Southern State Community College
Highland County
Single Audit
For the Fiscal Years Ended June 30, 2016 and 2015

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

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

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

We have reviewed the *Independent Auditor's Report* of the Southern State Community College, Highland County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

November 28, 2016

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.auditor.state.oh.us

This page intentionally left blank.

Southern State Community College
Highland County
Table of Contents
For the Fiscal Years Ended June 30, 2016 and 2015

This page intentionally left blank.

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Southern State Community College, Highland County, (the College), a component unit of the State of Ohio, and its discretely presented component unit, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Southern State Community College, Highland County, as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the College's proportionate share of the net pension liability, and the schedule of College contributions on pages 4 through 9 and 36 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2016 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Natalie Millhuff-Stang

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

October 10, 2016

Accounting Standards

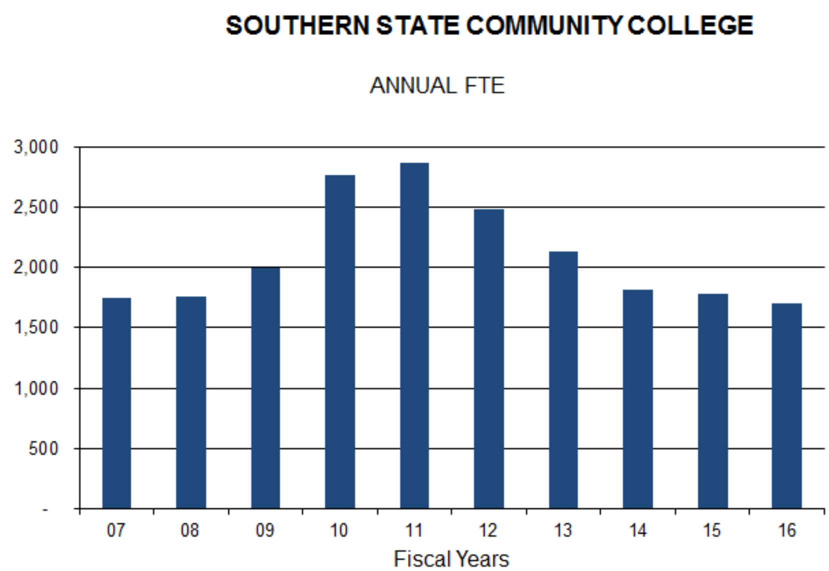
In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," which established a new reporting format for annual financial statements. In November 1999, GASB released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

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

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

Financial and Enrollment Highlights

- In FY 16 the College experienced an enrollment decrease of 4.3%.
- Gross student fee revenue decreased 9.9%.



- State Appropriations increased by 3.7%.
- Health care costs increased by 2.5%.

Statement of Net Position

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

	FY 16	FY 15	FY 14
Assets			
Current assets	$7,985,740	$8,591,512	$9,587,421
Noncurrent assets	2,796,617	2,829,142	5,554,312
Capital assets, net	30,278,629	31,547,434	29,929,361
Total assets	41,060,986	42,968,088	45,071,094
Deferred outflows of resources	3,906,432	1,416,961	0
Liabilities			
Current liabilities	1,507,838	1,804,105	1,762,959
Noncurrent liabilities	36,333,574	36,055,479	18,072,381
Total liabilities	37,841,412	37,859,584	19,835,340
Deferred inflows of resources	4,476,978	2,643,073	661,644
Net position			
Net investment in capital assets	14,391,980	14,087,551	11,516,531
Restricted	4,675,903	5,224,328	8,298,140
Unrestricted (deficit)	(16,418,855)	(15,429,487)	4,759,439
Total net position	$2,649,028	$3,882,392	$24,574,110

Receivables include student accounts for tuition, daycare charges, company accounts for training, and grant receivables. The decrease in receivables is the result of an enrollment decline and the recognition of a receivable for FY15 due to the outsourcing of the bookstore operation. Deferred inflows of resources in FY16 and FY15 are largely a result of the implementation and continued reporting in accordance with GASB 68. Deferred outflows of resources are also a result of the implementation and continued reporting in accordance with GASB 68. These balances increased significantly due to increases in actuarially determined deferrals and the net pension liability recognized by the College. See below for more discussion on GASB 68. Long-term liabilities include deferred compensation (accrued vacation and sick days), outstanding balances of bond issues, and the College's proportionate share of the State-wide net pension liability. The overall increase in noncurrent liabilities is due to an increase in the actuarially determined net pension liability, which was partially offset by bond and capital lease principal payments. Net position includes the net investment in capital assets and both restricted and unrestricted funds. Total net position decreased 32% from FY 15 to FY 16,

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

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

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the College, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the College is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

