Stark State College

Basic Financial Statements
June 30, 2015

Dave Yost · Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Stark State College, Stark County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

February 2, 2016

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Stark State College

June 30, 2015

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Independent Auditor's Report

Board of Trustees
Stark State College
North Canton, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Stark State College (the "College"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Board of Trustees
Stark State College

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the College, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Implementation of New Accounting Standards

As described in Note 2 to the basic financial statements, in 2015, the College adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pensions Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, and as a result restated their June 30, 2014 net position of the business-type activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and the required supplementary information on GASB 68 on pages 40 through 45 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 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.

Ciuni + Panichi, Inc.

Cleveland, Ohio
January 29, 2016

The discussion and analysis of the financial statements of Stark State College (the "College") provide an overview of financial activities for the year ended June 30, 2015, with comparative information for the year ended June 30, 2014. Management has prepared the financial statements and the related note disclosures along with this discussion and analysis. The responsibility for the completeness and fairness of this information rests with the preparers.

Using this Annual Report

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

This report consists of three basic financial statements: the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows. These statements provide information on the College as a whole, and present a snapshot of the College's finances. The following functions are included in the College's basic financial statements:

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

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

Previous years' MD&A presented two years for comparison purposes. GASB Statement No. 68 as amended by Statement No. 71 required public entities to report net pension liabilities in a new manner. The beginning balances for the current year have been restated, as shown in Note 2, based on information reported by the public pension systems, but the same information was not required for the prior year, and was not calculated for us. The biggest changes from the new accounting pronouncements is that the College now must show the net pension liability of the public retirement systems on its financial statements. This is not a legal liability of the College, but rather it is an accounting presentation. Ohio is one of six states where the employing entity is not the legally responsible party for the pension obligation. This has been described as a moral obligation, although when it comes to statutory entities, there are no obligations other than those provided for in statute.

The statement of net position acts much as a consolidated balance sheet does for a business. It shows the book value of all asset categories and deferred outflow of resources, and compares them to the amount of liabilities and deferred inflow of resources, with the residual difference reported as net position, being detailed by the type of commitment which gave rise to the underlying assets.

Condensed Statements of Net Position
(in thousands)

Assets	2015	Restated 2014
Current assets		
Cash & cash equivalents & investments	$ 21,418	$ 33,270
Student accounts receivable, net	5,798	6,020
Intergovernmental receivables	5,737	1,963
Other current assets	2,812	3,350
Total current assets	35,765	44,603
Non-current assets		
Capital assets, net	95,120	90,763
Other non-current assets	2,634	2,675
Total non-current assets	97,754	93,438
Total assets	133,519	138,041
Deferred Outflow of Resources	5,650	4,324
Liabilities		
Current liabilities		
Accounts payable & accrued liabilities	2,598	2,159
Unearned revenue	1,343	1,825
Other current liabilities	5,911	3,541
Total current liabilities	9,852	7,525
Long-term liabilities	76,101	100,797
Total liabilities	85,953	108,322
Deferred Inflow of Resources	11,273	-
Net Position		
Net investment in capital assets	91,478	73,768
Restricted	829	1,044
Unrestricted	(50,364)	(40,769)
Total net position	$ 41,943	$ 34,043

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

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

	2015	Restated 2014
Revenues		
Operating revenues		
Tuition and fees, net	$ 19,700	$ 28,847
Federal grants and contracts	2,553	2,398
Auxiliary enterprises: bookstore	7,389	10,676
Other operating revenues	3,027	2,930
Total operating revenues	32,669	44,851
Expenses		
Operating expenses		
Educational and general	75,977	88,424
Auxiliary enterprises: bookstore	6,309	8,731
Total operating expenses	82,286	97,155
Operating loss	(49,617)	(52,304)
Non-operating Revenues (Expenses)		
State appropriations	27,459	27,865
Federal grants	24,252	32,052
Other non-operating revenues	1,202	536
Other non-operating expenses	(619)	(808)
Net non-operating revenues (expenses)	52,294	59,645
Income before other revenues, expenses, gains or losses	2,677	7,341
Capital appropriations, gifts & grants	5,223	1,869
Increase in net position	7,900	9,210
Net position - beginning of year, restated (Note 2)	34,043	N/A
Net position - end of year	$ 41,943	$ 34,043

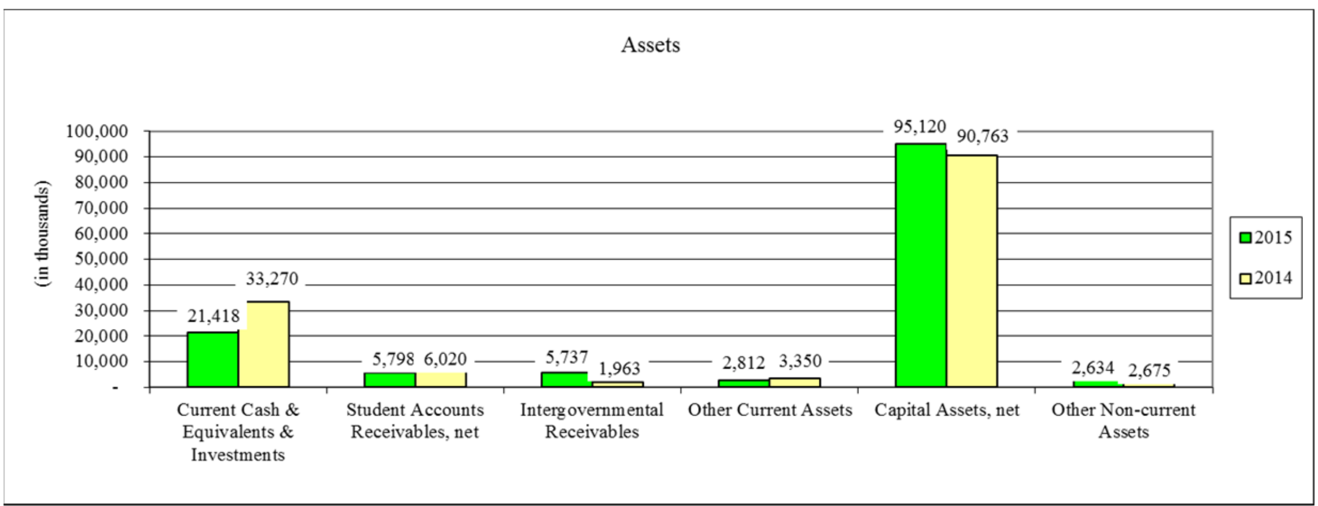
The Colleges total operating expenses for the year ended June 30, 2015 were adjusted by $1,217,000 as a result of the implementation of GASB Statement No. 68. Prior to the GASB 68 adjustment, the total operating expenses for the year ended June 30, 2015 were $83,503,000, which is an increase of $13,652,000 from the total operating expenses as of June 30, 2014.

