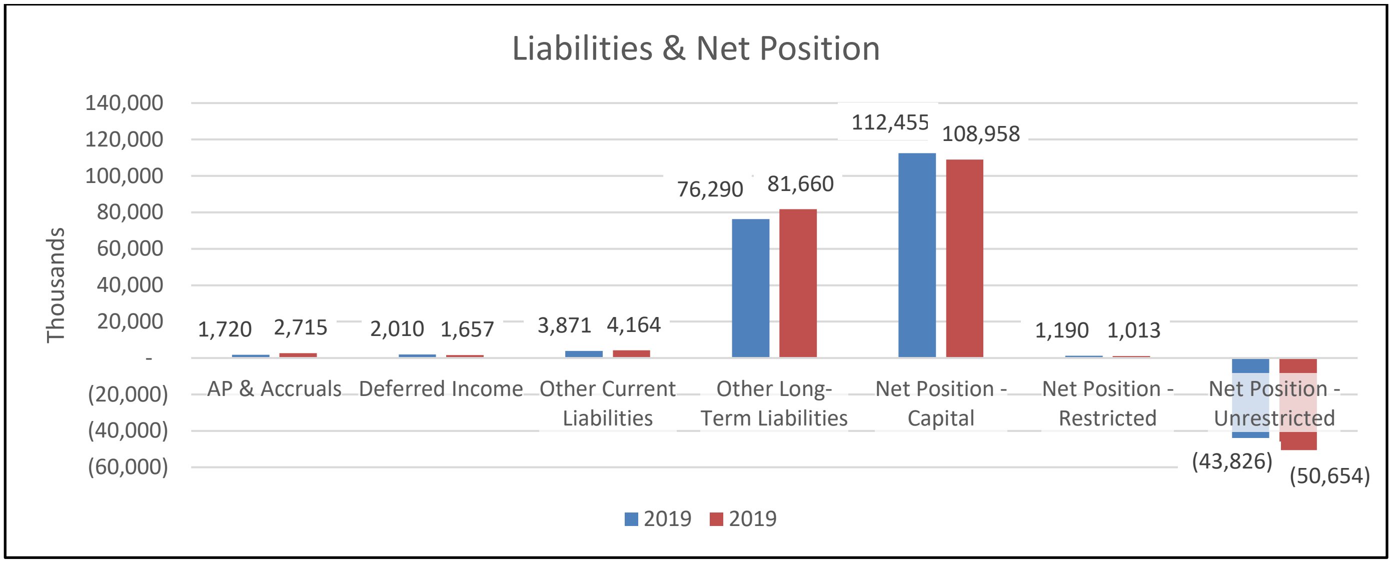
Condensed Statement of Cash Flows
(in thousands)

	2019	2018	Increase (Decrease) $	Increase (Decrease) %
Net cash provided (used) by Operating Activities	($41,314)	($45,146)	$3,832	8.5%
Net cash provided (used) by Noncapital Financing Activities	45,763	45,836	(73)	-0.2%
Net cash provided (used) by Capital Financing Activities	(3,899)	(6,331)	2,432	38.4%
Net cash provided (used) by Investing Activities	(357)	367	(724)	-197.3%
Net increase (decrease) in cash	$193	($5,274)	5,467	

Analysis of Assets and Liabilities & Net Position



Total assets increased by $6,292,000 during the year to a year-end amount of $152,588,000. Of this amount, $2,535,000 was related to net capital asset increases. Current cash and cash equivalents and short-term investments increased by $4,064,000, while long-term investments decreased $5,014,000 for a total decrease of $950,000 between cash and investments. Student Accounts increased $725,000 and Intergovernmental and Other Receivables increased by $99,000. All other Current and Noncurrent Assets increased by $515,000.

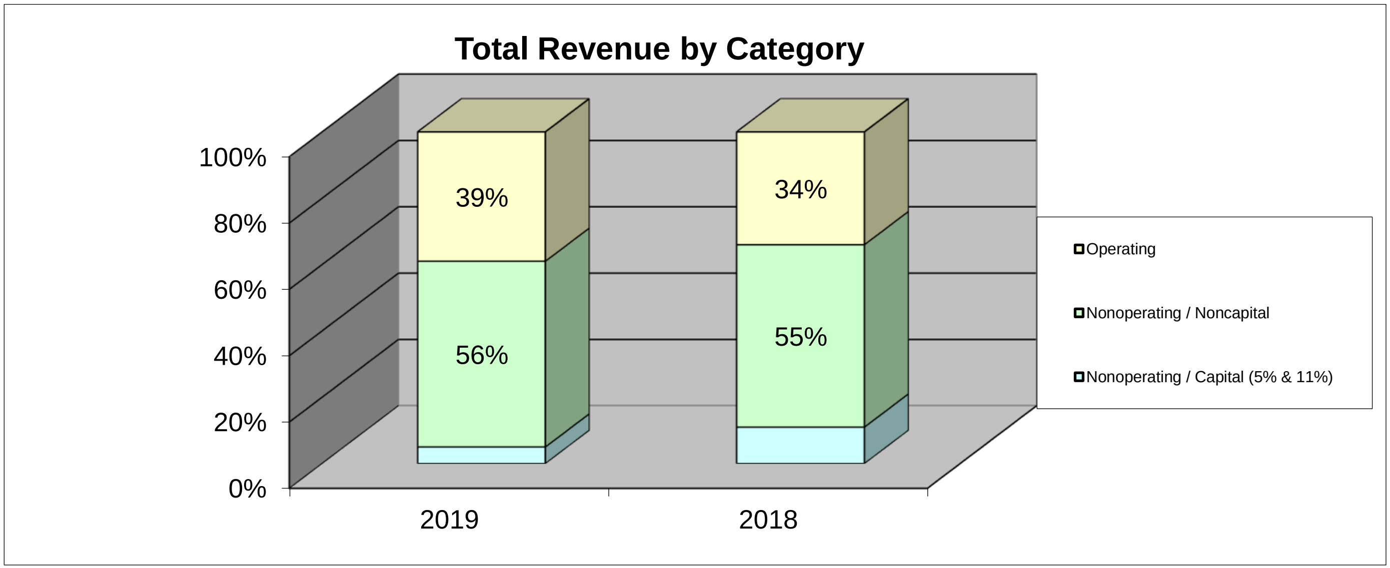


Total liabilities excluding net pension liability and net other postemployment benefit liability decreased since the beginning of the year by $1,166,000 to a year-end amount of $9,515,000. The noncurrent long-term liabilities excluding net pension liability and net other postemployment benefit liability decreased $230,000 to $1,915,000 due to debt payments on long-term construction bonds and a long-term capital lease-purchase for land. Current liabilities decreased by $936,000 to $7,601,000. Total liabilities decreased by $6,306,000.

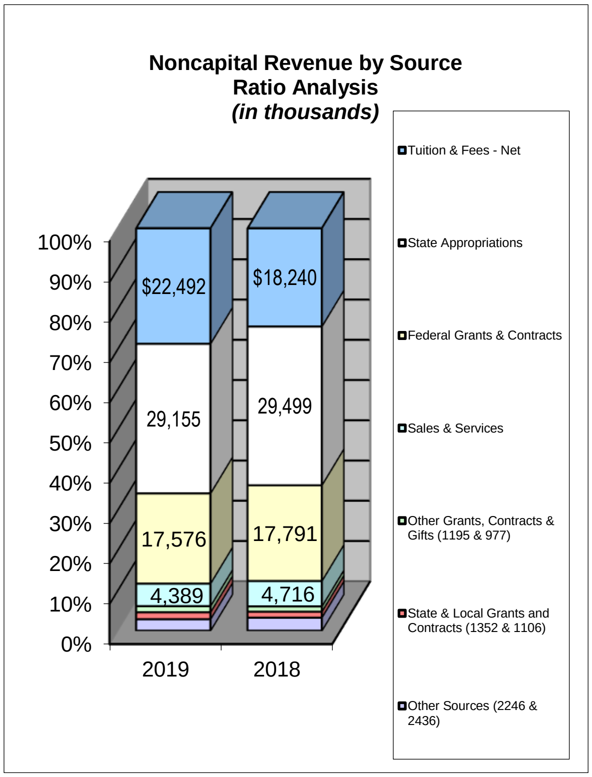
Total net position increased $10,502,000 following negative charges related to pension system liabilities under GASB Statements No. 68 and No. 75, which are not legal assets or obligations of the College. Unrestricted net position increased by $6,828,000, and restricted net position increased $177,000. The increase in unrestricted net position resulted from favorable operating results, increases by GASB 68 and 75 changes, net of reductions for transfers to Net Position - Capital.

Analysis of Revenues

The following chart provides categorical ratios of the College's revenue as a whole for the years ended June 30, 2019 and 2018:



The State Share of Instruction appropriation is the statutory burden of the state of Ohio for operating the College. This is classified as nonoperating revenue under generally accepted accounting principles, and it accounted for 35% of total revenue in 2019 and 2018. Other revenue includes capital appropriations, which is a subset of nonoperating revenue.



A traditional comparison of College revenue focuses on noncapital revenue. These are the funds that are spent for ongoing operations. The total of these revenues increased $3,641,000 this year (4.9%). This analysis will focus on the traditional revenues used for ongoing operations that are comparable to prior years' financial statements.