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

Statement of Revenues, Expenses and Changes in Net Position

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

	FY 16	FY 15	FY 14
Operating revenue:			
Net tuition and fees	$5,849,847	$6,811,161	$7,336,176
Auxiliary	1,763,634	3,541,789	3,625,382
Grants and contracts	887,453	468,870	980,093
Other	355,471	115,875	134,527
Total	8,856,405	10,937,695	12,076,178
Operating expenses			
Instructional	7,438,750	7,415,850	8,056,850
Research	0	18	14
Community service	758,061	649,590	940,831
Academic support	2,376,593	2,278,350	2,386,350
Student services	1,999,747	2,041,221	2,012,987
Institutional support	2,922,803	1,895,264	2,073,835
Plant operations	1,538,753	1,826,592	1,569,614
Depreciation	1,319,567	1,218,898	991,864
Scholarships	3,545,386	4,744,102	5,951,404
Auxiliary	1,790,606	3,336,942	3,389,302
Total	23,690,266	25,406,827	27,373,051
Operating loss	(14,833,861)	(14,469,132)	(15,296,873)
Nonoperating revenues (expenses):			
Federal grants	4,819,374	5,810,990	6,329,292
State subsidy	8,503,202	8,202,449	8,108,228
Investment income	80,631	72,382	258,781
Interest on capital asset-related debt	(545,330)	(566,441)	(623,315)
Capital appropriations	232,187	709,311	0
Addition to endowments	12,065	0	0
Gain on sale	533,712	0	(25,910)
Other nonoperating revenue	(35,344)	354,792	10,821
Total	13,600,497	14,583,483	14,057,897
Change in net position	(1,233,364)	114,351	(1,238,976)
Net position - beginning of year	3,882,392	3,768,041	N/A
Net position - end of year	$2,649,028	$3,882,392	$3,768,041

Net tuition and fees represents gross student fee revenue of $7,391,109 in FY 16 and $8,204,907 in FY 15 net of scholarship allowances of $1,541,262 and $1,393,746 for those years, respectively. Auxiliary revenue consists of daycare, and the non-grant portion of corporate and community services. These revenues decreased slightly due to enrollment decline. There was also a significant decrease in such activities as the College opted to outsource its bookstore operations. Operating expense decreases primarily reflect decreases in scholarship expenses, as well as decreases in enrollment driven costs.

State appropriation in FY16 and FY15 represented 63% and 57%, respectively of non-operating revenues.

Statement of Cash Flows

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

	FY 16	FY 15	FY 14
Cash provided by (used in):			
Operating activities	($12,736,140)	($15,545,430)	($14,291,623)
Non-capital financing activities	13,299,297	14,368,231	14,448,341
Capital and related financing activities	(809,279)	(3,667,759)	(9,078,119)
Investing activities	(84,135)	225,888	(21,035)
Net increase (decrease) in cash	(330,257)	(4,619,070)	(8,942,436)
Cash - beginning of year	5,016,954	9,636,024	18,578,460
Cash - end of year	$4,686,697	$5,016,954	$9,636,024

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

Capital Assets

Capital assets, net of accumulated depreciation totaled $30,278,629 at June 30, 2016 and $31,547,434 at June 30, 2015 a decrease of $1,268,805 from the prior year-end. Additions to capital assets during the year totaled $356,216 and disposals were $3,503,064. Depreciation expense for the year ended June 30, 2016 totaled $1,319,567. For more information on capital assets, see note 4 to the basic financial statements.

Debt

As of June 30, 2016, the College had outstanding debt of $16,480,000 of which $955,000 was short-term (or due within one year) and $15,525,000 was long-term debt (would come due beyond one year). The outstanding debt related to three 20 year bond issues that were used to provide a portion of the funding of the Patriot Center located on the Central Campus, and a portion of the funding for a renovation and expansion project on the Fayette Campus, and the construction of a new Brown County campus, which will replace the existing facility. The Patriot Center was completed in March of 2005. The Fayette expansion was completed in 2009. The construction of the new Brown County Campus began March 2013, and completed in July 2014. For more information on debt, see note 9 to the basic financial statements.

Economic Factors that will effect the Future

Challenges

- The College continues to have one of the lowest tuition rates in the state among non-levy state colleges. Maintaining the appropriate balance between affordability and quality is an ongoing challenge.
- Flattening enrollment, the minimal increases in our state share of instruction (SSI) as well as the recent two year mandated tuition freeze have put pressure on the College's primary resources.
- A legislated mandate to reduce the cost of attendance by 5 percent in all public colleges and universities, while supporting the affordability aspect of our mission, has had a disproportionate effect on institutions already functioning well below the state's average tuition rate.

Opportunities

- Enrollment composition shifts present what may be a new normal. The demand for online courses has increased substantially. FY 2016 was the first year for the state's College Credit Plus Program, which is somewhat similar to the previous Post-secondary Enrollment Option program. This new program has been well received and these enrollments represent a greater portion of our enrollments than ever before. This program presents significant savings to families, and helps to explain the fact that although credits declined slightly this year, our student headcount has increased.
- The College continues to extend its reach in offering college programming beyond our four campuses and in partnership with other institutions throughout southern Ohio.
- Newly created accelerated evening and weekend programs have potential to reach larger numbers of working adult students.