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

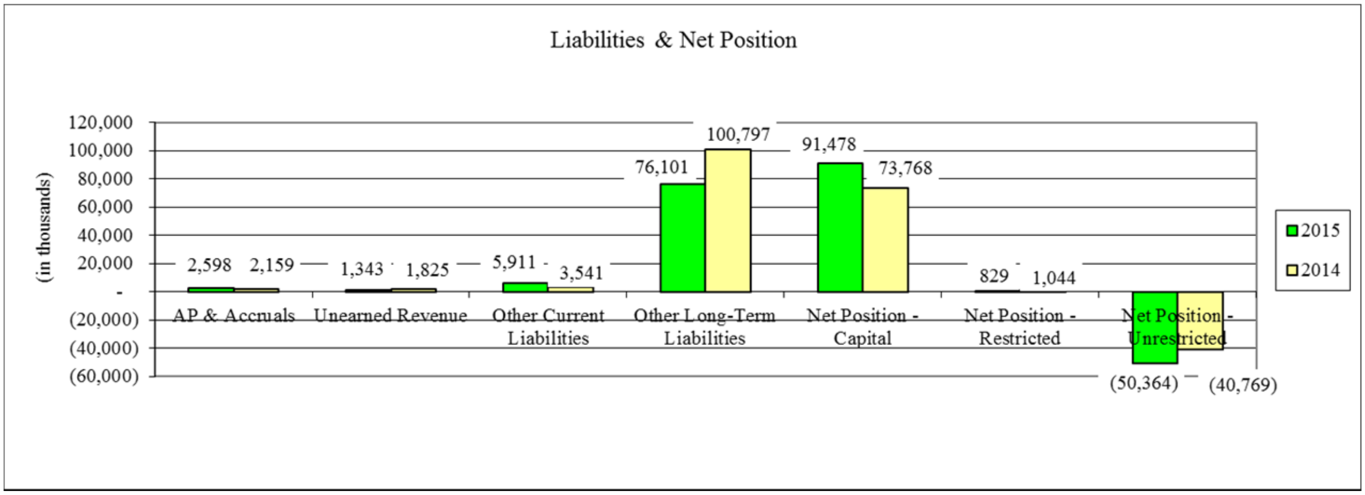
Condensed Statements of Cash Flows
(in thousands)

	2015	2014
Net cash used by operating activities	($47,102)	($50,992)
Net cash provided by non-capital financing activities	51,769	60,466
Net cash used by capital financing activities	(16,739)	(3,146)
Net cash used by investing activities	(79)	(10,025)
Net decrease in cash	(12,151)	(3,697)
Cash - beginning of year	23,311	27,008
Cash - end of year	$11,160	$23,311

Analysis of Assets and Liabilities



Total assets decreased by $4,503,000 during the year to a year-end amount of $133,519,000. Of this amount, $4,357,000 was related to net capital asset increases. Total cash and cash equivalents, including restricted cash classified as other noncurrent assets, decreased by $12,151,000, while investments increased $298,000 for a net decrease of $11,853,000 between cash and investments. Student Accounts and Intergovernmental Receivables increased by $3,553,000. All other Current and Noncurrent Assets had a net decrease of $560,000.

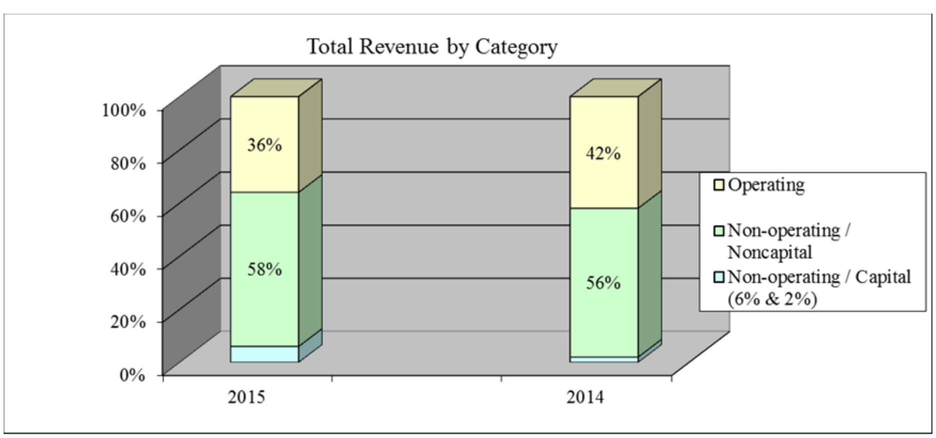


Total liabilities, excluding net pension liability, decreased since the beginning of the year by $11,254,000 to a year-end amount of $13,732,000. The noncurrent long-term liabilities decreased $13,581,000 to $3,880,000 due to debt payments on $20,000,000 in long-term construction bonds. Current liabilities increased by $2,327,000 to $9,852,000 due to less deferred income due to lower summer enrollment, higher accounts payable, a lower current portion of long term debt, and a liability for the return of a state-funded grant.

Total net position increased $7,900,000, which included an increase of $17,710,000 related to net capital assets following the payoff of long-term construction bonds and state capital investments. Unrestricted net assets decreased by $9,660,000, and net restricted assets decreased $150,000. The negative change in unrestricted net assets was the result of favorable operating results combined with the payoff of $12,510,000 of construction bonds, which were previously shown in net capital assets.

Analysis of Revenues

The following chart provides categorical ratios of the College's revenue as a whole for the years ended June 30, 2015 and 2014:



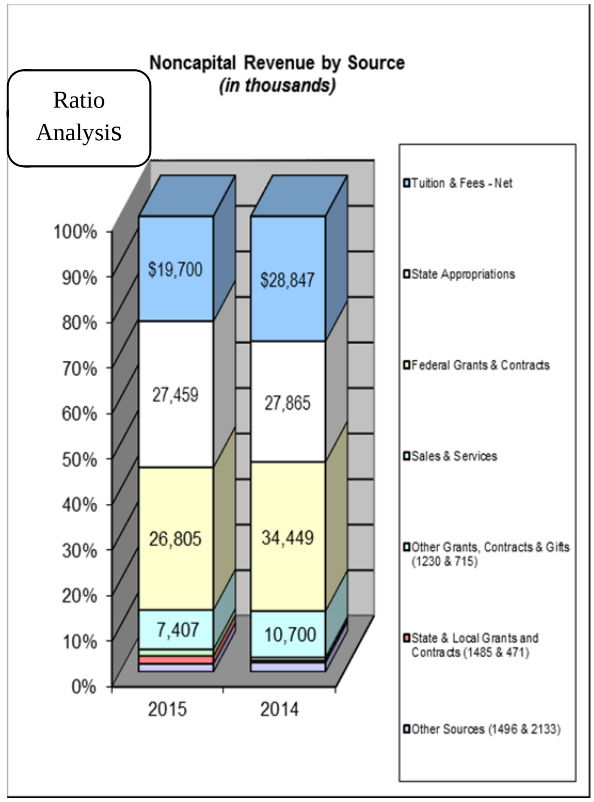
The State Share of Instruction appropriation is the statutory burden of the state of Ohio for operating the College. This is classified as non-operating revenue under generally accepted accounting principles, and it accounted for 30% and 26% of total revenue in 2015 and 2014, respectively. Other revenue includes capital appropriations, which is a subset of non-operating revenue.

A traditional comparison of College revenue focuses on noncapital revenue. These are the funds which are spent for ongoing operations. The total of these revenues decreased $19,598,000 this year (16.6%). This analysis will focus on the traditional revenues used for ongoing operations which are comparable to prior years' financial statements.

The Board of Trustees increased tuition for the Summer 2014 semester from $150.30 per credit hour to $153.60. The tuition rate change increased revenue by $739,000. However, net tuition and fees declined $9,886,000 due to enrollment decline and higher scholarship allowances.

The State's General Revenue Fund portion of the Share of Instruction appropriation, which is the primary source of state funding dedicated to support the operations of the College, decreased from prior year levels by $406,000 (1.5%) because the College enrollment fell more than the average rate of growth during the prior three years compared to other Ohio two-year colleges.