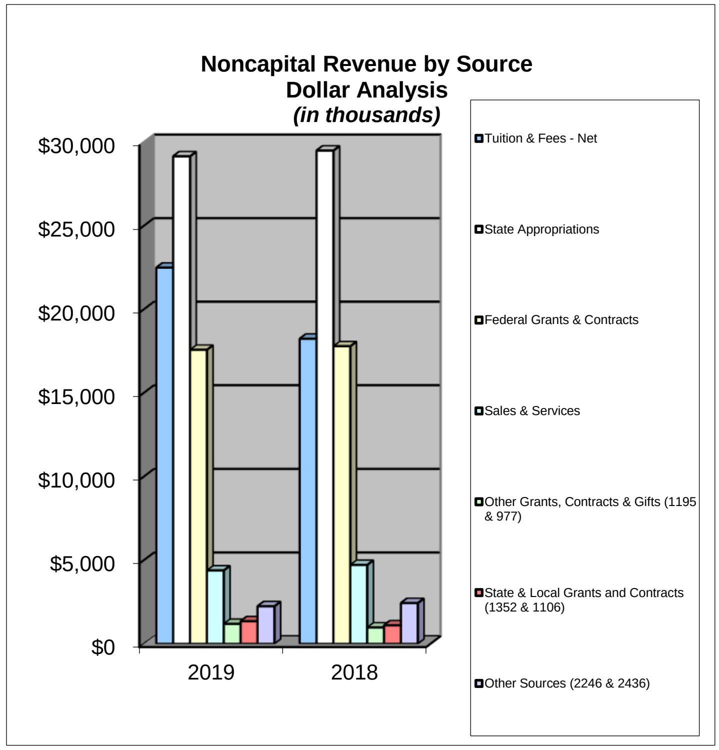
The Board of Trustees increased tuition during the Summer term of 2018. Gross tuition and fees increased $2,841,000. The scholarship allowance decreased $1,411,000. The end result was that the Tuition and fees, net of scholarship allowance increased $4,252,000 (23.3%).

The state appropriations from the State Share of Instruction, which is the primary source of state funding dedicated to support the operations of the College, decreased from prior year levels by $287,000 (-1.0%) as the College's share of the SSI appropriations decreased from FY2018 to FY2019. Other miscellaneous support from the Ohio Department of Higher Education also decreased $344,000.

Sales & Services, which include Auxiliary enterprise revenue from the College bookstore, decreased this year by $327,000 (-6.9%) due to decreased sales of textbooks, technology products and all categories of merchandise due to lower enrollment, net of textbook price inflation and lower margins for bundled inclusive access packages for online content required by textbook publishers.

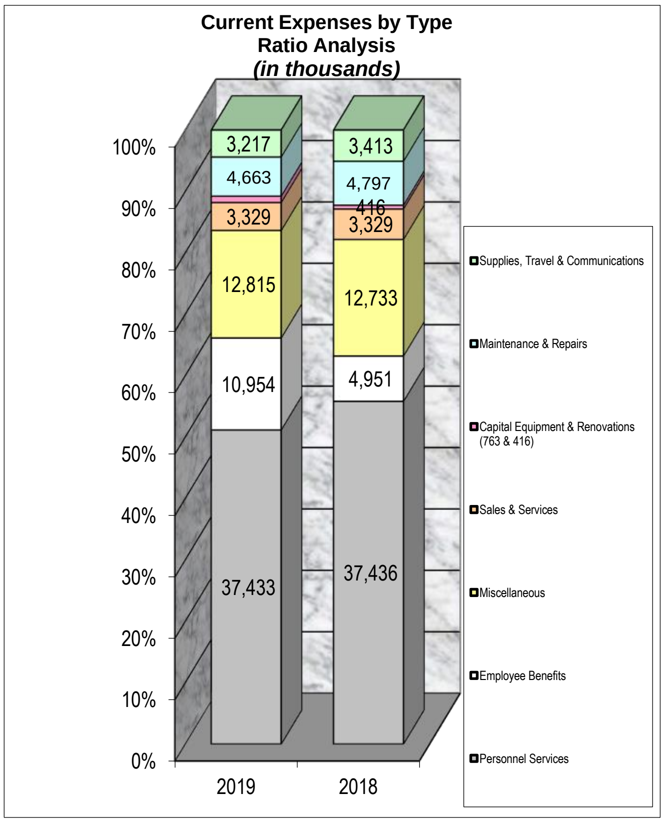
The decrease in Federal grants totaling $214,000 (-1.2%) were due mainly to the total federal student aid that tracked enrollment changes.

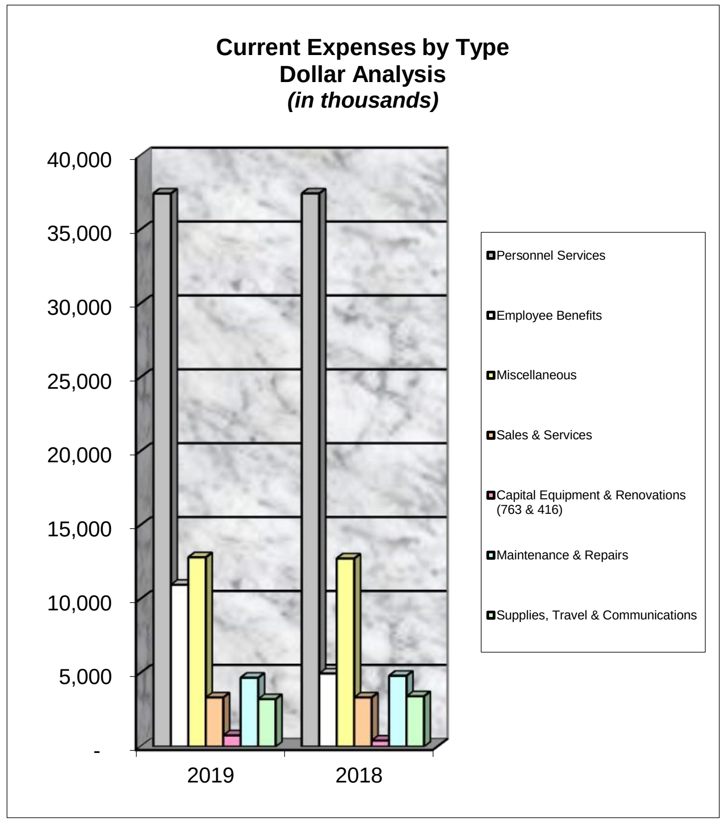
Other noncapital revenue consisting of State/Local/Other Grants, Contracts and Other Sources increased in total by $274,000 (6.1%) due to higher investment returns and increases in the 22+ Adult High School Completion pass-through grant program which were offset by lower miscellaneous receipts.



Analysis of Expenses

This analysis focuses on the College's operating budget categories; known as current expenses, which are normally reported in fund financial statements. These expenses approximate the College's expenses reported in the Statement of Revenues, Expenses and Changes in Net Position adjusted for depreciation and reduced by the capital equipment and renovations category which were plant fund activities. Total full-time equivalent enrollment declined 0.2%, and expenses increased 9.1%, primarily due to a one-time expense reduction in the prior year.





Total salary and wages were unchanged, although employees received a base pay increase of 2% effective July 1, 2018. The College decreased the usage of part-time instructors. Several full-time positions were vacated and the employees were not replaced compared to the prior fiscal year. Additionally, all part-time hourly employees had been limited to working no more than an average of 29 hours per week.

Employee benefits increased that were just above levels from two years ago. Health care premiums increased 5%. All benefits increased the average net benefit cost per labor unit slightly. During fiscal year 2018, the College's health care program saw significant cost reductions which caused the value of ownership interest in the program to increase, which mostly offset the expenses for the year. This was reported as a reduction of expense. The College cannot convert or redeem its ownership interest in the Stark County Schools Council of Governments Health Care Program.

Miscellaneous expenses net of the scholarship allowance reported parenthetically on the Statement of Revenues, Expenses and Changes in Net Position increased 0.6% from the prior year. Net student aid accounted for 85% of the Miscellaneous category. While gross student aid increased 2.0%, the scholarship allowance shown in the note on the student tuition and fees line decreased 11.7%. Grants from outside entities were the source for most of these costs. Professional services decreased by 6.1% as a result of fewer subcontracts with other educational institutions, contracts for services used to reduce deferred maintenance, and increased outside IT services. Student aid and professional services accounted for more than 100% of the net change in Miscellaneous expenses.

Sales & Services expenses were unchanged from the prior year due to decreased sales in the college bookstore offsetting increased costs. The College must also now resell textbooks bundled with online content with very little margin and online access to entire publishers' content for a flat fee with little margin.

Maintenance and Repairs decreased 2.8% over the prior year as the College had completed planned maintenance projects to refresh the main campus and opened the temporary Akron facility for its first classes in January 2017, which was in the prior fiscal year. This category also includes rent expense, which increased with the lease of the temporary Akron facility.

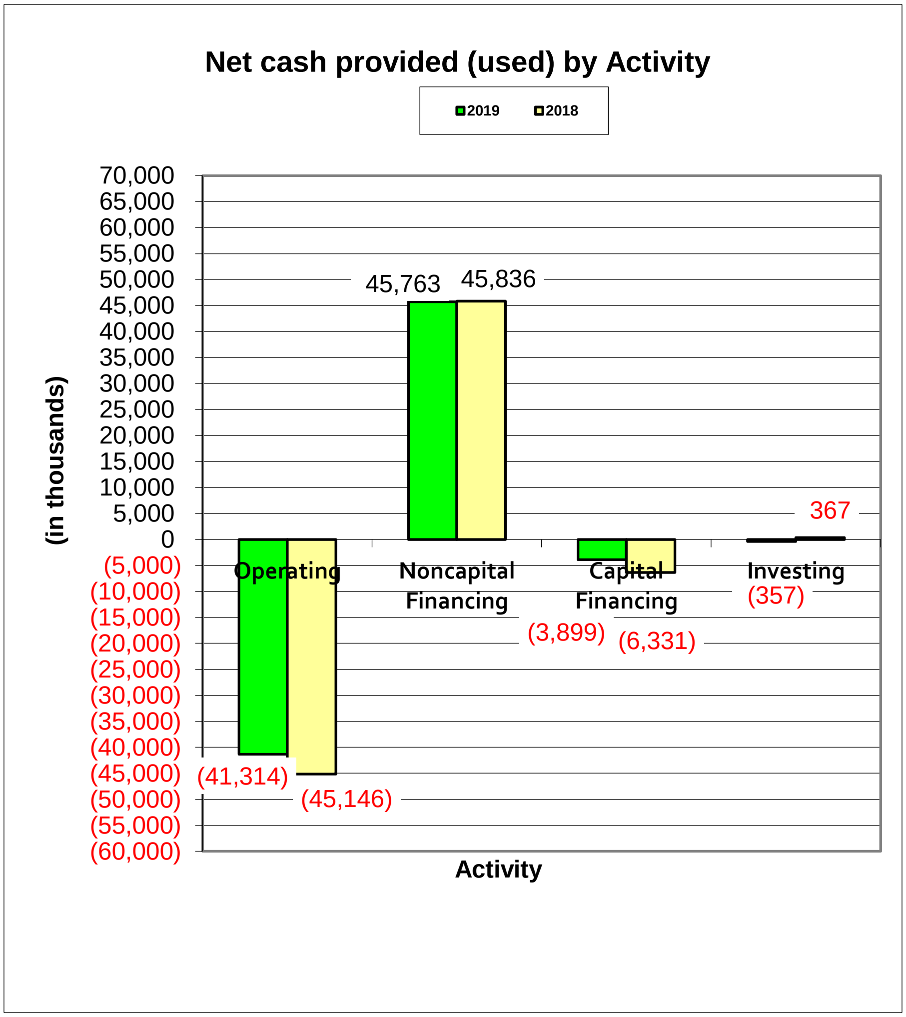
Equipment purchases from current funds increased 83.4%, which is still below the historic 3-, 5- and 10-year average spend on capital equipment. In the previous year, College resources were focused on the construction of the Akron satellite, and equipment purchases were delayed.