Southern State Community College
Highland County
Statements of Net Position
As of June 30, 2016 and 2015

	2016		2015	
	College	Foundation	College	Foundation
Assets:				
Current assets:				
Cash	$2,650,909	$0	$2,962,864	$0
Cash equivalents	1,204,089	82,531	1,058,165	49,466
Accounts receivable, net	3,818,805	0	4,322,358	0
Pledges receivable	0	4,728	0	4,582
Inventories	15,872	0	12,569	0
Other assets	206,951	1,855	179,653	1,855
Total current assets	7,896,626	89,114	8,535,609	55,903
Noncurrent assets:				
Restricted cash equivalents	629,590	119,578	694,355	252,104
Restricted investments	0	2,047,449	0	1,882,683
Capital assets, net	30,278,629	0	31,547,434	0
Total noncurrent assets	30,908,219	2,167,027	32,241,789	2,134,787
Total assets	38,804,845	2,256,141	40,777,398	2,190,690
Deferred outflows of resources:				
Pension plans	3,906,432	0	1,416,961	0
Total deferred outflows of resources	3,906,432	0	1,416,961	0
Liabilities:				
Current liabilities:				
Accounts payable	0	0	306,749	0
Accrued liabilities	395,671	0	335,951	0
Held in custody for others	157,167	0	186,972	0
Bonds payable, current portion	955,000	0	935,000	0
Capital lease obligation, current portion	0	0	39,433	0
Total current liabilities	1,507,838	0	1,804,105	0
Noncurrent liabilities:				
Bonds payable, long-term portion	15,525,000	0	16,480,000	0
Capital lease obligation, long-term portion	0	0	4,653	0
Compensated absences	243,025	0	258,537	0
Net pension liability	20,565,549	0	19,312,289	0
Total noncurrent liabilities	36,333,574	0	36,055,479	0
Total liabilities	37,841,412	0	37,859,584	0
Deferred inflows of resources				
Grants and contracts	341,800	0	331,837	0
Pension plans	4,135,178	0	2,311,236	0
Total deferred inflows of resources	4,476,978	0	2,643,073	0
Net position:				
Net investment in capital assets	14,391,980	0	14,087,551	0
Restricted for:				
Nonexpendable:				
Endowments	12,318	2,094,667	12,318	2,076,537
Expendable:				
Loans	17,696	0	17,696	0
Scholarships and fellowships	0	101,711	0	66,984
Capital Improvements	1,595,858	0	2,734,542	0
Other	853,653	0	316,251	0
Unrestricted (deficit)	(16,478,618)	59,763	(15,476,656)	47,169
Total net position	$392,887	$2,256,141	$1,691,702	$2,190,690

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

Southern State Community College
Highland County
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2016 and 2015

	2016		2015	
	College	Foundation	College	Foundation
Revenues:				
Operating revenues:				
Student tuition and fees (net of scholarship allowance)	$5,849,847	$0	$6,811,161	$0
State grants and contracts	633,356	0	81,954	0
Local grants and contracts	69,679	0	180,944	0
Private grants and contracts	124,759	59,659	177,604	28,368
Auxiliary services	1,763,634	0	3,541,789	0
Other operating revenue	355,471	0	115,875	0
Total operating revenue	8,796,746	59,659	10,909,327	28,368
Expenses:				
Operating expenses:				
Instructional	7,438,750	0	7,415,850	0
Research	0	0	18	0
Community service	758,061	0	649,590	0
Academic support	2,376,593	0	2,278,350	0
Student services	1,958,933	40,814	1,981,927	59,294
Institutional support	2,922,803	0	1,895,264	0
Plant operations	1,538,753	0	1,826,592	0
Depreciation	1,319,567	0	1,218,898	0
Scholarships	3,545,386	0	4,744,102	0
Auxiliary activities	1,790,606	0	3,336,942	0
Total operating expenses	23,649,452	40,814	25,347,533	59,294
Operating gain (loss)	(14,852,706)	18,845	(14,438,206)	(30,926)
Nonoperating revenues (expenses)				
Federal grants and contracts	4,819,374	0	5,810,990	0
State appropriations	8,503,202	0	8,202,449	0
Investment income (net of investment expense)	46,090	34,541	51,485	20,897
Interest on capital asset-related debt	(545,330)	0	(566,441)	0
Other nonoperating revenues (expenses)	(35,344)	0	354,792	0
Total nonoperating revenues (expenses)	12,787,992	34,541	13,853,275	20,897
Income (loss) before other revenues, expenses, gains, losses	(2,064,714)	53,386	(584,931)	(10,029)
Capital appropriations	232,187	0	709,311	0
Gain on sale of real estate	533,712	0	0	0
Additions to (return of) permanent endowments	0	12,065	0	0
Change in net position	(1,298,815)	65,451	124,380	(10,029)
Net position - beginning of year	1,691,702	2,190,690	1,567,322	2,200,719
Net position - end of year	$392,887	$2,256,141	$1,691,702	$2,190,690

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

Southern State Community College
Highland County
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2016 and 2015