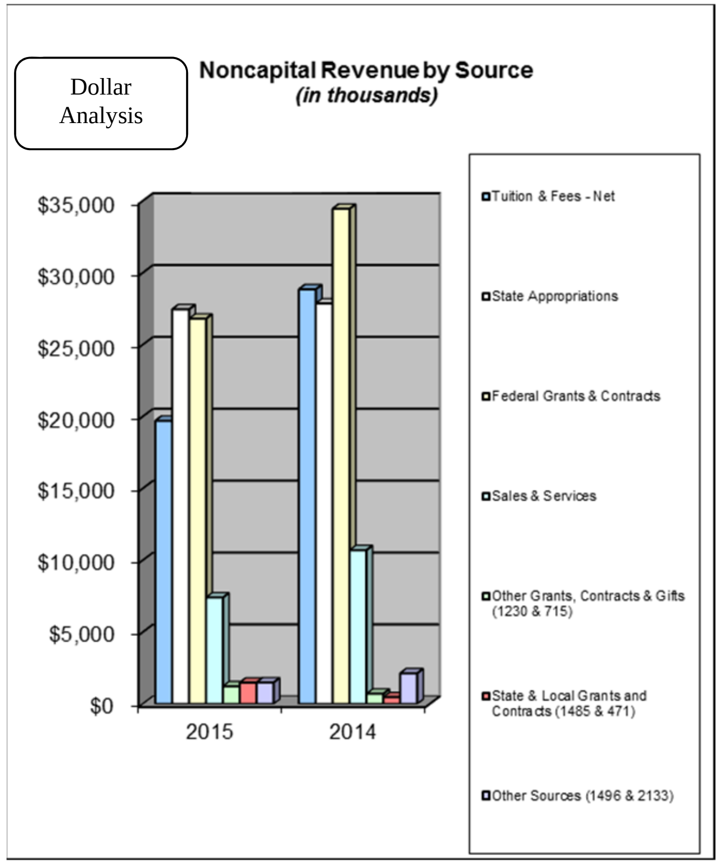
Ratio Analysis

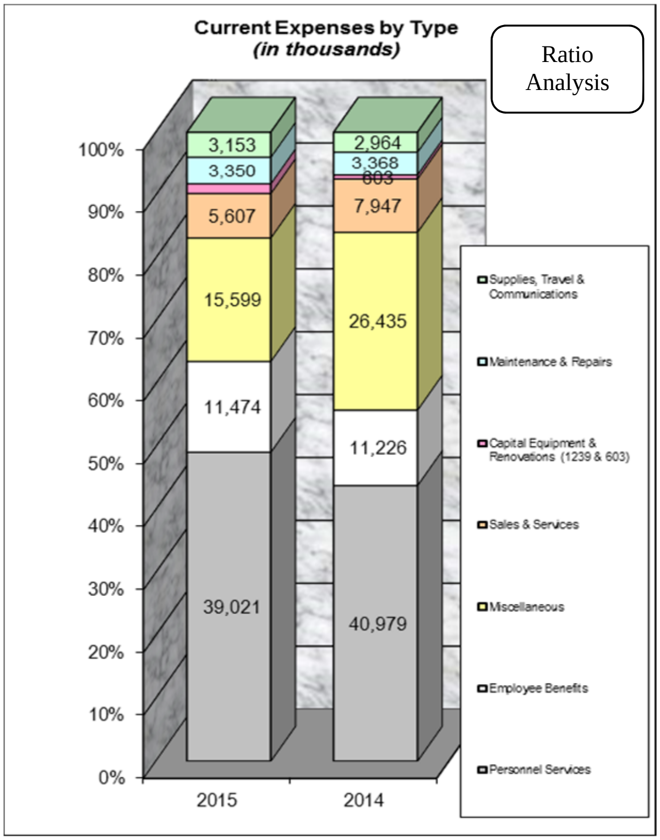


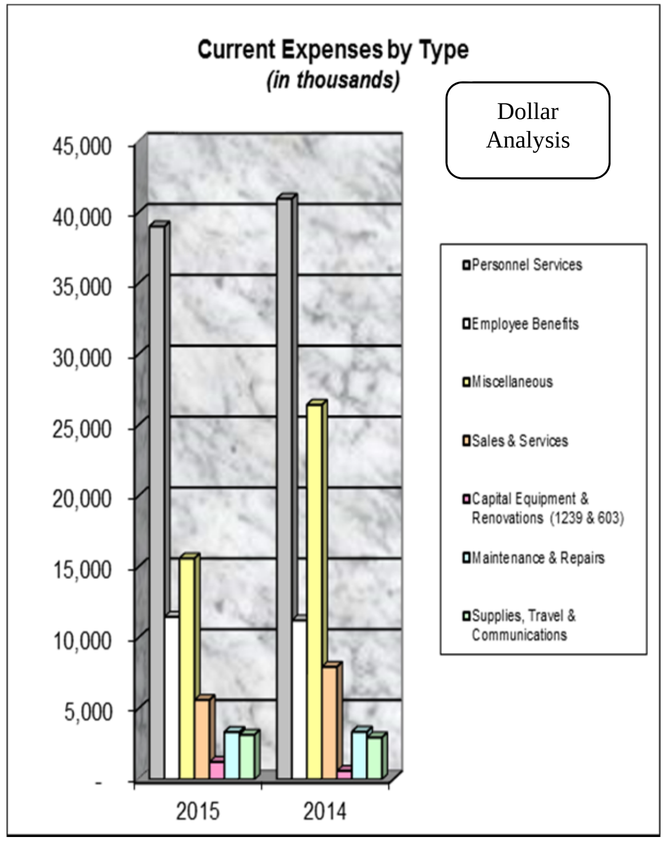
Sales & Services, which include Auxiliary enterprise revenue from the College bookstore, decreased this year by $3,293,000 (30.8%) due to decreased sales of textbooks and technology products due to lower enrollment, net of textbook price inflation and increases in gasoline card sales, and the increase of sales to school districts at lower margins for the College Credit Plus program.

Decreases in Federal grants totaling $7,644,000 (22.2%) were due mainly to the decline in total federal student aid that tracked the enrollment decline.

Other noncapital revenue consisting of State/Local/Other Grants, Contracts and Other Sources increased in total by $892,000 (26.9%) due mainly to increased grant writing efforts, increases in interest earnings and rental income from corporate partners on campus.







Analysis of Expenses

This analysis focuses on the College's operating budget categories; known as current expenses, which are normally reported in fund financial statements.

These expenses approximate the College's expenses reported in the Statement of Revenues, Expenses and Changes in Net Assets adjusted for depreciation and reduced by the capital equipment & renovations category, which were plant fund activities. Total enrollment declined 15.0%, and expenses decreased 15.3%.

Total salary and wages decreased 4.8%, which included an additional one-time payment of 2.14% for all continuing employees made in June 2015 in lieu of granting larger pay raises in FY2016. The College decreased the usage of part-time instructors. Many full-time positions were vacated and the employees were not replaced compared to the prior fiscal year. Additionally, all part-time hourly employees had been limited to working no more than an average of 29 hours per week.

Employee benefits increased 2.2% from the prior year. Health care premiums increased 4.6%, which was offset by benefits for reduced levels of faculty and staff, decreasing the average net benefit cost per labor unit.

Miscellaneous expenses decreased 41.0% over the prior year. Student aid, which encompassed 85% of the College's miscellaneous expenses, decreased by 50.9%. Grants from outside entities were the source for most of these costs. Bad debt write-offs, professional services and software costs decreased between 15% - 21% due to aggressive cost control programs and budget constraints implemented during the school year. Other miscellaneous expenses increased slightly included the cost of outside counsel related to the Affordable Care Act and Other Expenses.

Sales & Services expenses decreased by 29.4% due to decreased sales in the college bookstore. This was primarily the result of decreasing sales of new books, computers and clothing that followed the reduced total enrollment. The College continued to shift the sales mix of new vs. used books toward used due to greater margins, but the decrease in enrollment absolutely reduced total purchases for resale.

Maintenance and Repairs decreased 0.5% over the prior year as utility costs fell due to lower market costs for energy. Other maintenance costs were incurred to refresh the main campus. These cost increases were partially offset by decreases in renovations.

Equipment purchases from current funds increased 105.5% from the prior year as plant funds were previously utilized to make major IT and scientific equipment purchases, but were expensed through the current unrestricted educational and general fund this year.