Communications expenses decreased 1.2%. Advertising and membership costs were the only expenses that increased from the prior year for the marketing and public relations of the new Akron satellite, while all other expenses decreased, including publications and subscriptions, memberships, copying and printing, and telecommunications.

Total Supplies expense decreased 10.8%. The College's operating supplies included personal computer replacements that were not capitalized. These costs were not incurred in the current unrestricted educational and general fund in FY2019.

The College constrained travel costs, and sought more cost effective professional development events on campus to avoid travel expenses compared to the prior year. The Instructional Division continued to develop additional in-house training opportunities for faculty. The result was that total travel expenses decreased by 9.2%.

Analysis of Cash Flows



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

Operating activities created less net cash outflow in total from the prior year. Gross tuition and fees increased this year primarily because of tuition increases. Payments to suppliers and for student aid increased slightly, while payments to employees and for benefits decreased slightly.

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

Capital financing activities provided proceeds from state appropriations, and debt payments. Decreased cash outflows were the result of higher payments on the construction of the Akron satellite in the prior year.

Cash flows from investing activities decreased cash on hand throughout the year. Interest on investments increased this year. With additional cash investments in Star Ohio and government notes, the cash flow from all other Cash Flow Activities was lower compared to the prior year.

Final Analysis

Stark State College is committed to establishing programs for in-demand fields that can increase enrollment and promote economic development in the College's service area. It is also committed to providing greater access through a revitalized satellite plan, academic outreach in Summit County and distance learning. Following the replacement of the facilities in downtown Canton and Alliance, the College entered into a lease-purchase Agreement for land owned by the City of Akron to build a new facility to serve the greater Akron/Summit County population. Following this transaction, the General Assembly modified in permanent law the service territory of the technical college district to incorporate Summit County. The new permanent campus facility has now been constructed on the City's land, and it opened for classes in August 2018. Phase II of the construction has also been completed and will expand the facility from two floors to four as of January 2020.

The College is dependent on the State of Ohio for funding, and state revenue has been meeting the budget projections to this point of the year. Although the Legislature did increase funding for the State Share of Instruction for FY2019 and FY2020 by 1% in total, the performance based distribution model did not provide the College with additional funding. They also took additional steps to control the ability of institutions to raise fees. To overcome these limitations on our total resources, the College is working to increase productivity in the classroom, increase cost saving measures, and institute changes to the student fee schedule where permitted, change staffing strategies and implement additional cost reductions.

During the Fall term of 2019 academic term, most Ohio two-year colleges declined in enrollment compared to the prior academic year. Enrollment had been down at the College during each of the prior seven years until the Summer term of 2018, which overlapped fiscal years 2018 and 2019. Enrollment has now leveled off in total despite the opening of the permanent location in Akron. The College has implemented new policies and procedures in the areas of financial aid and loan default prevention, as well as new practices across the spectrum of student services with the goal of improving student outcomes and retention rates. The College awarded more certificates and degrees in FY2019 than at any time in its history. Management has developed a wide-ranging set of contingency options to consider in the event of a continuing downturn in enrollment with the intent of not compromising its philosophy, goals, objectives and values.

Management firmly believes that its ability to manage the overall financial position of the College is strong, and that the College has demonstrated positive results from operations during the past year, and will continue to do so. The College's enrollment, reserves and cash position are sufficient to endure worsening conditions into the near term and to continue to invest in its new Akron campus, which has been made the highest priority in the College's request for state capital appropriations to complete a mechanical, industrial and machine shop training facility to allow for continued growth into the future.

Stark State College

Statement of Net Position

June 30, 2019

Assets		
Current assets:		
Cash and cash equivalents	$	2,658,291
Investments		8,307,798
Student accounts receivable, net		6,716,809
Intergovernmental receivables		2,218,949
Other receivables, net		1,638,386
Foundation receivable		669,046
Construction loan receivable, current portion		64,166
Advance payments and postponed charges		1,026,929
Insurance reserve		657,702
Inventories, at cost		1,129,522
Total current assets		25,087,598
Non-current assets:		
Cash and cash equivalents		224,768
Investments, long-term		8,174,331
Construction loan receivable		246,762
Advance payments and postponed charges		199,559
Endowment investments		335,734
Insurance reserve		2,059,173
Net pension asset OPERS		155,131
Net OPEB asset STRS		2,982,345
Capital assets not being depreciated		14,758,337
Capital assets, net of depreciation		98,364,036
Total non-current asset		127,500,176
Total assets		152,587,774
Deferred Outflow of Resources		
Pensions:		
Deferred outflows STRS		11,182,828
Deferred outflows OPERS		6,087,895
Deferred outflows OPERS OPEB		870,626
Deferred outflows STRS OPEB		348,340
Total deferred outflow of resources	$	18,489,689

(continued)

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

Stark State College

Statement of Net Position (continued)

June 30, 2019

Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$	1,719,887
Deferred income		2,009,721
Accrued salaries and wages		2,803,237
Insurance claims payable		657,738
Compensated absences		259,118
Deposits held for others		117,748
Long term liabilities - current portion		32,987
Total current liabilities		7,600,436
Non-current liabilities		
Deposits		76,356
Long-term capital lease		636,226
Executive compensation		184,383
Compensated absences		863,724
Lease rent payable		154,240
Net pensions liability OPERS		22,464,985
Net OPEB liability OPERS		11,101,550
Net pensions liability STRS		40,808,464
Total noncurrent liabilities		76,289,928
Total liabilities		83,890,364
Deferred Inflows of Resources		
Pensions:		
Deferred inflows STRS		9,279,827
Deferred inflows STRS OPEB		5,186,679
Deferred inflows OPERS		1,964,729
Deferred inflows OPERS OPEB		937,086
Total deferred inflow of resources	$	17,368,321

(continued)

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

Stark State College

Statement of Net Position (continued)

June 30, 2019

Net Position		
Net investment in capital assets	$	112,455,183
Restricted for:		
Non-expendable:		
Scholarships		340,144
Expendable:		
Student grants and scholarships		12,891
Public service		8,189
Instructional departments		294,636
Student services		468,893
Capital projects		58,624
Academic support		5,500
Institutional support		823
Total restricted		1,189,700
Unrestricted		(43,826,105)
Total net position	$	69,818,778

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

Stark State College

Statement of Financial Position – Component Unit

June 30, 2019

Assets		
Cash and cash equivalents	$	1,722,165
Unconditional promises to give:		
Without donor restrictions		1,744
Donor restricted to student services		13,954
Donor restricted to scholarships		56,286
Investments held for others		326,182
Endowment investments:		
Cash and cash equivalents		210,266
Long-term investments		6,985,131
Total assets		9,315,728
Liabilities		
Accounts payable		91
Amounts due to College		669,046
Investments held for others		326,182
Total liabilities		995,319
Net Assets		
Without donor restrictions		124,231
With donor restrictions		8,196,178
Total net assets		8,320,409
Total net assets and liabilities	$	9,315,728

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

Stark State College

Statement of Revenues, Expenses and Changes in Net Position

For the year ended June 30, 2019

Revenues		
Operating revenues:		
Student tuition and fees (net of scholarship allowances of $11,873,116)	$	22,492,096
Federal grants and contracts		1,714,765
State and local grants and contracts		1,197,786
Non-governmental grants and contracts		802,900
Sales and services of educational departments		22,454
Auxiliary enterprises: bookstore		4,366,868
Other operating revenues		1,661,918
Total operating revenues		32,258,787
Expenses		
Operating expenses:		
Educational and general:		
Instruction		21,529,823
Academic support		6,924,392
Student services		7,100,005
Institutional support		10,801,277
Operation and maintenance of plant		6,882,484
Student aid		8,903,040
Public service		1,271,056
Depreciation		4,715,907
Auxiliary enterprises: bookstore		4,091,061
Total operating expenses		72,219,045
Operating loss		(39,960,258)
Non-operting revenues (expenses):		
State appropriations		29,155,038
Federal grants		15,861,532
State and local grants		154,259
Gifts		392,000
Investment income		303,949
Interest on capital asset-related debt		(40,731)
Other non-operating revenues (expenses)		280,021
Net non-operating revenues (expenses)		46,106,068
Income Before Other Revenues, Expenses, Gains, or Losses		6,145,810
Capital appropriations		4,356,339
Increase in net position		10,502,149
Net Position		
Net position, beginning of year		59,316,629
Net position, end of Year	$	69,818,778

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

Stark State College

Statement of Activities and Changes in Net Assets – Component Unit

For the year ended June 30, 2019

Changes in Net Assets without Donor Restrictions		
Support:		
Individuals	$	8,863
Corporations and foundations		5,839
In-kind donations		106,964
Investment return, net		28,533
Net assets released from restrictions:		
Restrictions satisfied by payments		703,167
Total support, revenues and gains without donor restrictions		853,366
Expenses:		
Student scholarships		440,909
Instructional supplies		243,281
Student services		102,566
Professional development		5,855
Barberton campus equipment		16,930
Campus improvements		401
General and administrative		25,625
Total expenses		835,567
Increase in net assets without donor restrictions		17,799
Changes in net assets with donor restrictions		
Support for:		
Instructional departments		2,152
Scholarships and loans for students		429,807
Student services		163,319
Aesthetics		532
Equipment		448,834
Investment return, net		521,266
Net assets released from donor restrictions		(703,167)
Increase in net assets with donor restrictions		862,743
Increase in net assets		880,542
Net assets at beginning of year		7,439,867
Net assets at end of year	$	8,320,409