	2016		2015	
	College	Foundation	College	Foundation
Cash flows from operating activities:				
Tuition and fees	$6,997,748	$0	$5,174,296	$0
Grants and contracts	194,438	0	440,502	0
Private gifts	0	59,513	0	27,773
Payments to suppliers	(4,313,012)	0	(4,377,348)	0
Payments for utilities	(481,633)	0	(655,677)	0
Payments to employees	(10,296,990)	0	(11,169,920)	0
Payments for benefits	(3,398,275)	0	(3,862,889)	0
Scholarships	(3,545,386)	(40,814)	(4,744,102)	(59,294)
Auxiliary enterprise charges:				
Bookstores	1,763,634	0	3,541,789	0
Other receipts	324,637	0	139,440	0
Net cash provided (used) by operating activities	(12,754,839)	18,699	(15,513,909)	(31,521)
Cash flows from noncapital financing activities:				
Federal grants and contracts	4,819,374	0	5,810,990	0
State appropriations	8,503,202	0	8,202,449	0
Other nonoperating revenues (expenses)	(35,344)	12,065	354,792	0
Net cash provided by noncapital financing activities	13,287,232	12,065	14,368,231	0
Cash flows from capital and related financing activities:				
Capital appropriations	232,187	0	709,311	0
Purchase of capital assets	(356,216)	0	(2,836,971)	0
Gain on sale of real estate	839,166	0	0	0
Principal paid on capital debt and lease	(979,086)	0	(973,658)	0
Interest paid on capital debt and lease	(545,330)	0	(566,441)	0
Net cash used by capital and related financing activities	(809,279)	0	(3,667,759)	0
Cash flows from investing activities:				
Interest on investments	46,090	34,541	51,485	20,897
(Purchase) sale of investments	0	(164,766)	0	153,506
Net cash provided (used) by investing activities	46,090	(130,225)	51,485	174,403
Net increase (decrease) in cash	(230,796)	(99,461)	(4,761,952)	142,882
Cash and cash equivalents - beginning of year	4,715,384	301,570	9,477,336	158,688
Cash and cash equivalents - end of year	$4,484,588	$202,109	$4,715,384	$301,570
Reconciliation of operating gain (loss) to net cash provided (used) by operating activities:				
Operating gain (loss)	($14,852,706)	$18,845	($14,438,206)	($30,926)
Adjustments to reconcile net gain (loss) to net cash provided (used) by operating activities:				
Depreciation expense	1,319,567	0	1,218,898	0
Changes in assets and liabilities:				
Receivables, net	503,553	(146)	(1,307,058)	(595)
Inventories	(3,303)	0	322,466	0
Other assets	(27,298)	0	(66,310)	0
Accounts payable	(306,749)	0	7,828	0
Accrued liabilities	59,720	0	8,978	0
Deferred outflows of resources	(2,489,471)	0	(268,671)	0
Deferred inflows of resourcs	1,833,905	0	1,981,429	0
Net pension liability	1,253,260	0	(2,642,070)	0
Deposits held for others	(29,805)	0	23,565	0
Compensated absences	(15,512)	0	(354,758)	0
Net cash provided (used) by operating activities	($12,754,839)	$18,699	($15,513,909)	($31,521)

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

Note 1 - Summary of Significant Accounting Policies

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

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

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

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

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

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

Cash and Cash Equivalents
The College's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents include the College's investment in the STAR Ohio and STAR Plus funds and money market funds, which amounted to $2,035,788 and $2,054,090 at June 30, 2016 and 2015, respectively.

Investments
The College does not have a formal investment policy but consults the Ohio Revised Code for guidance with respect to allowable investments. The Foundation does have a formal policy, and the purchase of specific investment instruments is at the discretion of the Treasurer within these policy guidelines. As of June 30, 2016 and 2015, investments held by the College and Foundation were valued at $2,047,449 and $1,882,683, respectively. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value.

Note 1 - Summary of Significant Accounting Policies (Continued)

Accounts and Pledges Receivables
At June 30, 2016 and 2015, accounts receivable consist primarily of student tuition and fees, third party, and intergovernmental grants and contracts. Student and third party accounts receivable are reported net of an allowance for doubtful accounts of $797,631 and $1,315,318 at June 30, 2016 and 2015, respectively, whereas other receivables are reported at net, based on separate allowances for doubtful accounts estimated by management.

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

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

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

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

Deferred Inflows/Outflows of Resources
Deferred inflows of resources is comprised primarily of receipts relating to tuition and student fees in advance of the services to be provided and grant funds not earned as of June 30, 2016 and 2015. Deferred inflows of resources related to pensions are explained in note 6.

Deferred outflows of resources related to pensions are explained in note 6.

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Management Estimates

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

Federal Financial Assistance Programs

The College participates in federally funded Pell Grants, SEOG Grants, and Federal Direct Lending programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). During fiscal years 2016 and 2015, the College distributed $4,217,587 and $5,422,225, respectively, for direct lending through the U.S. Department of Education, which is not included as revenues and expenses on the accompanying financial statements.

Net Position

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

Of the College's $4,675,903 and $5,224,328 in restricted net position at June 30, 2016 and 2015, respectively, none is restricted by enabling legislation.

Note 2 - Cash, Cash Equivalents and Investments

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

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

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

Primary Government - College

At June 30, 2016, the carrying amount of the College's cash deposits was $3,681,569 and the bank balance was $4,446,155. At June 30, 2016, $1,286,714 of the bank balance was insured by the FDIC (Category 1); the remaining bank balances were Category 3.