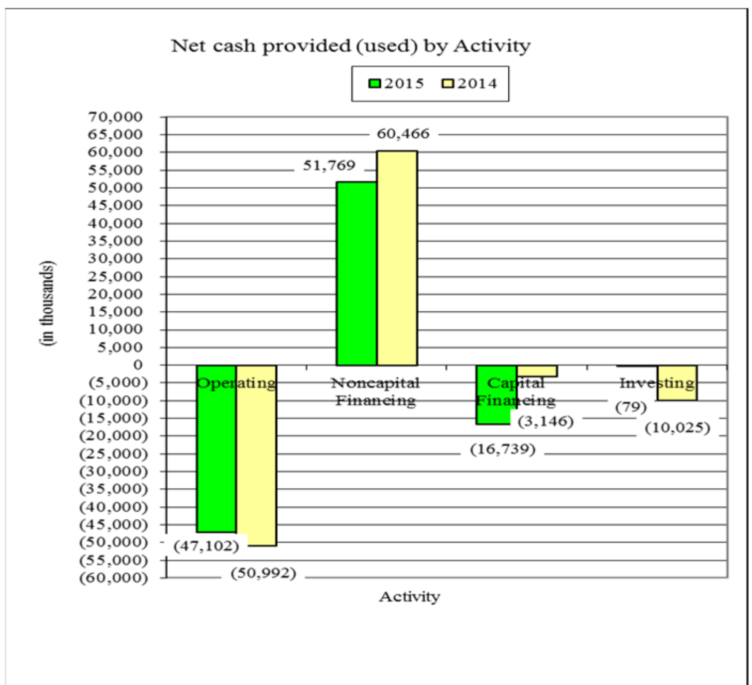
Communications expenses decreased by 5.1%. Printing and advertising were increased for marketing efforts, but these cost increases were more than offset by reduced telecommunications costs following the consolidation of three locations in downtown Canton into the new location.

The College's operating supplies included computer replacements which were not capitalized. These costs were not incurred in the current unrestricted educational and general fund in FY2014. This increased the Supplies expense 21.1%, which is in line with the decline in enrollment. Material costs for minor renovation projects by the Maintenance Department fell as fewer projects were done this year.

The College reduced travel costs paid for through the College's general fund by 7.3%. The Instructional Division developed additional in-house training which avoided travel expenses.

Analysis of Cash Flows

The College's liquidity decreased during the year, due to the refunding of $12,510,000 of bonds as detailed below. Cash flows from operations were less than cash flows coming in from noncapital non-operating categories. State General Revenue funding for general operations decreased over the prior year. By definition, noncapital financing activities include the subsidy from the Board of Regents called State Share of Instruction (SSI). The State GRF portion of this line item decreased due to the College's proportional enrollment compared to all other state assisted two-year colleges over the past three years.



Operating activities provided greater net cash flow in total from the prior year. Gross tuition and fees decreased this year primarily because of decreases in enrollment, which were offset in part by increased tuition rates and a new fee to support distance learning. All categories of the use of cash declined, including payments for labor and payments to suppliers, and student aid. Other sources of receipts also decreased.

Noncapital financing decreased 14.2%. Although inflows from grants increased, reductions in support from the state of Ohio for SSI and the US Department of Education for grants offset these improvements.

Capital financing activities provided proceeds from state appropriations, Federal and state grants and gifts. The College exercised a redemption call and refunded $12.5 million in outstanding bonds. The only remaining bonds that the College has outstanding are the series bonds with the following CUSIP-9 numbers: 67755CL64 (09/01/2016), 67755CL72 (09/01/2017), 67755CL80 (09/01/2018) and 67755CL98 (09/01/2019). Increased cash outflows were required for facilities projects. Capital funds were used for the replacement of HVAC systems in several buildings on the main campus, and for the construction and renovation of the new buildings at the new downtown Canton campus.

Cash used by investing activities was greatly decreased compared to the prior year when the College invested $10 million of interim funds that had been invested in cash equivalents previously.

Final Analysis

Stark State College is committed to establishing new programs in emerging technologies that can increase enrollment and promote economic development in the College's service area. It is also committed to providing greater access through a revitalized satellite plan, academic outreach in Summit County and distance learning. Recent initiatives include the creation of a $10 million downtown Canton campus which includes an oil and gas industry training center, and the opening of a new facility in Alliance, Ohio.

The College is dependent on the State of Ohio for funding, and state revenue has been meeting the budget projections to this point of the year. The Legislature has increased funding by 4.5% for higher education while blocking the ability of institutions to raise fees. To overcome these limitations on our total resources, the College is working to increase productivity in the classroom, increase cost saving measures, and institute changes to the student fee schedule where permitted, change staffing strategies and implement large-scale cost reductions. The College is maintaining its financial position despite the current economic conditions.

During the Fall 2015 academic term, most Ohio two-year colleges declined in enrollment compared to the prior academic year. Enrollment has been down at the College by over 9% to this point in the year. The College has been developing new policies and procedures in the areas of financial aid and loan default prevention, as well as new practices across the spectrum of student services which are improving student outcomes and retention rates. The College awarded more degrees in FY2015 than at any time in its history. Management has developed a wide-ranging set of contingency options to consider in the event of a continuing downturn in enrollment with the intent of not compromising its philosophy, goals, objectives and values.

Management firmly believes that its ability to manage the overall financial position of the College is strong, and that the College has demonstrated improvement in its financial condition during the past year. The College's enrollment, reserves and cash position are sufficient to endure worsening conditions into the near term.

STARK STATE COLLEGE

Statement of Net Position

June 30, 2015

Assets		
Current assets		
Cash and cash equivalents	$	11,122,309
Funds held for others		214,880
Investments		10,080,391
Student accounts receivable, net		5,798,405
Intergovernmental receivables		5,737,295
Other receivables, net		468,646
Prepaid expenses		449,010
Insurance reserve		927,295
Inventory		967,159
Total current assets		35,765,390
Non-current assets		
Restricted cash and cash equivalents		37,716
Restricted investments		279,066
Prepaid expenses		26,916
Insurance reserve		2,223,249
Net pension asset		67,250
Capital assets, not being depreciated		14,241,472
Capital assets, net of depreciation		80,878,681
Total non-current assets		97,754,350
Total assets	$	133,519,740
Deferred Outflow of Resources		
Pensions:		
OPERS	$	1,730,259
STRS		3,919,252
Total deferred outflow of resources	$	5,649,511

(continued)

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

STARK STATE COLLEGE
Statement of Net Position (continued)
June 30, 2015

Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$	2,597,750
Unearned revenue		1,342,512
Accrued salaries and wages		1,322,298
Insurance claims payable		927,295
Grant refund liability		2,158,496
Funds held for others		214,880
Deposits held for others		171,850
Compensated absences, current portion		253,865
Long-term liabilities, current portion		863,330
Total current liabilities		9,852,276
Non-current liabilities		
Net pension liability - OPERS		12,591,530
Net pension liability - STRS		59,629,259
Compensated absences		1,036,091
Long-term liabilities		2,843,952
Total non-current liabilities		76,100,832
Total liabilities	$	85,953,108
Deferred Inflow of Resources		
Pensions:		
OPERS	$	241,729
STRS		11,031,639
Total deferred inflow of resources	$	11,273,368
Net Position		
Net investment in capital assets	$	91,477,611
Restricted for:		
Non-expendable		
Scholarships		301,817
Expendable		
Student grants and scholarships		7,862
Public service		8,189
Instructional departments		77,557
Student services		279,517
Capital projects		133,870
Student loans		18,403
Institutional support		1,881
Total restricted		829,096
Unrestricted		(50,363,932)
Total net position	$	41,942,775

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

STARK STATE COLLEGE

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2015

Revenues		
Operating revenues:		
Student tuition and fees (net of scholarship allowances of $17,518,229)	$	19,699,829
Federal grants and contracts		2,552,801
State and local grants and contracts		704,752
Non-governmental grants and contracts		1,029,273
Sales and services of educational departments		18,588
Auxiliary enterprises: bookstore		7,388,562
Other operating revenues		1,275,003
Total operating revenues		32,668,808
Expenses		
Operating expenses:		
Educational and general		
Instruction		33,134,006
Academic support		4,897,895
Student services		6,602,321
Institutional support		10,749,696
Operation and maintenance of plant		5,635,982
Student aid		10,268,748
Public service		925,679
Depreciation		3,763,164
Auxiliary enterprises: bookstore		6,308,624
Total operating expenses		82,286,115
Operating loss	$	(49,617,307)

(continued)