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

Stark State College

Statement of Functional Expenses – Component Unit

For the year ended June 30, 2019

	Program	Management and General	Total Expenses
Functional Expenses:			
Professional services	$ -	$ 5,831	$ 5,831
Donation software	-	9,533	9,533
Travel and meals	-	5,266	5,266
Miscellaneous other	-	4,995	4,995
Functional expenses, subtotal	-	25,625	25,625
Staff professional development	5,855	-	5,855
Student scholarships	440,909	-	440,909
Student services	102,566	-	102,566
Instructional equipment	243,281	-	243,281
Campus improvements	401	-	401
Barberton campus	16,930	-	16,930
Total functional expenses	$ 809,942	$ 25,625	$ 835,567

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

Stark State College

Statement of Cash Flows

For the year ended June 30, 2019

Cash Flows from Operating Activities		
Tuition and fees	$	22,264,410
Grants and contracts		4,815,219
Payments to suppliers		(17,472,180)
Payments to employees and for benefits		(47,030,869)
Payments for student aid		(8,903,040)
Loans issued to students		(1,825)
Auxiliary enterprise charges: bookstore		4,366,868
Sales and service of educational activities		22,454
Other cash receipts		624,866
Net cash provided (used) by operating activities		(41,314,097)
Cash Flows from Noncapital Financing Activities		
State appropriations		29,155,038
Federal grants		15,861,532
Gifts and grants for other than capital purposes		826,280
Stafford, PLUS, NEALP and other loans received		14,488,013
Stafford, PLUS, NEALP and other loans disbursed		(14,488,013)
Agency transactions		(79,607)
Net cash provided by noncapital financing activities		45,763,243
Cash Flows from Capital Financing Activities		
Capital appropriations		4,356,339
Purchases of capital assets		(7,251,636)
Principal paid on capital debt and leases		(962,926)
Interest paid on capital debt and leases		(40,731)
Net cash provided by capital financing activities		(3,898,954)
Cash Flows from Investing Activities		
Interest on investments		303,949
Purchase of investments		(660,857)
Net cash used by investing activities		(356,908)
Net increase in cash		193,284
Cash - beginning of year		2,689,775
Cash - end of year	$	2,883,059

(continued)

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

Stark State College

Statement of Cash Flows (continued)

For the year ended June 30, 2019

Reconciliation of operating loss to net cash used by operating activities:

Operating loss	$	(39,960,258)
Adjustments to reconcile net (loss) to net cash used by operating activities:		
Depreciation expense		4,715,907
Changes in assets and liabilities:		
Receivables, net		(446,172)
Inventories		(152,029)
Other assets		317,976
Net pension asset		(2,921,005)
Deferred outflows - pensions and OPEB		371,002
Accounts payable		(177,773)
Advance revenue		353,137
Net pension liability		1,998,479
Net OPEB liability		(7,138,290)
Deferred inflows - pensions and OPEB		1,724,929
Net cash used by operating activities	$	(41,314,097)

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

Note 1: Description of the Entity

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

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

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

Note 2: Summary of Significant Accounting Policies

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

Note 2: Summary of Significant Accounting Policies (continued)

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

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

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

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. A portion of the student tuition and fees for the summer session 2019 and all of the payments of student tuition and fees resulting from early registration for the fall session 2019 are included in unearned revenue.

Deferred Outflow/Inflow of Resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. Deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resource (expense/expenditure) until then. For the College, deferred outflow of resources includes a deferred charge for pension and other postemployment benefit plans. Deferred outflow of resources related to pension and other postemployment benefit plans are explained in Notes 8 and 9.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflow of resources. Deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the College, deferred inflow of resources includes pension and other postemployment benefit plans. Deferred inflow of resources related to pension and other postemployment benefit plans are explained in Notes 8 and 9.

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

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

Note 2: Summary of Significant Accounting Policies (continued)

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

During fiscal year 2019, investments were limited to STAR Ohio, U.S. Treasury and Agency items, mutual funds, corporate notes and corporate stock.

During fiscal year 2019, the College invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The College measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

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

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

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

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

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

Note 2: Summary of Significant Accounting Policies (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

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

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

a) The employees' rights to receive compensation are attributable to services already rendered.
b) It is probable that the employer will compensate the employee for the benefits through paid time off or some other means.

Other compensated absences with characteristics similar to vacation leave are those which are not contingent on a specific event outside the control of the employer and employee.

Further, sick leave and other similar compensated absences are those which are contingent on a specific event that is outside the control of the employer and employee. The College has accrued a liability for these compensated absences using the termination method. A liability is reported when the benefits are earned by the employees and it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' retirement ("termination payments"). The sick leave liability has been based on the College's past experience of making termination payments.

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

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

Net position is reported as restricted when there are limitations imposed on their use. The College identifies restricted net position as either non-expendable or expendable. Non-expendable net position represents endowment contributions from donors that are permanently restricted as to principal. Expendable net position relates to grants and contract activity, whose use is subject to externally imposed restrictions. As of June 30, 2019, the College's restricted net position is $1,189,700, none of which were restricted by enabling legislation.

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

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

Note 3: Cash and Investments

A. Policies and Practices – It is the responsibility of the Business and Finance Department to deposit and invest the College's idle funds. The College's practice, with the exception of some endowment charitable gifts, is to limit investments to United States Treasury notes and bills, collateralized certificates of deposit and repurchase agreements, insured and/or collateralized demand deposit accounts or obligations of other United States agencies for which the principal and interest is guaranteed by the United States Government. The College does not enter into reverse repurchase agreements.

The investment and deposit of College monies is governed by the Ohio Revised Code. In accordance with the Ohio Revised Code, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. Also, the investment of the College's funds are restricted to certificates of deposit, savings accounts, money market accounts and the State Treasurer's Investment Pool (STAR Ohio), STAR Plus, obligations of the United States Government or certain agencies thereof and certain industrial revenue bonds issued by other governmental entities. The College may also enter into repurchase agreements with any eligible depository for a period not exceeding thirty days. Public depositories must give security for all public funds on deposit. These institutions may specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities with a face value that is at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for the public deposits and investments to be maintained in the College's name.

STAR Plus is a cash management program endorsed by the Ohio Treasurer of State, which allows political subdivisions of the State of Ohio access to the Federally Insured Cash Accounts or FICA® program. The FICA program provides access to hundreds of Federal Deposit Insurance Corporation insured banks via a single, convenient account with a custodial bank that is managed by an investment advisor registered with the U.S. Securities and Exchange Commission. The funds held with STAR Plus are reported in deposits at June 30, 2019.

B. Cash on Hand – At June 30, 2019, the College had $16,520 in un-deposited cash on hand, which is included in "cash and cash equivalents" on the accompanying Statement of Net Position.

C. Deposits – At June 30, 2019, the reported amount of the College's deposits was $2,866,539 and the bank balance was $3,334,548, of which $1,349,409 was covered by the FDIC insured limit and $1,985,139 was collateralized in accordance with Ohio Revised Code Section 135.

Note 3: Cash and Investments (continued)

D. Investments – The College had the following investments and maturities as of June 30, 2019:

		Investment Maturity (in years)		
Investment Type	Measurement Value	Less than 1 Year	1 – 5	More than 5 Years
Insurance Reserve	$ 2,716,875	$ 657,702	$ 2,059,173	$ -
STAR Ohio	1,272,900	1,272,900	-	-
Investments:				
Money Market Funds	455,936	455,936	-	-
U.S. Agencies	12,259,516	5,583,120	6,676,396	-
Corporate Notes	95,484	27,755	27,972	39,757
Negotiable Certificates of Deposit	2,492,342	995,842	1,496,500	-
Mutual Funds	18,113	18,113	-	-
Corporate Stock	223,572	223,572	-	-
	$ 19,534,738	$ 9,234,940	$ 10,260,041	$ 39,757

The investment in STAR Ohio and money market funds are reported in "cash and cash equivalents" in the Statement of Net Position. The negotiable certificates of deposit are fully covered by FDIC insurance. The STAR Ohio average days to maturity is 53.3 days.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's Investment Policy prohibits the purchase of securities that will mature more than five years from the date of settlement. Investments maturing in greater than 5 years are maintained in the Stark State College Foundation investment portfolio.

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

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

Note 3: Cash and Investments (continued)

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

Money Market	AAAm	2.3%
Mutual Fund	AAAm	0.1%
Corporate Stock	A	0.0%
Corporate Stock	A-	0.1%
Corporate Stock	A+	0.1%
Corporate Stock	AA-	0.1%
Corporate Stock	AA+	0.0%
Corporate Stock	AAA	0.0%
Corporate Stock	BB	0.0%
Corporate Stock	BB-	0.0%
Corporate Stock	BB+	0.0%
Corporate Stock	BBB	0.0%
Corporate Stock	BBB-	0.0%
Corporate Stock	BBB+	0.1%
Corporate Stock	Not Rated	0.6%
Corporate Notes	A	0.0%
Corporate Notes	A-	0.1%
Corporate Notes	AA-	0.0%
Corporate Notes	BBB	0.1%
Corporate Notes	BBB	0.0%
Corporate Notes	BBB+	0.1%
Corporate Notes	Not Rated	0.1%
Star Ohio	AAAm	6.5%
Negotiable Certificates of Deposit	Not Rated	12.8%
US Agencies	AA+	62.8%
Insurance Reserve	Not Rated	14.1%

Note 4: Fair Value Measurements

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

Note 4: Fair Value Measurements (continued)

Stark State College has the following recurring Fair Value measurements for June 30, 2019:

		Fair Value Measurements		
		Level 1	Level 2	Level 3
	Balance at 6/30/2019	Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Insurance Reserve	$ 2,705,066	$ -	$ 2,705,066	$ -
U.S. Agencies	12,259,516	-	12,259,516	-
Corporate Notes	95,484	-	95,484	-
Negotiable Certificates of Deposit	2,492,342	-	2,492,342	-
Mutual Funds	18,113	18,113	-	-
Corporate Stock	223,572	223,572	-	-
	$ 17,794,093	$ 241,685	$ 17,552,408	$ -

The Star Ohio and money market fund balances of $1,272,900 and $455,936, respectively, as of June 30, 2019 are not included in the table above.