The College held $173,429 in STAR Ohio investments, which is an external investment pool and is considered cash equivalents under GASB Statement No. 9. Oversight of the pool is through the Treasurer of State. The fair value of the College's position in the pool is the same as the value of its pool shares. Such investments are not required to be categorized in accordance with Governmental Accounting Standards Board Statement No. 3. All other investments are Category 1. The following summarizes the market value of the College's investments:

Description	Value	Less than One Year
June 30, 2016:		
STAR Ohio	$173,429	$173,429
Money Market Funds	629,590	629,590
Total Investments	$803,019	$803,019

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

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

The College held $729,927 in STAR Ohio investments, which is an external investment pool and is considered cash equivalents under GASB Statement No. 9. Oversight of the pool is through the Treasurer of State. The fair value of the College's position in the pool is the same as the value of its pool shares. Such investments are not required to be categorized in accordance with Governmental Accounting Standards Board Statement No. 3. All other investments are Category 1. The following summarizes the market value of the College's investments:

Description	Value	Less than One Year
2015June 30, 2015:		
STAR Ohio	$729,927	$729,927
Money Market Funds	694,355	694,355
Total Investments	$1,424,282	$1,424,282

Component Unit – Foundation

At June 30, 2016, the carrying amount of the Foundation's cash deposits was $0 and the bank balance was $0.

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

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

Description	Market Value	Investment Maturities (in years)	
		Less than 1	1-5
June 30, 2016:			
STAR Ohio	$82,531	$82,531	$0
Money market funds	119,578	119,578	0
Other Bonds	881,274	881,274	0
Common Stock	107,640	107,640	0
Equity Funds	1,058,535	1,058,535	0
Total Cash Equivalents & Investments	$2,249,558	$2,249,558	$0

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

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

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

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

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

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

Primary Government - The College has no investment policy that limits its investment choices. As of the fiscal years ended June 30, 2016 and 2015, the College's investments in STAR Ohio and money market funds were rated AAAm by Standard & Poor's.

Component Unit - The Foundation's investment policy limits investments to the following categories: Cash Equivalents, Fixed Income Assets, Equities Assets, and Mutual Funds. Fixed income assets are subject to several limitations including only corporate debt issues that meet or exceed a credit rating of "A" from S&P or "A2" or higher from Moody's. Preferred stocks should be rated "A" or better by Moody's or S&P at the time of purchase. Equities holdings should represent companies meeting a minimum capitalization requirement of two hundred and fifty million with high market liquidity. Standard & Poor's rated STAR Ohio AAAm, Goldman Sachs Financial Square Prime Obligations money market funds AAAm, and Fifth Third Banksafe Trust money market funds A-2. All other investments are unrated.

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

Primary Government - The College places no limit on the amount the College may invest in any one issuer. More than 5% of the College's investments are in STAR Ohio and money market funds. These investments were 22% and 78%, respectively, as of June 30, 2016 and 51% and 49%, respectively, of the College's total investments as of June 30, 2015.

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

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

For the fiscal year ended June 30, 2016, more than 5% of the Foundation's investments are money market, common stock, equity funds, and other bonds. These investments represent 5%, 5%, 47%, and 39% of the Foundation's total investments, respectively. For the fiscal year ended June 30, 2015, more than 5% of the Foundation's investments are money market, common stock, equity funds, and other bonds. These investments represent 12%, 5%, 50%, and 31% of the Foundation's total investments, respectively.

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

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

Primary Government - *Deposits*. The College does not have a policy for custodial credit risk. As of June 30, 2016, $1,286,714 was insured by FDIC. The remaining balance of $3,159,441 was collateralized with securities held by the pledging institutions but not in the College's name. As of June 30, 2015, $585,028 was insured by FDIC. The remaining balance of $3,389,339 was collateralized with securities held by the pledging institutions but not in the College's name.

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

Note 3 – Accounts Receivable

Accounts receivable at June 30, 2016 was comprised of the following:

	Gross Receivables	Allowance For Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$3,243,896	($797,631)	$2,446,265
Intergovernmental	181,085	(2,433)	178,652
Third Party	1,193,888	0	1,193,888
Total Current Receivables	$4,618,869	($800,064)	$3,818,805

Accounts receivable at June 30, 2015 was comprised of the following:

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

Note 4 - Capital Assets

Capital asset activity for the years ended June 30, 2016 and 2015 were as follows:

June 30, 2016	Beginning	Additions	Deductions	Ending
Land	4,017,468	$0	$0	$4,017,468
Non-depreciable artwork	51,900	0	0	51,900
Total cost of nondepreciable capital assets	4,069,368	0	0	4,069,368
Building and Improvements	39,772,790	116,185	(3,019,159)	36,869,815
Equipment	3,578,371	228,677	(483,905)	3,323,143
Library books	543,362	0	0	543,362
Vehicles	625,791	11,354	0	637,145
Total cost of depreciable capital assets	44,520,314	356,216	(3,503,064)	41,373,466
Total cost of capital assets	48,589,682	356,216	(3,503,064)	45,442,834
Less accumulated depreciation				
Buildings and Improvements	(13,742,942)	(993,830)	2,786,772	(11,950,000)
Equipment	(2,428,879)	(248,327)	410,838	(2,266,368)
Library books	(503,443)	(12,606)	0	(516,049)
Vehicles	(366,984)	(64,804)	0	(431,788)
Total accumulated depreciation	(17,042,248)	(1,319,567)	3,197,610	(15,164,205)
Net capital assets	$31,547,434	($963,351)	($305,454)	$30,278,629

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

The following estimated useful lives are used to compute depreciation:

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

Note 5 - State Support

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

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

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

Note 6 - Defined Benefit Pension Plans – Governmental Accounting Standards Board Statement No. 68

Net Pension Liability

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

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

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

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

Note 6 - Defined Benefit Pension Plans – Governmental Accounting Standards Board Statement No. 68 (Continued)

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional 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 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.

Note 6 - Defined Benefit Pension Plans – Governmental Accounting Standards Board Statement No. 68 (Continued)

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. 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.

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

	State and Local
2016 and 2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 and 2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The College's contractually required contributions to OPERS were $496,749 and $515,378 for fiscal years 2016 and 2015, respectively.

Plan Description - State Teachers Retirement System (STRS)

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

Note 6 - Defined Benefit Pension Plans – Governmental Accounting Standards Board Statement No. 68 (Continued)

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

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014 and July 1, 2015, and will increase one percent one July 1, 2016 when it reaches 14 percent. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 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 2016 contribution rates were equal to the statutory maximum rates.

The College's contractually required contributions to STRS were $692,899 and $793,985 for fiscal years 2016 and 2015, respectively.

Note 6 - Defined Benefit Pension Plans – Governmental Accounting Standards Board Statement No. 68 (Continued)

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

The June 30, 2016 and June 30, 2015 net pension liabilities were measured as of December 31, 2015 and 2014 (OPERS) and June 30, 2015 and 2014 (STRS), respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating entities.

As of and for the year ended June 30, 2016, the proportionate share and pension expense were as follows:

	OPERS	STRS	Total
Proportionate Share of the Net Pension Liability	$5,367,859	$15,197,727	$20,565,586
Proportion of the Net Pension Liability	0.030990%	0.0549904%	
Pension Expense	$283,278	$1,196,144	$1,479,422

At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$1,515,103	$702,680	$2,217,783
Net difference between projected and actual earnings on pension plan investments	0	762,893	762,893
Changes in proportion and differences	62,712	(9,856)	52,856
Difference between College contributions and proportionate share of contributions	0	(18,791)	(18,791)
College contributions subsequent to the measurement date	198,792	692,899	891,691
Total Deferred Outflows of Resources	$1,776,607	$2,129,825	$3,906,432
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$86,313	$2,045,279	$2,131,592
Changes in proportion and differences	878,711	1,013,818	1,892,529
Difference between College contributions and proportionate share of contributions	64,864	46,193	111,057
Total Deferred Inflows of Resources	$1,029,888	$3,105,290	$4,135,178

Note 6 - Defined Benefit Pension Plans – Governmental Accounting Standards Board Statement No. 68 (Continued)

$891,691 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	STRS	Total
Fiscal Year Ending June 30:			
2017	$357,198	($144,927)	$212,271
2018	357,198	(144,927)	212,271
2019	357,197	(144,927)	212,270
2020	357,197	(144,927)	212,270
Total	$1,428,790	($579,708)	$849,082

As of and for the year ended June 30, 2015, the proportionate share and pension expense were as follows:

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

At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

Note 6 Defined Benefit Pension Plans – Governmental Accounting Standards Board Statement No. 68 (Continued)

$1,094,622 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in fiscal year 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense in subsequent years.

Actuarial Assumptions - OPERS

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

Projections of 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, 2015 and 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 percent to 10.05 percent
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

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 mortality 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 June 30, 2010.

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.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. 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 money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent 6.95 percent for 2015 and 2014, respectively.

Note 6 - Defined Benefit Pension Plans – Governmental Accounting Standards Board Statement No. 68 (Continued)

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 2015 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 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

The table below displays the Board-approved asset allocation policy for 2014 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 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate The discount rate used to measure the total pension liability was 8 percent. 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.

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 of 8 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 (7 percent), or one percentage point higher (9 percent) than the current rate.

Note 6 - Defined Benefit Pension Plans – Governmental Accounting Standards Board Statement No. 68 (Continued)

For the year ended June 30, 2016:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
College's proportionate share of the net pension liability	$8,552,310	$5,367,859	$2,681,875

For the year ended June 30, 2015:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
College's proportionate share of the net pension liability	$9,038,618	$4,913,057	$1,438,342

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015 and 2014 the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2015 and 2014 valuations are based on the results of an actuarial experience study, effective July 1, 2012.

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

Note 6 - Defined Benefit Pension Plans – Governmental Accounting Standards Board Statement No. 68 (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015 and 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015 and 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015 and 2014.