STARK STATE COLLEGE

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

For the Year Ended June 30, 2015

Non-operating Revenues (Expenses)		
State appropriations	$	27,458,908
Federal grants		24,251,789
State and local grants		781,500
Gifts		200,628
Investment income		6,958
Interest on capital asset-related debt		(618,897)
Other non-operating revenues		212,739
Net non-operating revenues (expenses)		52,293,625
Income before other revenues, expenses, gains, or losses		2,676,318
Capital appropriations		5,191,213
Capital grants and gifts		32,052
Increase in net position		7,899,583
Net Position		
Net position, beginning of year - Restated (See Note 2)		34,043,192
Net position, end of year	$	41,942,775

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

STARK STATE COLLEGE

Statement of Cash Flows

For the Year Ended June 30, 2015

Cash Flows from Operating Activities		
Tuition and fees	$	19,661,910
Grants and contracts		1,850,402
Payments to suppliers		(16,468,595)
Employee and related payments		(50,795,475)
Payments for student aid		(10,268,748)
Loans issued to students		1,950
Auxiliary enterprise charges: bookstore		7,552,548
Sales and service of educational activities		19,861
Other receipts		1,344,238
Net cash used by operating activities		(47,101,909)
Cash Flows from Non-capital Financing Activities		
State appropriations		27,458,908
Gifts and grants for other than capital purposes		25,446,656
Stafford, PLUS, NEALP and other loans received		30,024,134
Stafford, PLUS, NEALP and other loans disbursed		(30,024,134)
Agency transactions		(1,136,091)
Net cash provided by non-capital financing activities		51,769,473
Cash Flows from Capital Financing Activities		
Capital appropriations		4,909,005
Capital grants and gifts received		32,052
Purchases of capital assets		(7,709,253)
Principal paid on capital debt and leases		(13,351,625)
Interest paid on capital debt and leases		(618,897)
Net cash used by capital financing activities		(16,738,718)
Cash Flows from Investing Activities		
Proceeds from sale of investments		7,852,827
Purchase of investments		(7,932,620)
Net cash used by investing activities		(79,793)
Net decrease in cash		(12,150,947)
Cash, beginning of year		23,310,972
Cash, end of year	$	11,160,025

(continued)

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

STARK STATE COLLEGE
Statement of Cash Flows (continued)
For the Year Ended June 30, 2015

Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$	(49,617,307)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense		3,763,164
Net pension expense (recovery)		(1,216,909)
Changes in assets and liabilities:		
Receivables, net		(1,789,604)
Inventories		148,740
Other assets		152,198
Accounts payable		(4,761)
Grant refund liability		2,158,496
Unearned revenue		(481,923)
Compensated absences		(214,003)
Net cash used by operating activities	$	(47,101,909)

Non-cash Capital Financing Activities:		
Increase in capital assets due to an increase in accounts payable	$	411,462

1. DESCRIPTION OF THE ENTITY

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

<u>Basis of Presentation</u> – The College follows the "business-type activities" reporting requirements of GASB Statement No. 35. In accordance with GASB Statement No. 35, *Basic Financial Statements-and Management Discussion and Analysis- for Public Colleges and Universities*, the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows are reported on a College-wide basis.

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

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

<u>Unearned Revenue</u> – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Student tuition and fees for the summer session 2015 and all of the payments of student tuition and fees resulting from early registration for the fall session 2015 are included in unearned revenue.

<u>Deferred Outflow/Inflow of Resources</u> – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflow of resources. Deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resource (expense/expenditure) until then. For the College, deferred outflow of resources include a deferred charge for pensions. Deferred outflow of resources related to pensions are explained in Note 7.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflow of resources. Deferred inflow of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the College, deferred inflow of resources include pensions. Deferred inflow of resources related to pensions are explained in Note 7.

Pensions – For purposes of measuring net pension liability, deferred outflow of resources and deferred inflow 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 position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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

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

During fiscal year 2015, investments were limited to STAR Ohio, STAR Plus, repurchase agreements, U.S. Treasury and Agency items, mutual funds, corporate notes, savings accounts, and corporate stock.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

Grant Refund Liability – The College received a multi-year state grant in advance during fiscal year 2015. Subsequent to June 30, 2015, the grantor and the College executed an amendment in which the College would refund the unspent portion of the grant to the grantor. As of the June 30, 2015, the unspent portion of the grant proceeds was $2,158,496.

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

> Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.
>
> Net position is reported as restricted when there are limitations imposed on their use. The College identifies restricted net position as either non-expendable or expendable. Non-expendable net position represents endowment contributions from donors that are permanently restricted as to principal. Expendable net position relates to grants and contract activity, whose use is subject to externally imposed restrictions. As of June 30, 2015, the College's restricted net position is $829,096, none of which were restricted by enabling legislation.
>
> Unrestricted net position is not subject to restrictions and may be designated for specific purposes by the Board of Trustees.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Public Entity Risk Pools – The College participates in the Stark County Schools Council of Governments Health Benefit Plan (the "Council"), which is a shared risk pool created pursuant to state statute, for the purpose of administering health care benefits. The Council is governed by an assembly, which consists of one representative from each participating entity (usually the superintendent or designee). The assembly elects officers for one-year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services received from the participating entities, based on the established premiums for the insurance plans. Each entity reserves the right to terminate the plan in whole or in part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

New Accounting Pronouncements and Change in Accounting Principle – For fiscal year 2015, the College implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pensions Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflow of resources, deferred inflow of resources, and expense. The implementation of these pronouncements had the following effect on net position as reported June 30, 2014:

Net Position – June 30, 2014	$ 113,037,495
Adjustments:	
Net pension liability	(83,337,112)
Net pension asset	18,328
Deferred outflow of resources – payments subsequent to measurement date	4,324,481
Restated Net Position – June 30, 2014	$ 34,043,192

Subsequent Events
In preparing these financial statements, the College has evaluated events and transactions for potential recognition or disclosure through January 29, 2016, the date the financial statements were available to be issued.

3. CASH AND INVESTMENTS

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

3. CASH AND INVESTMENTS (continued)

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

B. Cash on Hand – At June 30, 2015, the College had $14,767 in undeposited cash on hand, which is reported as "cash and cash equivalents" on the accompanying statement of net position.

C. Deposits – At June 30, 2015, the reported amount of the College's deposits was $0 and the bank balance was $7,717, which was covered by the FDIC insured limit.

D. Investments – The College had the following investments and maturities as of June 30, 2015:

		Investment Maturity (in years)	
Investment Type	Fair Value	1	2 – 5
Insurance Reserve	$ 3,150,544	$ 927,295	$ 2,223,249
Repurchase Agreement	6,092,909	6,092,909	-
STAR Ohio	5,168	5,168	-
STAR Plus	5,047,181	5,047,181	-
Money market funds	1,082,253	1,082,253	-
U.S. Agencies	9,004,099	9,000,128	3,971
Corporate Notes	23,546	-	23,546
Mutual Funds–Treasury Obligations	9,264	9,264	-
Mutual Funds	54,521	54,521	-
Corporate Stock	185,774	185,774	-
	$ 24,655,259	$ 22,404,493	$ 2,250,766

3. CASH AND INVESTMENTS (continued)

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's Investment Policy prohibits the purchase of securities that will mature more than five years from the date of settlement.

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

Corporate Stocks	A+	0.06%
Corporate Stocks	A	0.05%
Corporate Stocks	A-	0.06%
Corporate Stocks	B+	0.13%
Corporate Stocks	B	0.05%
Corporate Stocks	B-	0.01%
Corporate Stocks	BB	0.01%
Corporate Stocks	Not rated	0.38%
U.S. Agencies	AA+	0.02%
U.S. Agencies	Aaa	36.50%
Mutual Funds	A	0.03%
Mutual Funds	A-	0.03%
Mutual Funds	AAAm	0.07%
Mutual Funds	BBB+f	0.07%
Mutual Funds	Not Rated	0.06%
Corporate Notes	A+	0.06%
Corporate Notes	AA-	0.01%
Corporate Notes	BBB+	0.03%
STAR Ohio	AAAm	0.02%
Money market funds	Not Rated	4.39%
STAR Plus	Not Rated	20.47%
Repurchase Agreements	Not Rated	24.71%
Insurance Reserve	Not Rated	12.78%

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

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

3. CASH AND INVESTMENTS (continued)

STAR Ohio is an investment pool managed by the Ohio Treasurer's Office that allows governments within the State to pool their funds together for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price that is the price that the investment could be sold for on June 30, 2015.