The College has the following recurring fair value measurements as of June 30, 2019:

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

Note 5: Capital Assets

A summary of the changes in capital assets and related accumulated depreciation for the year ended June 30, 2019, is as follows:

	Balance 6/30/18	Additions	Disposals	Transfers	Balance 6/30/19
Capital assets not being depreciated:					
Land	$ 7,677,535	$ -	$ -	$ 24,871	$ 7,702,406
Construction in progress	111,726	6,523,049	-	(5,545,332)	1,089,443
Software	5,966,488	-	-	-	5,966,488
Total capital assets not being depreciated:	13,755,749	6,523,049	-	(5,520,461)	14,758,337
Capital assets being depreciated:					
Land improvements	6,270,454	-	-	-	6,270,454
Building and leasehold improvements	130,142,153	-	-	5,520,461	135,662,614
Equipment	10,665,189	728,587	(14,233)	-	11,379,543
Infrastructure	309,310	-	-	-	309,310
Total capital assets being depreciated	147,387,106	728,587	(14,233)	5,520,461	153,621,921
Less accumulated depreciation for:					
Land improvements	3,395,330	227,284	-	-	3,622,614
Building and leasehold improvements	39,584,731	3,663,641	-	-	43,248,372
Equipment	7,353,197	818,227	(14,233)	-	8,157,191
Infrastructure	222,952	6,756	-	-	229,708
Total accumulated depreciation	50,556,210	4,715,908	(14,233)	-	55,257,885
Capital assets being depreciated, net	96,830,896	(3,987,321)	-	5,520,461	98,364,036
Capital assets, net	$ 110,586,645	$ 2,535,728	$ -	$ -	$ 113,122,373

Note 6: Leases

Stark State College leases buildings and parking lots on a month-to-month basis and under long-term operating lease agreements. Rent expense totaled $1,420,287 during the year ended June 30, 2019. Aggregate future minimum lease payments under these non-cancelable operating lease agreements are as follows for the years ending June 30:

2020	$	762,275
2021		451,774
2022		383,224
2023		298,826
2024		221,400
Thereafter		840,150
	$	2,957,649

Stark State College leases its buildings, equipment, and parking lots to companies for specific days and under long-term operating lease agreements. The property used for rental purposes under long-term operating lease agreements has an original prorated cost of $36.7 million, and accumulated depreciation of $10.6 million at June 30, 2019. Rent income totaled $884,715 during the year ended June 30, 2019. Aggregate future minimum lease receipts under the non-cancellable operating lease agreements are as follows for the years ending June 30:

2019	$	566,930
2020		551,285
2021		543,141
2022		298,273
2023		66,112
	$	2,025,741

Lease Obligation Payable

The College entered into a Ground Lease-Purchase Agreement on August 23, 2016 for land in Akron, Ohio and is classified as a capital lease. Land valued at $764,041 is being purchased from the City of Akron, Ohio and used to build the Akron Satellite for Stark State College. The ground lease-purchase agreement transfers ownership of the land to Stark State College at the end of the lease term, which is twenty years. The following is a schedule showing the future minimum lease payments as of June 30, 2019. The interest rate used is an imputed rate of 2.16% to compute present value, and the annual payments due are $47,469.

2020	$	47,469
2021		47,469
2022		47,469
2023		47,469
2024		47,469
Thereafter		569,627
		806,972
Less amount representing interest		137,760
Present value of minimum lease payments	$	669,212

Note 7: Long-Term Liabilities

The College's long-term liabilities consisted of the following at June 30, 2019:

	Balance 6/30/18	Additions	Reductions	Balance 6/30/19	Due Within One Year
Bonds:					
2010 Series A1 (Tax-Exempt)	$ 930,637	$ -	$ 930,637	$ -	$ -
Net pension/OPEB liability:					
OPERS	14,752,582	7,712,403	-	22,464,985	-
OPERS OPEB	10,598,858	502,692	-	11,101,550	-
STRS	46,522,388	-	5,713,924	40,808,464	-
STRS OPEB	7,640,982	-	7,640,982	-	-
Total net pension/OPEB liability	79,514,810	8,215,095	13,354,906	74,374,999	-
Other Long-Term Liabilities:					
Ground lease- City of Akron	701,501	-	32,288	669,213	32,987
Deposits	66,766	9,590	-	76,356	-
Executive compensation	122,012	62,371	-	184,383	-
Compensated absences	1,167,231	47,799	92,188	1,122,842	259,118
Lease liability	246,068	-	91,828	154,240	-
Total other long-term liabilities	2,303,578	119,760	216,304	2,207,034	292,105
Total	$ 82,749,025	$ 8,334,855	$ 14,501,847	$ 76,582,033	$ 292,105

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

The College paid monthly Governmental Lease payments to the Ohio Treasurer of State to fund the State's sinking bond fund as a requirement of the enabling legislation for the bonds under the State Community and Technical College Facilities Intercept Bond program. The Treasurer of State issues a monthly lease payment schedule at the beginning of each fiscal year for the following three fiscal years. The Treasurer of State makes the semiannual coupon payments on March 1 and September 1 and redemption payments on September 1 of each applicable year. The interest rates on the 2010 Series A1 Tax Exempt Bonds coupons ranged from 2.000% to 2.625%. The College paid off these bonds early, in June 2019, so there is no remaining liability.

Lease liability – The College has three operating lease agreements which contain rent step increases in the terms of the agreement. In accordance with GAAP, the College expenses the leases on a straight-line basis and records a lease liability for the portion of the rent expense that was unpaid as of June 30, 2019.

Note 8: Pension Plans

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

Net Pension Liability or Asset

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

The net pension liability or asset represents the College's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability or 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 this estimate annually.

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

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

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

A. Ohio Public Employees Retirement System

Plan Description – The College employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. 1.) The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan. 2.) The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Members accumulate retirement assets equal to the value of the member and (vested) employer contributions, plus any investment earnings thereon. 3.) The Combined Plan (CP) - a cost-sharing, multiple-employer defined benefit pension plan. Employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Plan benefit. Member contributions, whose investment is

Note 8: Pension Plans (continued)

self-directed by the member, accumulate retirement assets in a manner similar to the MD.

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; the following disclosure focuses on the traditional and the combined plans.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/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 were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and service requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and service requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and service requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
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	**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	**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

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.

Once a benefit recipient retiring under the Traditional Plan has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided on the member's base benefit. Members retiring under the Combined Plan receive a cost-of-living adjustment on the defined benefit portion of their retirement benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Note 8: Pension Plans (continued)

Additionally, a death benefit of $500-$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional and Combined Plan.

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

	State and Local
2018 Statutory maximum contribution rates	
Employer	14.00 %
Employee	10.00 %
2018 Actual contribution rates	
Employer:	
Pension	14.00 %
Post-employment health care benefits	-
Total employer	14.00 %
Employee	10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The College's contractually required contribution for the Traditional Plan and Combined Plan was $1,834,102 and $100,775 for 2019. Of this amount, $266,332 is reported as liability.

B. State Teachers Retirement System

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age.

Note 8: Pension Plans (continued)

Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, plan members were required to contribute 14 percent of their annual covered salary. The College was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS was $3,008,815 for fiscal year 2019. Of this amount $212,430 is reported as a liability.

Note 8: Pension Plans (continued)

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

The net pension liability or asset was measured as of June 30, 2018, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability or asset 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:

	OPERS Traditional	OPERS Combined	STRS	Total
Proportion of the net pension liability - prior measurement date	0.09403700%	0.15901500%	0.19584074%	
Proportion of the net pension liability - current measurement date	0.08202500%	0.13873000%	0.18559632%	
Change in proportionate share	-0.01201200%	-0.02028500%	-0.01024442%	
Proportionate share of the net pension liability (asset)	$ 22,464,985	$ (155,131)	$ 40,808,464	$ 63,118,318
Pension expense	$ 3,399,993	$ 7,056	$ 682,743	$ 4,089,792

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

Note 8: Pension Plans (continued)

	OPERS Traditional	OPERS Combined	STRS	Total
Deferred outflows of resources				
Differences between expected and actual experience	$ 1,036	$ -	$ 941,984	$ 943,020
Net difference between projected and actual earnings on pension plan investments	3,049,127	33,418	-	3,082,545
Changes of assumptions	1,955,632	34,648	7,232,029	9,222,309
Changes in proportionate share and difference between College contributions and proportionate share of contributions	735	21,178	-	21,913
College contributions subsequent to the measurement date	940,448	51,673	3,008,815	4,000,936
Total deferred outflows of resources	$ 5,946,978	$ 140,917	$ 11,182,828	$ 17,270,723
Deferred inflows of resources				
Differences between expected and actual experience	$ 294,978	$ 63,359	$ 266,504	$ 624,841
Net difference between projected and actual earnings on pension plan investments	-	-	2,474,580	2,474,580
Changes in proportionate share and difference between College contributions proportionate share of contributions	1,604,832	1,560	6,538,743	8,145,135
Total deferred inflows of resources	$ 1,899,810	$ 64,919	$ 9,279,827	$ 11,244,556

$4,000,936 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year	OPERS Traditional	OPERS Combined	STRS	Total
2020	$ 1,070,797	$ 7,904	$ 369,696	$ 1,448,397
2021	334,986	1,229	(4,974)	331,241
2022	282,868	1,933	(559,668)	(274,867)
2023	1,418,069	12,396	(910,868)	519,597
2024	-	(1,341)	-	(1,341)
2025	-	586	-	586
2026	-	(110)	-	(110)
2027	-	1,619	-	1,619
2028	-	109	-	109
Total	$ 3,106,720	$ 24,325	$ (1,105,814)	$ 2,025,231