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

For the year ended June 30, 2016:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	$21,110,789	$15,197,727	$10,197,351

For the year ended June 30, 2015:

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

Note 7 - Other Postemployment Benefits

Public Employees Retirement System (OPERS)

OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing multiple employer defined benefit post-employment healthcare trusts, which fund multiple health care plans includes medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other postemployment benefit (OPEB) as described in GASB Statement No. 45. Please see the plan statement in the OPERS CAFR for details.

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

The Ohio Revised Code provides statutory authority requiring public employers to fund health care through their contributions to OPERS. 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 2016 and 2015, state and local employers contributed at a rate of 14% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees 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 2.0% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The 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 to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

The College's actual contributions for 2016, 2015, and 2014, which were used to fund OPEB were $82,079, $85,896, and $43,071, respectively.

Note 7 - Other Postemployment Benefits (Continued)

State Teachers Retirement System (STRS)

Plan Description – STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer this plan a cost-sharing, multiple-employer health care plan. STRS provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. Nearly all health care plan enrollee, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 0 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2016 and 2015. For the year ended June 30, 2014, 1 percent of covered payroll was allocated to post-employment health care. The 14 percent employer contribution rate is the maximum rate established under Ohio law.

The College's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $0, and $59,722, respectively.

Note 8 - Compensated Absences

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

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

The liability for the cost of vacation and sick leave benefits was approximately $243,025 and $258,537 as of June 30, 2016 and 2015, respectively.

Note 9 – Long-Term Liabilities

During fiscal year ended June 30, 2004, the College issued General Receipts Bonds, Series 2003. During fiscal year ended June 30, 2008, the College issued General Receipts Bonds, Series 2008. During fiscal year ended June 30, 2012, the College issued General Receipts Bonds, Series 2011 and Series 2012. The following summarizes bonds payable as of June 30, 2016:

Bonds	Interest Ranging From	Due Serially Through	Balance 6/30/15	Additions	Deletions	Balance 6/30/16	Current Portion
Series 2008	3.5-5.05%	2025	$2,200,000	$0	($115,000)	$2,085,000	$120,000
Series 2011	2.0-4.0%	2031	9,555,000	0	(450,000)	9,105,000	460,000
Series 2012	2.0-3.6%	2031	5,660,000	0	(370,000)	5,290,000	375,000
Total Bonds			17,415,000	0	(935,000)	16,480,000	955,000
Net Pension Liability:							
OPERS			4,913,057	454,802	0	5,367,859	0
STRS			14,399,231	798,496	0	15,197,727	0
Total NPL			19,312,288	1,253,298	0	20,565,586	0
Capital Leases			44,086	0	(44,086)	0	0
Total Long-Term Liabilities			$36,771,374	$1,253,298	($979,086)	$37,045,286	$955,00

The following summarizes bonds payable as of June 30, 2015:

Bonds	Interest Ranging From	Due Serially Through	Balance 6/30/15	Additions	Deletions	Balance 6/30/16	Current Portion
Series 2008	3.5-5.05%	2025	$2,305,000	$0	($105,000)	$2,200,000	$115,000
Series 2011	2.0-4.0%	2031	9,995,000	0	(440,000)	9,555,000	450,000
Series 2012	2.0-3.6%	2031	6,020,000	0	(360,000)	5,660,000	370,000
Total Bonds			18,320,000	0	(905,000)	17,415,000	935,000
Net Pension Liability:							
OPERS			4,802,088	110,969	0	4,913,057	0
STRS			17,152,271	0	(2,753,040)	14,399,231	0
Total NPL			21,954,359	110,969	(2,753,040)	19,312,288	0
Capital Leases			112,744	0	(68,658)	44,086	39,433
Total Long-Term Liabilities			$40,387,103	$110,969	($3,726,698)	$36,771,374	$974,433

Note 9 - Long-Term Liabilities (Continued)

Principal and interest amounts due within each of the next five years and thereafter on obligations outstanding at June 30, 2016, are as follows:

Year Ended	Series 2008		Series 2011		Series 2012	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2017	$120,000	$99,185	$460,000	$291,833	$375,000	$141,573
2018	125,000	93,785	470,000	282,633	380,000	134,023
2019	130,000	88,160	480,000	273,233	390,000	126,333
2020	140,000	82,310	490,000	262,433	395,000	118,176
2021	145,000	76,010	500,000	250,183	405,000	109,070
2022-2026	825,000	273,383	2,745,000	1,015,333	1,605,000	398,039
2027-2031	600,000	61,000	3,235,000	524,515	1,425,000	182,493
2032	0	0	725,000	29,000	315,000	5,670
Total	$2,085,000	$773,833	$9,105,000	$2,929,163	$5,290,000	$1,215,377

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

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

	Series 2008
2019	$140,000
2020	145,000
2021	150,000
2022	155,000
2023	165,000
2024	175,000
2025	180,000
2026	190,000
2027	200,000
2028	210,000
	$1,710,000

In connection with the General Receipts Bonds, the College has pledged future general revenues of the main campus, net of certain specified receipts such as state appropriations and taxes, to repay these bonds. The bonds are payable, through their final maturities, from net revenues applicable to the main campus. Annual principal and interest payments on the bonds are expected to require less than 1.4 percent of net revenues. Total principal and interest remaining to be paid on these bonds is $21,398,373. Principal and interest paid for the current year and total general revenues were $1,482,128 and $6,204,289, respectively.