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

4. CAPITAL ASSETS

A summary of the changes in capital assets and related accumulated depreciation for the year ended June 30, 2015, is as follows:

	Balance 6/30/2014	Additions	Disposals	Transfers	Balance 6/30/2015
Capital assets not being depreciated:					
Land	$ 6,068,586	$ -	$ -	$ -	$ 6,068,586
Construction in progress	1,641,083	6,437,709	-	(5,633,392)	2,445,400
Software	5,727,486	-	-	-	5,727,486
Total capital assets not being depreciated	13,437,155	6,437,709	-	(5,633,392)	14,241,472
Capital assets being depreciated:					
Land improvements	5,955,093	168,096	-	-	6,123,189
Buildings and leasehold improvements	98,064,718	542,899	-	5,633,392	104,241,009
Equipment	8,056,890	972,011	477,475	-	8,551,426
Library books	23,900	-	4,353	-	19,547
Infrastructure	309,310	-	-	-	309,310
Total capital assets being depreciated	112,409,911	1,683,006	481,828	5,633,392	119,244,481
Less accumulated depreciation for:					
Land improvements	2,433,734	243,550	-	-	2,677,284
Buildings and leasehold improvements	26,830,418	2,866,111	-	-	29,696,529
Equipment	5,616,878	636,366	477,475	-	5,775,769
Library books	20,540	1,692	4,353	-	17,879
Infrastructure	182,894	15,445	-	-	198,339
Total accumulated depreciation	35,084,464	3,763,164	481,828	-	38,365,800
Capital assets being depreciated, net	77,325,447	(2,080,158)	-	5,633,392	80,878,681
Capital assets, net	$ 90,762,602	$ 4,357,551	$ -	$ -	$ 95,120,153

5. LEASES

Stark State College leases buildings and parking lots on a month-to-month basis and under long-term operating lease agreements. Rent expenses totaled $551,281 during the year ended June 30, 2015.

Aggregate future minimum lease payments under these non-cancelable operating lease agreements are as follows for the years ending June 30:

2016	$	433,797
2017		397,974
2018		350,074
2019		350,074
2020		355,024
Thereafter		2,078,109
	$	3,965,052

Stark State College leases its buildings, equipment and parking lots to companies for specific days and under long-term operating lease agreements. The property used for rental purposes under long-term operating lease agreements has an original prorated cost of $8,328,098, and accumulated depreciation of $1,609,620 at June 30, 2015. Rent income totaled $367,903 during the year ended June 30, 2015.

Aggregate future minimum lease receipts under the non-cancellable operating lease agreements are as follows for the years ending June 30:

2016	$	568,687
2017		561,504
2018		460,108
2019		79,538
	$	1,669,837

6. LONG-TERM LIABILITIES

The College's long-term liabilities consisted of the following at June 30, 2015:

	Balance 6/30/2014	Additions	Reductions	Balance 6/30/2015	Due Within One Year
Bonds					
2010 Series A1 (Tax-Exempt)	$ 4,484,167	$ -	$ (841,625)	$ 3,642,542	$ 863,330
2010 Series A2 (Taxable)	12,510,000	-	(12,510,000)	-	-
Total bonds	16,994,167	-	(13,351,625)	3,642,542	863,330
Net Pension Liability					
OPERS	12,307,129	284,401	-	12,591,530	-
STRS	71,029,983	-	(11,400,724)	59,629,259	-
Total net pension liability	83,337,112	284,401	(11,400,724)	72,220,789	
Other Long-Term Liabilities					
Compensated absences	1,503,959	470,729	(684,732)	1,289,956	253,865
Lease liability	64,740	-	-	64,740	-
Total other long-term liabilities	1,568,699	470,729	(684,732)	1,354,696	253,865
Total	$ 101,899,978	$ 755,130	$ (25,437,081)	$ 77,218,027	$ 1,117,195

6. LONG-TERM LIABILITIES (continued)

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

2010 Series A2 (Taxable Bonds) – On August 31, 2010, the College issued $12,510,000 of Series A2 Taxable Bonds for the purpose of financing part of the costs of various capital facilities of the College, including the construction of a business and entrepreneurship building, a classroom and lab addition to the Health Science building, a pedestrian bridge and a parking lot and atrium renovation. The College paid off the entire bond during the year.

The College pays a monthly Governmental Lease payment to the Ohio Treasurer of State to fund the State's sinking bond fund as a requirement of the enabling legislation for the bonds under the State Community and Technical College Facilities Intercept Bond program. The Treasurer of State issues a monthly lease payment schedule at the beginning of each fiscal year for the following three fiscal years. The Treasurer of State makes the semiannual coupon payments on March 1 and September 1 and redemption payments on September 1 of each applicable year. The interest rates on the 2010 Series A1 Tax Exempt Bonds coupons range from 2.000% to 2.625%. The interest rates on the 2010 Series A2 Taxable Bonds coupons ranged from 4.450% to 5.970%.

Scheduled principal maturities and total debt service on the 2010 Series A1 bond for fiscal years subsequent to June 30, 2015 are as follows:

Fiscal Years Ending	Principal	Interest	Total
2016	$ 863,330	$ 83,065	$ 946,395
2017	878,750	65,798	944,548
2018	898,333	47,215	945,548
2019	922,917	26,063	948,980
2020	79,212	2,023	81,235
	$ 3,642,542	$ 224,164	$ 3,866,706

Lease liability – The College has two operating lease agreements which contain rent step increases in the terms of the agreement. In accordance with GAAP, the College expenses the leases on a straight-line basis and booked a lease liability for the portion of the rent expense that was unpaid as of June 30, 2015.

7. PENSION PLANS

Net Pension Liability

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

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

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

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

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

Ohio Public Employees Retirement System

College employees participate in the Ohio 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 is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. New employees (those who establish membership in OPERS on or after January 1, 2003) have 180 days from the commencement of employment to select membership in one of the three pension plans. Contributions to OPERS are effective with the first day of the employee's employment. Contributions made prior to the employee's plan selection are maintained in the Traditional Pension Plan and later transferred to the plan elected by the member, as appropriate. While members (e.g. College employees) may elect the Member-Directed Plan or the Combined Plan, substantially all employees are in the OPERS' Traditional Plan.

7. PENSION PLANS (continued)

Ohio Public Employees Retirement System (continued)

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/investments/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

For retirement calculation purposes, members are divided into three groups. 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:

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
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 62 with 60 months of service credit or Age 57 with 25 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 earning over a member's career.

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

Once a benefit recipient retiring under the traditional plan has received benefits for 12 months, an annual 3 percent cost-of-living adjustment is provided on the member's base benefit.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of earnable salary for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of earnable salary for members in the state and local classifications. Members in state and local classifications contributed 10 percent of earnable salary.

The College's 2015 contribution rate was 14 percent of earnable salary. In fiscal year 2015, the College's contractually required contribution for the traditional plan and the combined plan was $1,503,008 and $68,280, respectively. Of these amounts $334,110 was reported as a liability at June 30, 2015.

7. PENSION PLANS (continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.75 percent	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent	4.25 to 8.05 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	8 percent	8 percent
Actuarial Cost Method	Individual Entry Age	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 for the five year period ended December 31, 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.

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.

