Stark State College

Basic Financial Statements
June 30, 2016

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, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

February 16, 2017

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Stark State College

June 30, 2016

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Ciuni &
Panichi
CPAs and Business Advisors

Where Relationships Count.

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 and the discretely presented component unit of Stark State College (the "College"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Board of Trustees
Stark State College

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2016, 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.

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 schedules of the College's proportionate share of the net pension asset and liability and schedules of the College's contributions on pages 59 to 64 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 February 13, 2017, 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
February 13, 2017

STARK STATE COLLEGE
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2016
Unaudited

This discussion and analysis of the financial statements of Stark State College (the "College") provides an overview of financial activities for the years ended June 30, 2016 and 2015. 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
- 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's keeping expenses lower than revenues, indicate a strengthening of the College's financial health.

GASB Statement No. 68 as amended by Statement No. 71 required public entities to report net pension liabilities in a new manner. The biggest changes from the new accounting pronouncements is that the College 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 like a consolidated balance sheet does for a business. It shows the book value of all asset categories, and compares them to the amount of liabilities, with the residual difference, called net position, being detailed by the type of commitment which gave rise to the underlying assets.

Condensed Statement of Net Position

(in thousands)

	2016	2015
Assets		
Current Assets		
Cash & cash equivalents & Investments	$23,636	$21,418
Student accounts receivable, net	6,918	5,798
Intergovernmental receivables	3,594	5,737
Other current assets	2,903	2,812
Total current assets	37,051	35,765
Noncurrent Assets		
Capital assets, net	97,385	95,120
Other noncurrent assets	2,982	2,634
Total noncurrent assets	100,367	97,754
Total assets	$137,418	$133,519
Deferred Outflow of Resources	$11,715	$5,650
Liabilities & Net Position		
Current Liabilities		
Accounts payable & accrued liabilities	$1,542	$2,598
Deferred income	1,609	1,343
Other current liabilities	4,082	5,911
Total current liabilities	7,233	9,852
Long-Term Liabilities	83,499	76,101
Total liabilities	90,732	85,953
Deferred Inflow of Resources	$9,086	11,273
Net Position		
Invested in capital assets, net of related debt	94,605	91,478
Restricted	598	829
Unrestricted	(45,888)	(50,364)
Total net position	$49,315	$41,943

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

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

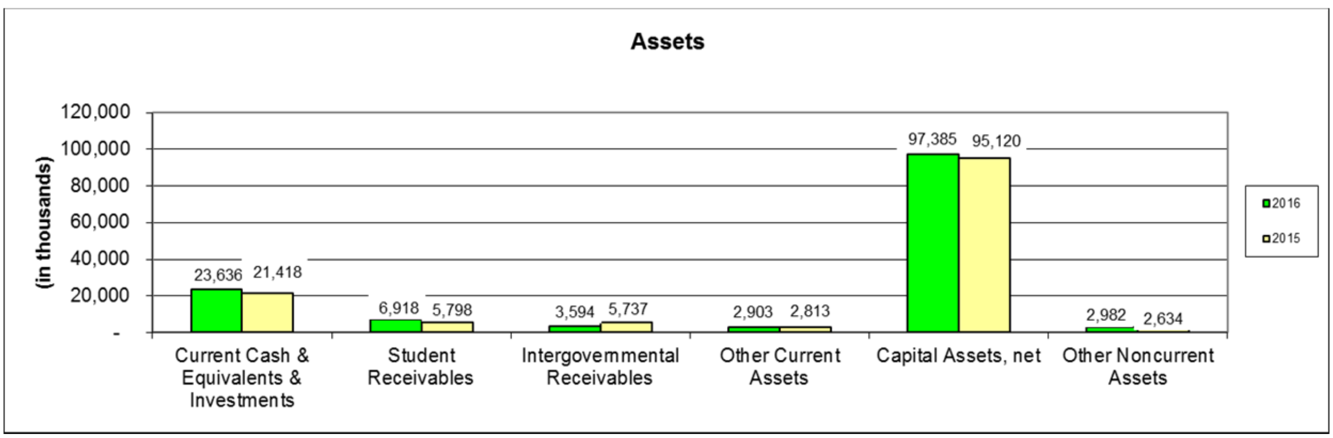
	2016	2015
Revenues		
Operating Revenues		
Tuition and fees, net	$18,510	$19,700
Federal grants and contracts	2,974	2,553
Auxiliary enterprises: bookstore	5,917	7,389
Other operating revenues	3,228	3,027
Total operating revenues	30,629	32,669
Expenses		
Operating Expenses		
Educational and general	68,807	75,977
Auxiliary enterprises: bookstore	5,093	6,309
Total operating expenses	73,900	82,286
Operating income (loss)	(43,271)	(49,617)
Nonoperating Revenues (Expenses)		
State appropriations	28,655	27,459
Federal grants	17,995	24,252
Other nonoperating income	863	1,202
Other nonoperating expenses	(83)	(619)
Net nonoperating revenues (expenses)	47,430	52,294
Income (loss) before other revenues, expenses, gains or losses	4,159	2,677
Capital appropriations, gifts & grants	3,213	5,223
Increase in Net Position	7,372	7,900
Net Position, beginning of year, restated	41,943	34,043
Net Position - end of year	$49,315	41,943