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

Note 10 – Risk Management

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

Note 11 – Changes in Accounting Principles

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

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

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

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

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

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

	2013	2014	2015
State Teachers Retirement System			
College's proportion of the net pension liability (asset)	0.05919894%	0.05919894%	0.05499036%
College's proportionate share of the net pension liability (asset)	$17,152,271	$14,399,231	$15,197,727
College's covered-employee payroll	$6,179,593	$5,972,200	$5,671,321
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	277.563124%	241.104300%	267.975060%
Plan fiduciary net position as a percentage of the total pension liability	69.296426%	74.707076%	72.087894%
Ohio Public Employees Retirement System			
College's proportion of the net pension liability (asset)	0.04073468%	0.04073468%	0.03099000%
College's proportionate share of the net pension liability (asset)	$4,802,088	$4,913,057	$5,367,859
College's covered-employee payroll	$4,427,764	$4,307,114	$4,294,814
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	108.454012%	114.068423%	124.984668%
Plan fiduciary net position as a percentage of the total pension liability	86.356808%	86.450836%	81.191741%

The amounts presented for each fiscal year were determined as of June 30 (STRS) and December 31 (OPERS) which is the prior fiscal year.
(1) Information not available prior to 2013.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
State Teachers Retirement System										
Contractually required contribution	$668,902	$655,785	$713,918	$805,212	$818,323	$811,098	$803,347	$776,386	$793,985	$692,899
Contributions in relation to the contractually required contribution	668,902	655,785	713,918	805,212	818,323	811,098	803,347	776,386	793,985	692,899
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
College's covered-employee payroll	$5,145,400	$5,044,500	$5,491,679	$6,193,936	$6,294,793	$6,239,214	$6,179,593	$5,972,200	$5,671,321	$4,949,279
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	14.00%	14.00%
Ohio Public Employees Retirement System										
Contractually required contribution	$289,314	$285,955	$251,933	$310,192	$387,173	$457,982	$442,785	$559,925	$515,378	$496,749
Contributions in relation to the contractually required contribution	289,314	285,955	251,933	310,192	387,173	457,982	442,785	559,925	515,378	496,749
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
College's covered-employee payroll	$2,893,136	$3,364,171	$3,599,043	$3,817,750	$4,301,921	$4,579,821	$4,427,764	$4,307,114	$4,294,814	$4,139,575
Contributions as a percentage of covered-employee payroll	10.00%	8.50%	7.00%	8.13%	9.00%	10.00%	10.00%	13.00%	12.00%	12.00%

The amounts presented for each fiscal year were determined as of June 30 (STRS) and December 31 (OPERS).

Southern State Community College
Highland County
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
United States Department of Education			
Direct from the Federal Agency			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grants	N	84.007	$138,068
Federal Direct Student Loans	N	84.268	4,217,587
Federal Work-Study Program	N	84.033	92,242
Federal Pell Grant Program	N	84.063	4,420,192
Total Student Financial Aid Cluster			8,868,089
Passed through the Ohio Department of Education			
Career and Technical Education - Basic Grants to States	3L90	84.048	74,852
Adult Education - Basic Grants to States	N/A	84.002	139,930
Total United States Department of Education			9,082,871
United States Department of Agriculture			
Passed through the Ohio Department of Education			
Child and Adult Care Food Program	3L80	10.558	15,574
Child and Adult Care Food Program	3L80	10.558	1,320
Total Child and Adult Care Food Program			16,894
Direct from the Federal Agency			
Rural Business Enterprise Grant	N	10.769	28,324
Total United States Department of Agriculture			45,218
Total Federal Financial Assistance			$9,128,089

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

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

Note 1 – Basis of Presentation

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

Note 2 – Summary of Significant Accounting Policies

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

Note 3 – Federal Direct Student Loans

The College participates in the Federal Direct Student Loan Program. The dollar amounts listed in the schedule of federal awards expenditures represents new loans advanced during the fiscal year ended June 30, 2016. The College is a direct lender for these loan funds; however, they are not responsible for collecting these loans in future periods.

Note 4 – Child Care Food Subsidy

Non-monetary assistance is reported in the schedule of federal awards expenditures at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed that federal monies are expended first. At June 30, 2016, the College had no significant commodities in inventory.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Southern State Community College, Highland County, (the College) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 10, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Natalie Millhuff-Stang

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

October 10, 2016

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Southern State Community College's, Highland County (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2016. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the College's major federal program for the year ended June 30, 2016.

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

Report on Internal Control Over Compliance

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

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

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

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

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

October 10, 2016

Section I – Summary of Auditor's Results

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

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Dave Yost · Auditor of State

SOUTHERN STATE COMMUNITY COLLEGE

HIGHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 8, 2016