7. PENSION PLANS (continued)

Actuarial Assumptions – OPERS (continued)

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%	

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 contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Office's Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate The following table presents the College's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the College's proportionate share of the net pension liability/asset 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:

	1% Decrease (7%)	Discount Rate (8%)	1% Increase (9%)
College's proportionate share of the net pension liability – Traditional	$23,164,806	$12,591,530	$3,686,283
College's proportionate share of the net pension liability (asset) – Combined	$8,733	$(67,250)	$(127,506)

State Teachers Retirement System

Plan Description – The College's faculty participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement plan administered by STRS. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report may be obtained by writing to STRS Ohio, 275 E. Board St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

7. PENSION PLANS (continued)

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

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The College was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates. The College’s contractually required contributions to STRS Ohio for fiscal year 2015 were $3,345,191. Of this amount $182,557 was reported as a payable at June 30, 2015.

7. PENSION PLANS (continued)

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

The net pension liability/asset was measured as of December 31, 2014 for OPERS and June 30, 2014 for STRS. 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. Following is information related to the proportionate share and pension expense:

	OPERS Traditional	OPERS Combined	STRS	Total
Proportionate Share of the Net Pension Liability (Asset)	$ 12,591,530	$ (67,250)	$ 59,629,259	$ 77,153,539
Proportion of the Net Pension Liability/Asset	0.1043977%	0.1746653%	0.2451512%	
Pension Expense	$ 1,369,671	$ 48,945	$ 2,292,581	$ 3,711,197

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

	OPERS Traditional	OPERS Combined	STRS	Total
Deferred Outflow of Resources				
Differences between expected and actual experience	$ -	$ -	$ 574,061	$ 574,061
College contributions subsequent to the measurement date	1,008,493	45,815	3,345,191	4,399,499
Net difference between projected and actual earnings on pension plan investments	671,846	4,105	-	675,951
Total Deferred Outflow of Resources	$ 1,680,339	$ 49,920	$ 3,919,252	$ 5,649,511
Deferred Inflow of Resources				
Differences between expected and actual experience	$ 221,208	$ 20,521	$ -	$ 241,729
Net difference between projected and actual earnings on pension plan investments	-	-	11,031,639	11,031,639
Total Deferred Inflow of Resources	$ 221,208	$ 20,521	$ 11,031,639	$ 11,273,368

7. PENSION PLANS (continued)

The College reported $4,399,499 as deferred outflow of resources related to pension resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional	OPERS Combined	STRS	Total
Fiscal Year Ending June 30:				
2016	$ 65,895	$ (1,414)	$ (2,614,394)	$ (2,549,913)
2017	65,895	(1,414)	(2,614,394)	(2,549,913)
2018	150,886	(1,414)	(2,614,394)	(2,464,922)
2019	167,962	(1,414)	(2,614,396)	(2,447,848)
2020	-	(2,441)	-	(2,441)
2021-2025	-	(8,319)	-	(8,319)
	$ 450,638	$ (16,416)	$ (10,457,578)	$ (10,023,356)

Actuarial Assumptions – STRS

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

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

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

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

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

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

7. PENSION PLANS (continued)

Actuarial Assumptions – STRS (continued)

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

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

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	$85,365,785	$59,629,259	$37,864,818

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

Alternative Retirement Plan

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

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

7. PENSION PLANS (continued)

Alternative Retirement Plan (continued)

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. Under this plan, employees who would have otherwise been required to participate in STRS or OPERS, and who elect to participate in the ARP, must contribute the employee's share of retirement contributions to one of eight private providers approved by the Ohio Department of Insurance. The legislation mandates that the employer must contribute an amount to the state retirement system to which the employee would have otherwise belonged, based on an independent actururial study commissioned by the Ohio Retirement Study Council and submitted to the Ohio Department of Higher Education. That amount is 4.5 percent for STRS and 0.77 percent for OPERS for the year ended June 30, 2015. The employer also contributes what would have been the employer's contribution under STRS or OPERS, less the aforementioned percentages, to the private provider selected by the employee.

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

Employee Contribution Rate

Period	STRS		OPERS	
	Traditional	ARP	Traditional	ARP
7/1/14 - 6/30/15	12.0%	12.0%	10.0%	10.0%
1/1/14 - 6/30/14	11.0%	11.0%	10.0%	10.0%
7/1/13 - 12/31/13	11.0%	11.0%	10.0%	10.0%
1/1/13 - 6/30/13	11.0%	11.0%	10.0%	10.0%
7/1/12 - 12/31/12	11.0%	11.0%	10.0%	10.0%

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

Employer Contribution Rate

Period	STRS			OPERS		
	Traditonal	ARP		Traditonal	ARP	
		STRS	ARP		OPERS	ARP
7/1/14 - 6/30/15	14.00%	4.50%	9.50%	14.0%	0.77%	13.23%
7/1/13 - 6/30/14	14.00%	4.50%	9.50%	14.0%	0.77%	13.23%
7/1/12 - 6/30/13	14.00%	3.50%	10.50%	14.0%	0.77%	13.23%

The College's required contributions for pension obligations to the plan for the fiscal year ended June 30, 2015, 2014, and 2013 were $119,264, $78,387, and $89,518, respectively, of which 100% has been contributed.

8. POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting https://www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-employment health care.

Employer contribution rate is expressed as a percentage of the earnable salary of active employees. In 2015, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The portion of the employer contribution allocated to health care for members in the Traditional Pension Plan and Combined Plan was 4 percent, 1 percent, and 2 percent for calendar years 2012, 2013, and 2014, respectively. Effective January 1, 2015, the portion of the employer contributions allocated to health care remains at 2 percent for both plans, as recommended by the OPERS’ actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

8. POST-EMPLOYMENT BENEFITS (continued)

Ohio Public Employees Retirement System (continued)

The College's contributions allocated to fund post-employment health care benefits for the fiscal years ended June 30, 2015, 2014, and 2013 were $224,470, $144,778, and $623,830, respectively.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS Ohio did not allocate any employer contributions of earnable salary to post-employment health care. The College's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $0, $249,289, and $265,755, respectively. The full amount has been contributed for fiscal years 2015, 2014, and 2013.

9. CONTINGENCIES

Federal and State Grants

The College participates in certain state and federally-assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Any disallowed claims resulting from such audits could become a liability of the College. However, in the opinion of management of the College, any such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 2015.

Litigation

The College is unaware of any unasserted claims pending against it as of June 30, 2015.

10. RISK MANAGEMENT

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

The College is a member of the Stark County Schools Council of Governments, a shared risk pool (see Note 2), which was established to provide a partially self-funded health benefits program to its members. The College pays a monthly premium to the Council of Governments for its health care coverage.

The insurance claims payable of $927,295 is based on the requirements of GASB Statement No. 30, *Risk Financing Omnibus,* which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the Council of Governments. A summary of the claims liability during the past two fiscal years is as follows:

Fiscal Year	Balance at July 1	Current Year Claims	Claim Payments	Balance at June 30
2014	$ 864,685	$ 5,654,720	$ 5,616,506	$ 902,899
2015	902,899	5,519,860	5,495,464	927,295

11. RELATED ORGANIZATIONS

The Stark State College Foundation (the "Foundation") is a not-for-profit organization, which operates under a separate board exclusively for the benefit of the College and is therefore not included in the College's June 30, 2015 financial statements. At June 30, 2015, the total net assets of the Foundation were $5,547,931. During the year ended June 30, 2015, the Foundation contributed $417,160 to the College for scholarships, instructional equipment and supplies, professional development, student services, and buildings.

At June 30, 2015, the College is investing $214,880 on behalf of the Foundation, which is reflected as "funds held for others" on the accompanying statement of net position.

At June 30, 2015, the Foundation is investing $267,602 on behalf of the College.

At June 30, 2015, the College has a receivable from the Foundation for $49,440 for the use of software purchased by the College.

STARK STATE COLLEGE
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System – Traditional Plan
Last Two Fiscal Years (1)

	2014	2013
College's Proportion of the Net Pension Liability	0.104398%	0.104398%
College's Proportionate Share of the Net Pension Liability	$ 12,591,530	$ 12,307,129
College's Covered-Employee Payroll	$ 12,395,224	$ 14,006,532
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	101.58%	87.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

STARK STATE COLLEGE

Required Supplementary Information

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

Ohio Public Employees Retirement System – Combined Plan

Last Two Fiscal Years (1)

	2014	2013
College's Proportion of the Net Pension Asset	0.174665%	0.174665%
College's Proportionate Share of the Net Pension Asset	$ 67,250	$ 18,328
College's Covered-Employee Payroll	$ 563,104	$ 571,466
College's Proportionate Share of the Net Pension Asset as a Percentage of its Covered-Employee Payroll	11.94%	3.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	114.83%	n/a

(1) Information prior to 2013 is not available.