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

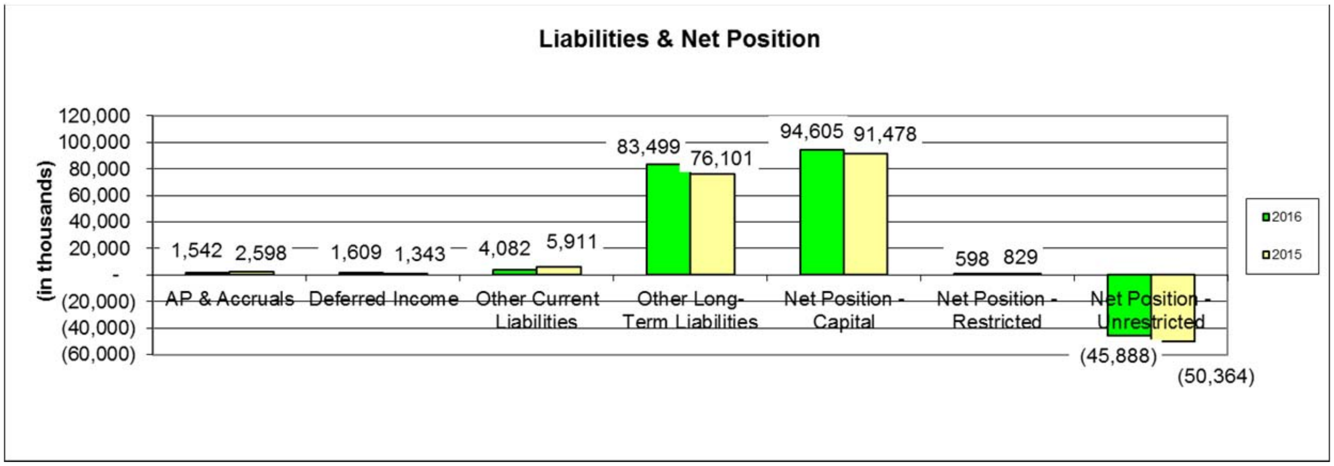
Condensed Statement of Cash Flows
(in thousands)

	2016	2015	Increase (Decrease) $	Increase (Decrease) %
Net cash provided (used) by Operating Activities	($41,460)	($47,102)	$5,642	12.0%
Net cash provided (used) by Noncapital Financing Activities	47,852	51,769	(3,917)	-7.6%
Net cash provided (used) by Capital Financing Activities	(3,894)	(16,739)	12,845	76.7%
Net cash provided (used) by Investing Activities	(148)	(79)	(69)	-87.3%
Net increase (decrease) in cash	2,350	(12,151)	14,501	119.3%
Cash - beginning of year	11,160	23,311	(12,151)	-52.1%
Cash - end of year	$13,510	$11,160	$2,350	21.1%

Analysis of Assets and Liabilities



Total assets increased by $3,898,000 during the year to a year-end amount of $137,418,000. Of this amount, $2,265,000 was related to net capital asset increases. Total cash and cash equivalents, including restricted cash classified as other noncurrent assets, increased by $2,350,000, while investments decreased $63,000 for a total increase of $2,287,000 between cash and investments. Student Accounts increased $1,120,000 and Intergovernmental Receivables decreased by $2,143,000. All other Current and Noncurrent Assets increased by $369,000.