Note 8: Pension Plans (continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.25 percent
Future salary increases, including inflation -Traditional plan	3.25 percent to 10.75 percent
Future salary increases, including inflation - Combined plan	3.25 percent to 8.25 percent
COLA or Ad Hoc COLA	Pre January 7, 2013 retirees, 3 percent, simple Post January 7, 2013 retirees, 3 percent, simple through 2018, then 2.15 percent, simple
Investment rate of return	7.2 percent
Actuarial cost method	Individual entry age

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

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

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

Note 8: Pension Plans (continued)

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

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

Asset class	Target allocation	Weighted average long-term expected real rate of return (arithmetic)
Fixed income	23.00%	2.79%
Domestic equities	19.00%	6.21%
Real estate	10.00%	4.90%
Private equity	10.00%	10.81%
International equities	20.00%	7.83%
Other investments	18.00%	5.50%
Total	100.00%	5.95%

Discount Rate The discount rate used to measure the total pension liability was 7.2%. 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 statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 8: Pension Plans (continued)

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the College's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2%, 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 (6.2%) or one-percentage-point higher (8.2%) than the current rate:

Traditional Plan	1% Decrease (6.20%)	Current discount rate (7.20%)	1% Increase (8.20%)
College's proportionate share of the net pension liability (asset)	$ 33,187,315	$22,464,985	$13,554,631
Combined Plan			
College's proportionate share of the net pension liability (asset)	$ (51,330)	$ (155,131)	$ (230,292)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Projected salary increases	2.5 percent at age 65 to 12.5 percent at age 20
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Discount rate of return	7.45 percent
Payroll increases	3 percent
Cost of living adjustments (COLA)	0 percent, effective July 1, 2017

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. 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

Note 8: Pension Plans (continued)

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

Asset class	Target allocation **	Long term expected real rate of return*
Domestic equity	28.00 %	7.35 %
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	1.00	2.25
Total	100.00 %	

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

**Target weights will be phased in over a 24 month Period concluding on July 1, 2019.

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

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

	1% Decrease (6.45%)	Current discount rate (7.45%)	1% Increase (8.45%)
College's proportionate share of the net pension liability	$ 59,595,389	$40,808,464	$24,907,880

Note 8: Pension Plans (continued)

C. Alternative Retirement Plan

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. Under this plan, employees who would have otherwise been required to participate in STRS or OPERS, and who elect to participate in the ARP, must contribute the employee's share of retirement contributions to one of eight private providers approved by the Ohio Department of Insurance. The legislation mandates that the employer must contribute an amount to the state retirement system to which the employee would have otherwise belonged, based on an independent actuarial study commissioned by the Ohio Retirement Study Council and submitted to the Ohio Department of Higher Education. That amount is 4.47 percent for STRS and 2.44 percent for OPERS for the year ended June 30, 2019. The employer also contributes what would have been the employer's contribution under STRS or PERS, less the aforementioned percentages, to the private provider selected by the employee.

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

Employee Contribution Rate

	STRS		OPERS	
Period	Traditional	ARP	Traditional	ARP
7/1/18 - 6/30/19	14%	14%	10%	10%
7/1/17 - 6/30/18	14%	14%	10%	10%
7/1/16 - 6/30/17	14%	14%	10%	10%

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

Employer Contribution Rate

	STRS			OPERS		
		ARP			ARP	
Period	Traditional	STRS	ARP	Traditional	OPERS	ARP
7/1/18 - 6/30/19	14%	4.47%	9.53%	14%	2.44%	11.56%
7/1/17 - 6/30/18	14%	4.47%	9.53%	14%	2.44%	11.56%
7/1/16 - 6/30/17	14%	4.50%	9.50%	14%	0.77%	13.23%

Note 8: Pension Plans (continued)

The College's required contributions for pension obligations to the plan for the fiscal years ended June 30, 2019, 2018, and 2017 were $138,720, $128,346, and $123,137, respectively, of which 100% has been contributed.

Note 9: Post-Employment Benefits

Net OPEB Liability or Asset

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

The net OPEB liability or asset represents the College's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability or 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.

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

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

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

A. Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

Note 9: Post-Employment Benefits (continued)

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

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

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring 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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. 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 2018 was 4.0 percent.

Note 9: Post-Employment Benefits (continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The College's contractually required contribution was $0 for 2019.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2018 and December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an 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:

	OPERS Traditional	STRS	Total
Proportion of the net OPEB liability - prior measurement date	0.097602%	0.1958407%	
Proportion of the net OPEB liability - current measurement date	0.085150%	0.1855963%	
Change in proportionate share	-0.012452%	-0.010244%	
Proportionate share of the net OPEB liability (asset)	$11,101,550	($2,982,344)	$8,119,206
OPEB expense	$559,573	($6,613,314)	($6,053,741)

Note 9: Post-Employment Benefits (continued)

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

	OPERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 3,759	$ 348,342	$ 352,101
Changes of assumptions	357,927	-	357,927
Net difference between projected and actual earnings on pension plan investments	508,940	-	508,940
Total deferred outflows of resources	$ 870,626	$ 348,342	$ 1,218,968
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	$ -	$ 340,708	$ 340,708
Differences between expected and actual experience	30,122	173,761	203,883
Changes of assumptions	-	4,063,678	4,063,678
Changes in proportionate share and difference between College contributions and proportionate share of contributions	906,964	608,532	1,515,496
Total deferred inflows of resources	$ 937,086	$ 5,186,679	$ 6,123,765

The College does not report any deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	OPERS	STRS	Total
2020	$ (48,824)	$ (867,810)	$ (916,634)
2021	(344,233)	(867,810)	(1,212,043)
2022	70,209	(867,812)	(797,603)
2023	256,388	(790,436)	(534,048)
2024	-	(763,283)	(763,283)
Thereafter	-	(681,186)	(681,186)
Total	$ (66,460)	$ (4,838,337)	$ (4,904,797)

Note 9: Post-Employment Benefits (continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan 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, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage inflation	3.25 percent
Projected salary increases	3.25 to 10.75 percent
	(includes wage inflation at 3.25 percent)
Single discount rate:	
Current measurement date	3.96 percent
Prior measurement date	3.85 percent
Investment rate of return	6.00 percent
Municipal bond rate	3.71 percent
Health care cost trend rate	10.0 percent, initial
	3.25 percent, ultimate in 2029
Actuarial cost method	Individual Entry Age

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

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

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

Note 9: Post-Employment Benefits (continued)

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 5.60 percent for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees 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. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset class	Target allocation	Weighted average long-term expected real rate of return (arithmetic)
Fixed income	34.00%	2.42%
Domestic equities	21.00%	6.21%
Real estate investment trust	6.00%	5.98%
International equities	22.00%	7.83%
Other investments	17.00%	5.57%
Total	100.00%	5.16%

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

Note 9: Post-Employment Benefits (continued)

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the College's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current discount rate (3.96%)	1% Increase (4.96%)
College's proportionate share of the net OPEB liability	$ 14,203,020	$11,101,550	$ 8,635,062

Sensitivity of the College'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. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
College's proportionate share of the net OPEB liability	$ 10,670,998	$11,101,550	$11,597,430

Note 9: Post-Employment Benefits (continued)

Actuarial Assumptions – STRS

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

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Discount rate of return	7.45 percent
Health care cost trends:	
Medical	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription drug	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 percent initial, 4 percent ultimate

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

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

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

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

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

Note 9: Post-Employment Benefits (continued)

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

Asset class	Target allocation	Long term expected real rate of return*
Domestic equity	28.00 %	7.35 %
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	1.00	2.25
Total	100.00 %	

*10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30 year period, STRS's investment consultant indicated 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, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. 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, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

Note 9: Post-Employment Benefits (continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health

Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (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.

	1% Decrease (6.45%)	Current discount rate (7.45%)	1% Increase (8.45%)
College's proportionate share of the net OPEB asset	$ (2,556,148)	($2,982,345)	($3,340,541)

	1% Decrease	Current trend rate	1% Increase
College's proportionate share of the net OPEB asset	$ (3,320,320)	($2,982,345)	($2,639,102)

Note 10: Contingencies

Federal and State Grants

The College participates in certain state and federally-assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Any disallowed claims resulting from such audits could become a liability of the College. However, in the opinion of management of the College, any such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 2019.

Litigation

The College is unaware of any unasserted claims pending against it as of June 30, 2019. During the normal course of business, the College is subject to occasional legal proceedings, claims, and contract disputes. In the opinion of management, the eventual outcome of any current proceedings and claims against the College will not materially affect its financial condition or operations.

Note 11: Risk Management

The College is exposed to various risks of loss related to tort, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. By maintaining comprehensive insurance coverage with private carriers, the College has addressed these various types of risk. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years. There has not been a significant reduction of coverage from the prior fiscal year. The College is a member of the Stark County Schools Council of Governments, a shared risk

Note 11: Risk Management (continued)

pool (see Note 2), which was established to provide a partially self-funded health benefits program to its members, and pays monthly premiums to SCSCOG for its health care coverage.

The insurance claims payable of $657,738 is based on the requirements of GASB Statement No. 30, *Risk Financing Omnibus*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the Council of Governments. A summary of the claims liability during the past two fiscal years is as follows:

Year	Balance at July 1	Current Year Claims	Claim Payments	Balance at Fiscal June 30
2019	$ 750,789	$ 3,467,098	$ 3,560,149	$ 657,738
2018	826,486	4,057,214	4,132,911	750,789

Note 12: Discretely Presented Component Unit

DESCRIPTION OF THE REPORTING ENTITY

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified as with and without donor-imposed restrictions.

Financial Statement Presentation

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The ASU amends the previous reporting for not-for-profit entities and enhances some disclosures. The changes require only two net asset types as more fully described below 1) "net assets with donor restrictions" 2) "net assets without donor restriction". The Foundation has adopted the new reporting requirements for the year ended June 30, 2019.

Note 12: Discretely Presented Component Unit (continued)

The financial statements for the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), as the single source of authoritative accounting principles.

ASC 958: Not-for-Profit Entities requires that the Foundation report information regarding its financial position and activities to the following net asset classifications:

* Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and board of directors.

* Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantor. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases to net with donor restrictions. When restrictions expire net assets are reclassified from net assets with donor restriction to net assets without donor restrictions in the statement of activities.

The net assets with donor restrictions as of June 30, 2019 are stipulated for the following purposes:

Scholarships	$	7,359,631
Instructional equipment and supplies		397,849
Student Services		274,190
Professional development		161,953
Aesthetics		2,555
Total net assets with donor restrictions	$	8,196,178

Contributions

The Foundation reports contributions in accordance with ASC 958. ASC 958 requires that unconditional promises to give with payments due in future periods be recorded as either net assets without donor restrictions or net assets with donor restrictions depending on the existence and nature of any donor-imposed restrictions. Contribution that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires when the stipulated time restriction ends or the purpose restriction is accomplished the net assets with donor restrictions are re-classed to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Note 12: Discretely Presented Component Unit (continued)

Cash and Cash Equivalents

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

Investments

Investments in marketable securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets as a non-operating activity. Investment fees were $45,428 during the year ended June 30, 2019.

Investments of net assets with donor restrictions and without donor restrictions are pooled for making investment transactions and are carried at market value. Interest and dividend income, gains and losses are allocated based on having donor restrictions.

Promises to Give

Contributions received, including unconditional promises to give, are recognized as revenue by net asset class when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises designated for future periods, with or without donor restrictions for specific purposes are reported as support. Conditional promises are recorded when donor stipulations are substantially met.

Management analyzes the promises to give on a continuing basis to determine collectability and to assess the need for an allowance for doubtful accounts. Pledges are written off when collection is considered doubtful. No allowance was established as of June 30, 2019.

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

Estimates

The preparation of the financial statements in conformity with accepted accounting principles requires management to make estimates and assumptions that affect the amount reported in the financial statements and related notes. Actual results may differ from those estimates.

Concentrations of Credit Risk

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

Note 12: Discretely Presented Component Unit (continued)

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

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

At various times during the year ended June 30, 2019, the Foundation's cash in bank balances may have exceeded the federal insured limits.

Donated Administrative Expenses

Certain administrative functions of the Foundation are performed by administrative employees of the College. The value of these services is not recognized in these financial statements.

In-Kind Donations

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

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through December 16, 2019, the date the financial statements were available to be issued.

Investments

Investments consist of the following at June 30, 2019:

	Foundation	Held for College
Equity	$ 4,431,389	$ 222,138
Fixed income	2,364,259	95,484
Money market funds	189,483	8,560
	$ 6,985,131	$ 326,182

Note 12: Discretely Presented Component Unit (continued)

FAIR VALUE MEASUREMENTS

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

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

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

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

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

	Level 1	Level 2	Total
Equity:			
Corporate stock	$ 4,431,389	$ -	$ 4,431,389
Fixed ncome:			
Corporate notes	-	1,931,179	1,931,179
Mutual funds	392,695	-	392,695
U.S. agencies	-	40,385	40,385
Money market funds	189,483	-	189,483
	$ 5,013,567	$ 1,971,564	$ 6,985,131

Note 12: Discretely Presented Component Unit (continued)

The following is a summary of the inputs used as of June 30, 2019, in valuing the Foundation's investments held on behalf of others carried at fair value.

	Level 1	Level 2	Total
Equity:			
Corporate stock	$ 222,138	$ -	$ 222,138
Fixed ncome:			
Corporate notes	-	78,722	78,722
Mutual funds	16,762	-	16,762
Money market funds	8,560	-	8,560
	$ 247,460	$ 78,722	$ 326,182

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

ENDOWMENT FUND

The Foundation endowments are established for a variety of purposes. The Foundations endowment includes contributed funds to be maintained in perpetuity or donor-restricted funds contributed for a specific purpose or term. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

As described in Note 1, FASB ASU 2016-14 prescribes new guidelines for expenditure of donor-restricted endowment funds where the focus is shifted from prudent spending to the management of the entirety of the fund. The amount that is classified as donor-restricted is the amount of the fund that (a) must be retained permanently in accordance with explicit donor stipulations, or (b) that in the absence of such stipulations, the Foundation's Board of Directors determines must be retained permanently under the relevant law.

Changes in endowment net assets for the year ended June 30, 2019:

	Restrictions	Restrictions	Total
Net asset balances June 30, 2018	$ 59,302	$ 6,543,792	$ 6,603,094
Investment return, net			
Interest and dividends	988	120,437	121,425
Realized and unrealized gains	1,200	397,072	398,272
Contributions	-	244,932	244,932
Appropriation of funds for expenditure	-	(150,048)	(150,048)
Net asset balances June 30, 2019	$ 61,490	$ 7,156,185	$ 7,217,675

Note 12: Discretely Presented Component Unit (continued)

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

The investment strategy for the Foundation's portfolio indicates the principal category of equity investments will be common stocks with primary emphasis on high quality companies that are financially sound and that have favorable prospects for earnings growth. The largest percentage of fixed income investments will be invested in portfolios of high quality (primarily A- to AAA- rated) corporate bonds, U.S. Treasury, and U.S. Government Agency securities. Investments in foreign securities may comprise 15% to 25% of equity investments based upon market conditions and investment manager discretion. In addition to asset classes, the Foundation may be diversified between managers/funds and investment styles, as well. The purpose of this approach is to incorporate prudent diversification within the Foundation, enhancing expected returns, and/or reducing risk of the total portfolio. This structure will be reviewed by the investment committee on an ongoing basis as part of the overall monitoring process.

Note 12: Discretely Presented Component Unit (continued)

Spending Policy

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

PROMISES TO GIVE

Unconditional promises to give are included in the financial statements as contributions to the appropriate net asset category. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimate of future cash flows using a discount rate of 2.3%. Conditional promises to give are not included as support until conditions are met.

Unconditional promises to give:		
Gross receivables due within:		
Less than one year	$	44,511
One to five years		28,830
		73,341
Less discount		(1,357)
Promises to give, net	$	71,984

The promises to give at year end are from multiple donors and one individual does not exceed 10% of the pledges. Approximately 34% of promises to give, net balance of $71,984 as of June 30, 2019, was due from five donors.

NET ASSETS RELEASES FROM DONOR RESTRICTIONS

The following schedule shows qualifying expenses satisfying the donor restrictions as follows:

Scholarships and loans for students	$	440,908
Instructional equipment and supplies		136,507
Aesthetics		401
Barberton		16,930
Professional development		5,855
Student services		102,566
Total net assets released from donor restrictions	$	703,167

Note 12: Discretely Presented Component Unit (continued)

LIQUIDITY AND FUNDS AVAILABLE

The following schedule reflects the Foundation's financial assets as of June 30, 2019 reduced by amounts not available for general use within one year because of donor imposed restrictions. The Foundation's financial assets available within one year of the date of the Statement of Financial Position are as follows:

Financial Assets:		
Cash and cash equivalents	$	1,932,431
Pledges receivable-Net		71,984
Investments		6,985,131
Financial Assets at Year end		8,989,546
Less those unavailable for general expenditure within one year due to Donor restricted contribution (excluding time restrictions)		5,709,029
Financial assets available to meet cash needs for expenditures within one year.	$	3,280,517

INCOME TAXES

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore makes no provision for income taxes. The Foundation files Form 990 in the U.S. federal jurisdiction and is registered online as a charity with the office of the Ohio Attorney General.

The Foundation accounts for income taxes in accordance with the "Income Taxes" topic of the ASC. Income tax provisions are evaluated at least annually by management. The Foundation classifies interest and penalties related to income tax matters as income tax expense in the accompanying financial statements.

As of June 30, 2019, the Foundation has not identified any uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the year then ended.

RELATED ORGANIZATIONS

A significant portion of the general and administrative expenses of the Foundation, including salaries, are paid by the College and are not included with the operations of the Foundation. The Foundation contributes funds to the College in the form of scholarships, instructional equipment, supplies and buildings. Foundation support to the College amounted to $728,493 in fiscal year ended June 30, 2019.

The Foundation has invested $326,182 on behalf of the College which is reflected as "Investments held for others." The Foundation also has a net payable due to the College in the amount of $669,046.

Required Supplementary Information
Schedule of College's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System (OPERS) - Traditional Plan
Last Six Years (1)

	2019	2018	2017	2016	2015	2014
College's proportion of the net pension liability	0.082025%	0.094037%	0.098555%	0.098344%	0.104398%	0.104398%
College's proportionate share of the net pension liability	$ 22,464,985	$ 14,752,582	$ 22,380,165	$ 17,034,422	$ 12,591,530	$ 12,307,129
College's covered payroll	$ 13,469,554	$ 13,146,738	$ 11,855,175	$ 14,643,492	$ 14,588,300	$ 6,246,241
College's proportionate share of the net pension liability as a percentage of its covered payroll	166.78%	112.21%	188.78%	116.33%	86.31%	197.03%
Plan fiduciary net position as a percentage of total pension liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available and the amounts presented are as of the College's measurement date which is the prior year end.

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

Required Supplementary Information
Schedule of College's Proportionate Share of the Net Pension Asset
Ohio Public Employees Retirement System (OPERS) - Combined Plan
Last Six Years (1)

	2019	2018	2017	2016	2015	2014
Ohio Public Employees Retirement System (OPERS) - Combined Plan						
College's proportion of the net pension asset	0.138730%	0.156015%	0.155359%	0.173330%	0.174665%	0.174665%
College's proportionate share of the net pension asset	$ 155,131	$ 216,471	$ 86,468	$ 84,346	$ 67,250	$ 18,328
College's covered payroll	$ 740,077	$ 577,877	$ 666,025	$ 650,825	$ 648,367	$ 67,752
College's proportionate share of the net pension liability as a percentage of its covered payroll	20.96%	37.46%	12.98%	12.96%	10.37%	27.05%
Plan fiduciary net position as a percentage of total pension asset	126.64%	137.28%	116.55%	116.90%	114.83%	104.33%

(1) Information prior to 2014 is not available and the amounts presented are as of the College's measurement date which is the prior year end.