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

	2014	2013
College's Proportion of the Net Pension Liability	0.245151%	0.245151%
College's Proportionate Share of the Net Pension Liability	$ 59,629,259	$ 71,029,983
College's Covered-Employee Payroll	$ 24,890,207	$ 26,605,677
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	239.57%	266.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

STARK STATE COLLEGE
Required Supplementary Information
Schedule of the College's Contributions
Ohio Public Employees Retirement System – Traditional Plan
Last Ten Fiscal Years

	2015	2014	2013	2012	2011
Contractually-required contribution	$ 1,503,008	$ 1,497,343	$ 1,833,455	$ 1,347,702	$ 1,049,375
Contributions in relation to the contractually-required contribution	(1,503,008)	(1,497,343)	(1,833,455)	(1,347,702)	(1,049,375)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College covered-employee payroll	$ 12,431,828	$ 12,395,224	$ 14,006,532	$ 13,356,809	$ 10,400,149
Contributions as a percentage of covered-employee payroll	12.09%	12.08%	13.09%	10.09%	10.09%

	2010	2009	2008	2007	2006
Contractually-required contribution	$ 808,700	$ 693,775	$ 511,416	$ 538,973	$ 536,648
Contributions in relation to the contractually-required contribution	(808,700)	(693,775)	(511,416)	(538,973)	(536,648)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College covered-employee payroll	$ 8,906,388	$ 8,085,956	$ 7,326,877	$ 6,954,490	$ 5,962,756
Contributions as a percentage of covered-employee payroll	9.08%	8.58%	6.98%	7.75%	9.00%

STARK STATE COLLEGE
Required Supplementary Information
Schedule of the College's Contributions
Ohio Public Employees Retirement System – Combined Plan
Last Ten Fiscal Years

	2015	2014	2013	2012	2011
Contractually-required contribution	$ 68,280	$ 68,023	$ 74,805	$ 54,986	$ 42,815
Contributions in relation to the contractually-required contribution	(68,280)	(68,023)	(74,805)	(54,986)	(42,815)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College covered-employee payroll	$ 564,764	$ 563,104	$ 571,466	$ 544,958	$ 424,326
Contributions as a percentage of covered-employee payroll	12.09%	12.08%	13.09%	10.09%	10.09%

	2010	2009	2008	2007	2006
Contractually-required contribution	$ 32,995	$ 28,306	$ 20,866	$ 21,990	$ 21,895
Contributions in relation to the contractually-required contribution	(32,995)	(28,306)	(20,866)	(21,990)	(21,895)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College covered-employee payroll	$ 363,381	$ 329,907	$ 298,937	$ 283,743	$ 243,280
Contributions as a percentage of covered-employee payroll	9.08%	8.58%	6.98%	7.75%	9.00%

STARK STATE COLLEGE
Required Supplementary Information
Schedule of the College's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2015	2014	2013	2012	2011
Contractually-required contribution	$ 3,345,191	$ 3,235,727	$ 3,458,738	$ 2,996,474	$ 3,538,059
Contributions in relation to the contractually-required contribution	(3,345,191)	(3,235,727)	(3,458,738)	(2,996,474)	(3,538,059)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College covered-employee payroll	$ 23,894,221	$ 24,890,207	$ 26,605,677	$ 23,049,800	$ 27,215,838
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%

	2010	2009	2008	2007	2006
Contractually-required contribution	$ 3,030,931	$ 2,896,984	$ 2,143,680	$ 1,975,376	$ 1,692,638
Contributions in relation to the contractually-required contribution	(3,030,931)	(2,896,984)	(2,143,680)	(1,975,376)	(1,692,638)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College covered-employee payroll	$ 23,314,854	$ 22,284,492	$ 16,489,846	$ 15,195,200	$ 13,020,292
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Stark State College
North Canton, Ohio

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 of Stark State College (the "College"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 29, 2016, wherein we noted that the College implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pensions Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, and as a result restated their June 30, 2014 net position of the business-type activities, as disclosed in Note 2.

Internal Control over Financial Reporting

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

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

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

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Board of Trustees
Stark State College

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 College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ciuni + Panichi, Inc.

Cleveland, Ohio
January 29, 2016

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Board of Trustees
Stark State College
North Canton, Ohio

Report on Compliance for Each Major Federal Program

We have audited the Stark State College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2015. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Board of Trustees
Stark State College

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Board of Trustees
Stark State College

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities of the College as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated January 29, 2016, which contained an unmodified opinion on those financial statements, wherein we noted that the College implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pensions Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, and as a result restated their June 30, 2014 net position of the business-type activities, as disclosed in Note 2. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Ciuni + Panichi, Inc.

Cleveland, Ohio
January 29, 2016

Stark State College

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Education			
Student Financial Assistance Programs Cluster:			
Federal Work-Study Program	84.033		$ 198,416
Federal Supplemental Educational Opportunity Grants	84.007		377,047
Federal Pell Grant Program	84.063		23,769,691
Federal Direct Student Loans	84.268		29,868,526
Total Student Financial Assistance Programs Cluster			54,213,680
TRIO Cluster:			
Student Support Services	84.042		231,103
Upward Bound Math and Science Program	84.047		244,937
Passed Through the Ohio Department of Education:			
Upward Bound Math and Science Program	84.047	063420-SSC UB	5,587
Total TRIO Cluster			481,627
Passed Through the Ohio Department of Education:			
Vocational Education - Basic Grants to States	84.048	063420-CDP-P-2015	390,767
Passed Through The University of Toledo			
Special Education - Partner Project	84.325N	F-2014-23	6,366
Institutional Aid - Title III	84.031	PO31A140148	271,582
Passed Through the Ohio Board of Regents:			
Ohio Articulation and Transfer Network (OATN)			
Secondary Career Technical Alignment Initiative	84.048		8,500
Total Federal Assistance - U.S. Department of Education			55,372,522
U.S. Department of Labor			
Passed Through the Ohio Board of Regents:			
H-1B Technical Skills Training Grant	17.268		347,843
Passed Through Lorain Community College			
TAACCCT Grant - Ohio TechNet	17.282		33,194
Passed Through the Pennsylvannia College of Technology:			
Trade Adjustment Assistance Community College and Career Training Grant	17.282		841,265
Total Federal Assistance - U.S. Department of Labor			1,222,302
U.S. Department of Defense			
National Science Foundation Program:			
Education and Human Resources	47.076		41,675
Passed Through the Ohio State University Research Foundation			
Education and Human Resources	47.076	60014486	33,131
Total Federal Assistance - U.S. Department of Defense			74,806
Total Federal Assistance - All Sources			**$ 56,669,630**

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

Stark State College

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Note 1: Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") is a summary of the activity of the Stark State College's federal awards programs. The Schedule has been prepared on the accrual basis of accounting. The information in the Schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.* Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2: Federal Direct Student Loans

During the fiscal year ended June 30, 2015, the College processed new loans under the Federal Direct Student Loan Program. The amount shown in the accompanying schedule of expenditures of federal awards reflects the fiscal year amount certified by the College.

Stark State College

Schedule of Findings
OMB Circular A-133 Section .505

For the Year Ended June 30, 2015

1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs	Student Financial Aid Cluster: - CFDA # 84.033 - CFDA # 84.007 - CFDA # 84.063 - CFDA # 84.268 H-1B Technical Skills Training Grant: - CFDA # 17.268
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. Findings Related to the Financial Statements Required To Be Reported In Accordance With GAGAS

None noted.

3. Findings for Federal Awards

None noted.

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Dave Yost · Auditor of State

STARK STATE COLLEGE

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 16, 2016

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