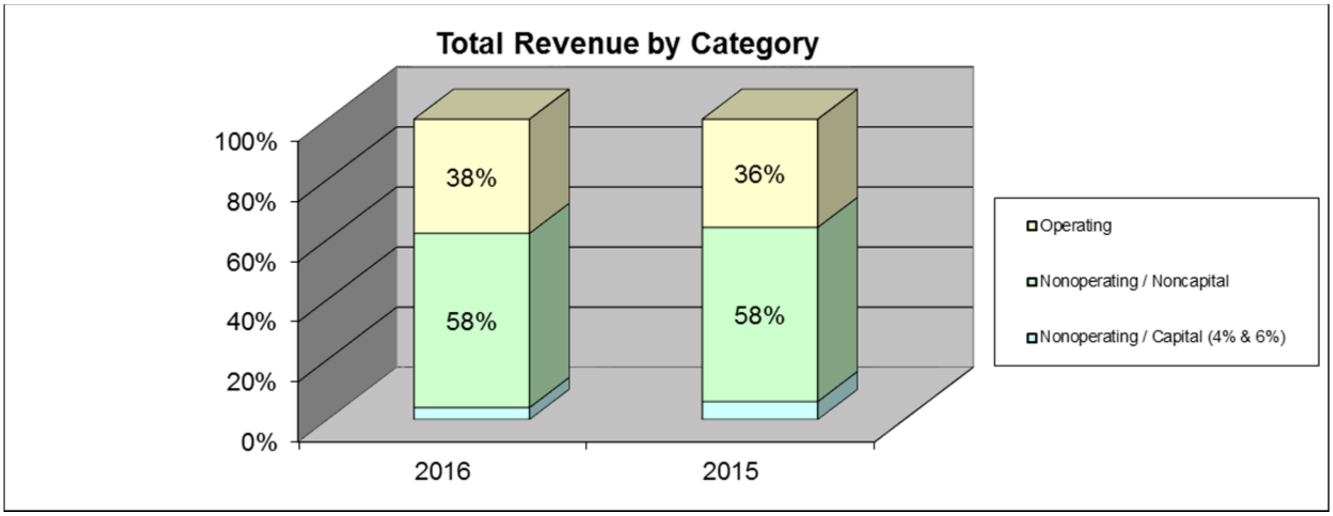


Total liabilities, excluding net pension liability, decreased since the beginning of the year by $3,401,000 to a year-end amount of $10,331,000. The noncurrent long-term liabilities excluding net pension liability decreased $782,000 to $3,098,000 due to debt payments on long-term construction bonds. Current liabilities decreased by $2,619,000 to $7,233,000 as all categories of current liabilities were reduced, except for small increases in deferred income and the current portion of long-term liabilities.

Total net position increased $7,372,000, which included an increase of $3,213,000 related to capital appropriations and gifts. Unrestricted net position increased by $4,476,000, and net restricted assets decreased $231,000. The positive change in unrestricted net position resulted from favorable operating results, reduced bad debt plus adjustments related to the College's *pro rata* share of operating results in the Stark County Schools Health Care Pool.

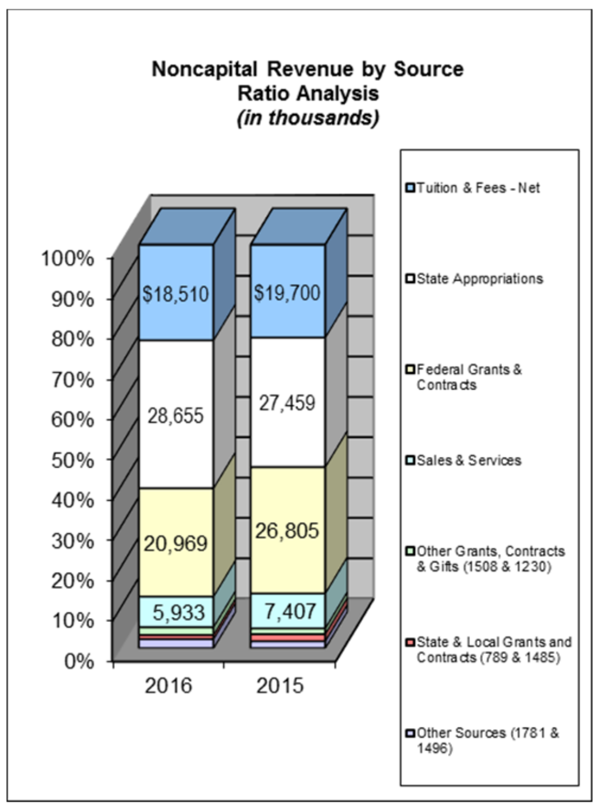
Analysis of Revenues

The following chart provides categorical ratios of the College's revenue as a whole for the years ended June 30, 2016 and 2015:



The State Share of Instruction appropriation is the statutory burden of the state of Ohio for operating the College. This is classified as nonoperating revenue under generally accepted accounting principles, and it accounted for 35% and 30% of total revenue in 2016 and 2015. Other revenue includes capital appropriations, which is a subset of nonoperating revenue.

A traditional comparison of College revenue focuses on noncapital revenue. These are the funds which are spent for ongoing operations. The total of these revenues decreased $7,437,000 this year (8.7%). This analysis will focus on the traditional revenues used for ongoing operations which are comparable to prior years' financial statements.



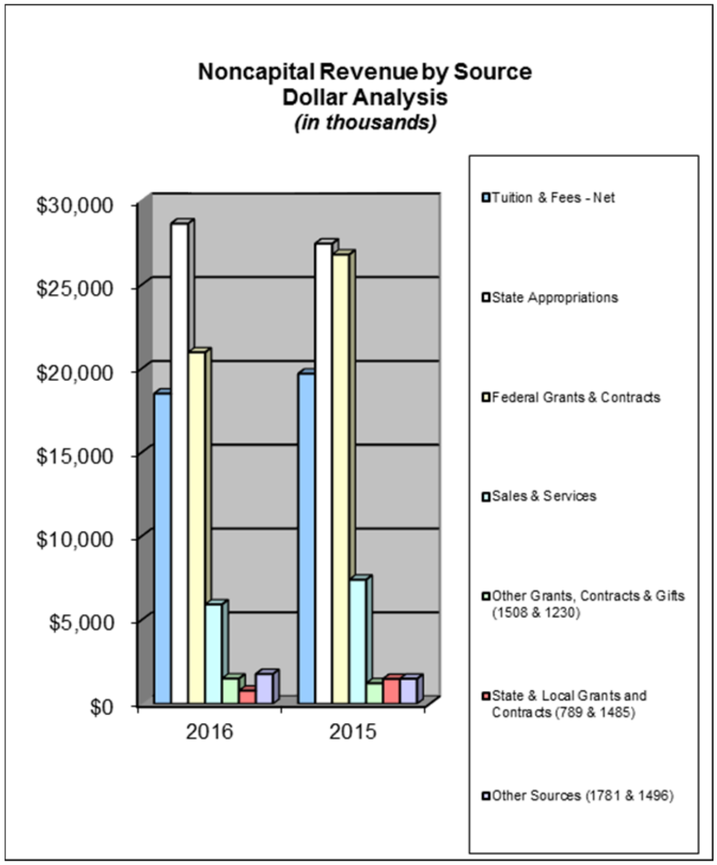
The Board of Trustees has not increased tuition since the Summer 2014 semester from $150.30 per credit hour to $153.60. Net tuition and fees declined $1,190,000 due to enrollment decline and changes in scholarship allowances.