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

Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
State Teachers Retirement System (STRS) of Ohio
Last Six Fiscal Years (1)

	2019	2018	2017	2016	2015	2014
College's proportion of the net pension liability	0.1855963%	0.1958410%	0.2029810%	0.2292790%	0.2451510%	0.2451510%
College's proportionate share of the net pension liability	$ 40,808,464	$ 46,522,388	$ 67,943,842	$ 63,366,259	$ 59,629,259	$ 71,029,983
College's covered payroll	$ 21,491,536	$ 22,207,464	$ 21,434,564	$ 21,494,043	$ 23,758,607	$ 26,846,492
College's proportionate share of the net pension liability as a percentage of its covered payroll	189.88%	209.49%	316.98%	294.81%	250.98%	264.58%
Plan fiduciary net position as a percentage of total pension liability	77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Ten years of information will be presented as information becomes available. Information prior to 2014 is not available.
The amounts presented are as of the College's measurement date which is the prior fiscal year end.

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

Required Supplementary Information
Schedule of College's Contributions - Pension
Ohio Public Employees Retirement System (OPERS) - Traditional Plan
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution - Pension	$ 1,834,102	$ 1,751,042	$ 1,709,076	$ 1,422,621	$ 1,757,219	$ 1,750,596	$ 1,833,455	$ 1,347,702	$ 1,049,375	$ 808,700
Contributions in relation to contractually required contribution	(1,834,102)	(1,751,042)	(1,709,076)	(1,422,621)	(1,757,219)	(1,750,596)	(1,833,455)	(1,347,702)	(1,049,375)	(808,700)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 13,100,729	$ 13,469,554	$ 13,146,738	$ 11,855,175	$ 14,643,492	$ 14,588,300	$ 6,246,241	$ 13,477,020	$ 10,493,750	$ 8,985,556
Contributions as a percentage of covered payroll	14.00%	13.00%	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	9.00%

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

Stark State College

Required Supplementary Information
Schedule of College's Contributions - Pension
Ohio Public Employees Retirement System (OPERS) - Combined Plan
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution - Pension	$ 100,775	$ 96,210	$ 75,124	$ 79,923	$ 78,099	$ 77,804	$ 74,805	$ 54,986	$ 42,815	$ 32,995
Contributions in relation to contractually required contribution	(100,775)	(96,210)	(75,124)	(79,923)	(78,099)	(77,804)	(74,805)	(54,986)	(42,815)	(32,995)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 719,821	$ 740,077	$ 577,877	$ 666,025	$ 650,825	$ 648,367	$ 67,752	$ 549,860	$ 428,150	$ 366,611
Contributions as a percentage of covered payroll	14.00%	13.00%	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	9.00%

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

Required Supplementary Information
Schedule of College's Contributions - Pension
State Teachers Retirement System (STRS) of Ohio
Last Ten Fiscal Years (1)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 3,008,815	$ 3,109,045	$ 3,000,839	$ 3,009,166	$ 3,326,205	$ 3,490,044	$ 3,778,837	$ 3,831,798	$ 3,163,667	$ 2,811,988
Contributions in relation to contractually required contribution	(3,008,815)	(3,109,045)	(3,000,839)	(3,009,166)	(3,326,205)	(3,490,044)	(3,778,837)	(3,831,798)	(3,163,667)	(2,811,988)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$21,491,536	$22,207,464	$21,434,564	$21,494,043	$23,758,607	$26,846,492	$29,067,977	$29,475,369	$24,335,900	$21,630,677
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

(1) Ten years of information will be presented as information becomes available.

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

Required Supplementary Information
Schedule of College's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System (OPERS)
Last Three Fiscal Years (1)

	2019	2018	2017
College's proportion of the net OPEB liability	0.085150%	0.097602%	0.101606%
College's proportionate share of the net OPEB liability	$ 11,101,550	$ 10,598,858	$ 10,262,551
College's covered payroll	$ 14,269,368	$ 13,415,035	$ 11,417,509
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	77.80%	79.01%	89.88%
Plan fiduciary net position as a percentage of total OPEB liability	46.33%	54.14%	54.05%

(1) Information prior to 2017 is not available and the amounts presented are as of the College's measurement date which is the prior year end.

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

Stark State College

Required Supplementary Information
Schedule of the College's Proportionate Share of the Net OPEB (Asset)/Liability
State Teachers Retirement System (STRS) of Ohio
Last Three Fiscal Years (1)

	2019	2018	2017
College's proportion of the net OPEB (asset)/liability	-0.18559632%	0.19584074%	0.20298100%
College's proportionate share of the net OPEB (asset)/liability	$ (2,982,344)	$ 7,640,983	$ 10,855,474
College's covered payroll	$ 22,207,464	$ 21,434,564	$ 21,494,043
College's proportionate share of the net OPEB (asset)/ liability as a percentage of its covered payroll	-13.43%	35.65%	50.50%
Plan fiduciary net position as a percentage of total OPEB (asset)/liability	176.00%	47.10%	37.30%

(1) Ten years of information will be presented as information becomes available. Information prior to 2017 is not available. The amounts presented are as of the College's measurement date which is the prior fiscal year end.

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

Stark State College

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution - OPEB	$ -	$ 73,490	$ 246,120	$ 252,254	$ 130,941	$ 260,894	$ 185,764	$ 556,071	$ 541,224	$ 648,884
Contributions in relation to contractually required contribution	-	(73,490)	(246,120)	(252,254)	(130,941)	(260,894)	(185,764)	(556,071)	(541,224)	(648,884)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 14,396,408	$ 14,269,368	$ 13,415,035	$ 11,417,509	$ 13,946,178	$ 13,893,621	$ 18,576,396	$ 14,866,395	$ 11,580,169	$ 9,917,028
Contributions as a percentage of covered payroll	0.00%	1.00%	2.00%	2.00%	1.00%	2.00%	1.00%	4.00%	4.00%	5.00%

(1) Ten years of information will be presented as information becomes available.

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

Stark State College

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ 268,465	$ 290,680	$ 294,754	$ 243,359	$ 216,307
Contributions in relation to contractually required contribution	-	-	-	-	-	(268,465)	(290,680)	(294,754)	(243,359)	(216,307)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 21,491,536	$ 22,207,464	$ 21,434,564	$ 21,494,043	$ 23,758,607	$ 26,846,492	$ 29,067,977	$ 29,475,369	$ 24,335,900	$ 21,630,677
Contributions as a percentage of covered payrol	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

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

Pension - OPERS Traditional and Combined Plans

Amounts reported for fiscal year 2018 and 2019 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Years 2018 and 2019	Fiscal year 2017 and Prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including Inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

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

There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2019. See the notes to the basic financials for the methods and assumptions in this calculation.

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Pension - STRS of Ohio

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

Pension - STRS of Ohio (continued)

There was no change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019. See the notes to the basic financials for the methods and assumptions in this calculation.

Changes in benefit terms: There was no change in benefit terms for fiscal year 2019. See the notes to the basic financials for benefit terms.

OPEB – Ohio Public Employees Retirement System (OPERS)

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2019. See the notes to the basic financials for the methods and assumptions in this calculation.

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

OPEB – STRS of Ohio

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019. See the notes to the basic financials for the methods and assumptions in this calculation.

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

Stark State College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	FY 2019 Disbursements
U.S. Department of Education			
Direct Program:			
Student Financial Assistance Programs Cluster:			
Federal Work-Study Program	84.033		$ 281,579
Federal Supplemental Educational Opportunity Grants	84.007		311,255
Federal Pell Grant Program	84.063		15,544,780
Federal Direct Student Loans	84.268		14,168,443
Total Student Financial Assistance Programs Cluster			30,306,057
TRIO Cluster:			
Student Support Services	84.042		253,630
Upward Bound Math and Science Program	84.047		295,590
Passed Through the Ohio Department of Education:			
Upward Bound Math and Science Program	84.047	063420-SSC UB	3,391
Total TRIO Cluster			552,611
Institutional Aid - Title III	84.031		485,413
Passed Through the Ohio Department of Education:			
Vocational Education - Basic Grants to States	84.048	063420-CDP-P-2018	317,547
Total Federal Assistance - U.S. Department of Education			**31,661,628**
U.S. Department of Housing and Urban Development			
Passed Through The City of Canton, OH:			
Community Development Block Grant - Train for the Trades	14.218	B-17-MC-39-0002	25,673
Total Federal Assistance - U.S. Department of Housing and Urban Development			**25,673**
U.S. Department of Labor			
Passed Through Ohio Deptartment of Job & Family Services			
Registered Apprentice Grant	17.285	AP-30104-16-60-A-39	40,546
Passed Through Lorain Community College:			
TAACCCT Grant - Ohio TechNet	17.282		2,858
Total Federal Assistance - U.S. Department of Labor			**43,404**
U.S. Department of Veterans Affairs			
Direct Program:			
VA Reporting Fee	64.028		2,503
Total Federal Assistance - U.S. Deptartment of Veterans Affairs			**2,503**
Total Federal Assistance - All Sources			**$ 31,733,208**

See accompanying notes to the Schedule of Federal Awards Expenditures.

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

June 30, 2019

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of Stark State College (the "College") under programs financed by U.S. Government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

Note 2: Summary of Significant Accounting Policies

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

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

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

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

Note 3: Indirect Cost Rate

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

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

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

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type and the discretely presented component unit of the Stark State College, Stark County, Ohio (the College) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 24, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

However, we noted certain matters not requiring inclusion in this report that we have reported to the College's management in a separate letter dated December 24, 2019.

Purpose of this Report

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

Charles E. Harris & Associates, Inc.
December 24, 2019

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Cleveland OH 44113-1306

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Certified Public Accountants

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

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

To the Board of Trustees:

Report on Compliance for the Major Federal Program

We have audited the Stark State College, Stark County, Ohio's (the College) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2019. The College's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Stark State College, Stark County, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Charles E Harris Associates

Charles E. Harris & Associates, Inc.
December 24, 2019

Stark State College
Stark County
Schedule of Findings
2 CFR § 200.515
June 30, 2019

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Student Financial Assistance Programs Cluster – CFDA #84.033, #84.007, #84.063, and #84.268
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 951,996 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

OHIO AUDITOR OF STATE
KEITH FABER

STARK STATE COLLEGE

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 16, 2020