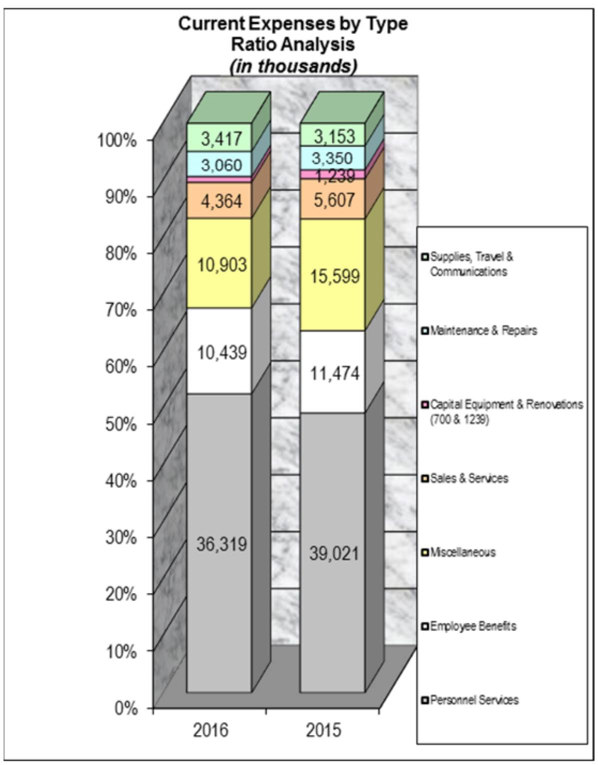
The state appropriations called the State Share of Instruction, which is the primary source of state funding dedicated to support the operations of the College, increased from prior year levels by $1,196,000 (4.4%) because the statewide appropriation increased 4.5%, while College enrollment fell slightly more than the average rate of growth during the prior three years compared to other Ohio two-year colleges.

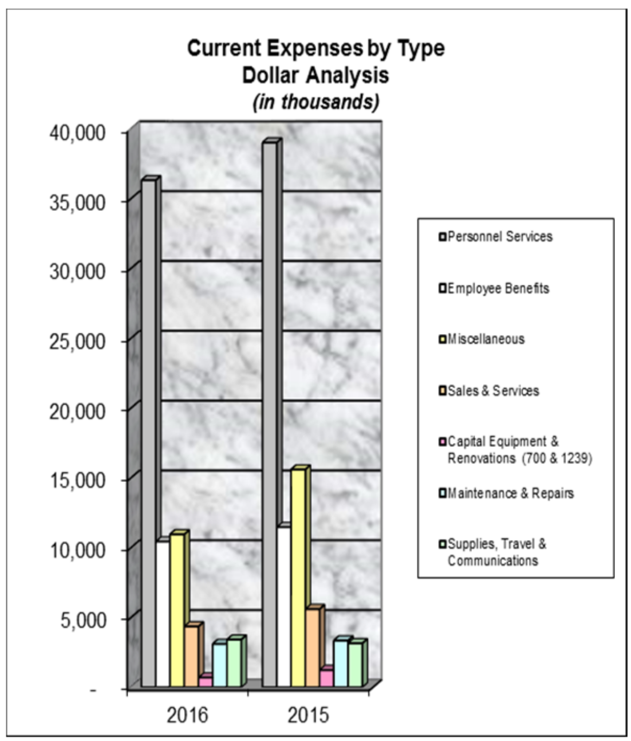
Sales & Services, which include Auxiliary enterprise revenue from the College bookstore, decreased this year by $1,474,000 (19.9%) due to decreased sales of textbooks, technology products and all categories of merchandise due to lower enrollment, net of textbook price inflation and the increase of sales to school districts at lower margins for the College Credit Plus program.

Decreases in federal grants totaling $5,836,000 (21.8%) were due mainly to the decline in total federal student aid that tracked the enrollment decline and changes in financial aid policies which reduced the amount of federal awards for all eligible students.

Other noncapital revenue consisting of State/Local/Other Grants, Contracts and Other Sources decreased in total by $133,000 (3.2%) due to reduced grant receipts offset by investment returns.







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 10.9%, and expenses decreased 12.8%.

Total salary and wages decreased 6.9%, which included an additional one-time payment of 2% for all continuing employees made in June 2016 in lieu of granting larger pay raises in fiscal year 2017. 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 decreased 9.0% from the prior year. Health care premiums increased 2.6%, which was offset by benefits for reduced levels of faculty and staff, decreasing the average net benefit cost per labor unit.

Miscellaneous expenses decreased 30.1% over the prior year. Student aid, which encompassed 85% of the College's miscellaneous expenses, decreased by 20.4%. Grants from outside entities were the source for most of these costs. Bad debt write-offs were significantly reduced by 77% following changes to refund procedures during the prior year. Insurance costs increased over prior year costs with the additional buildings in downtown Canton, Alliance and on the main campus. Professional services, software and other expenses decreased on average by 13% as a result of aggressive cost control programs and budget constraints implemented during the school year.

Sales & Services expenses decreased by 22.2% 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 8.7% 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.

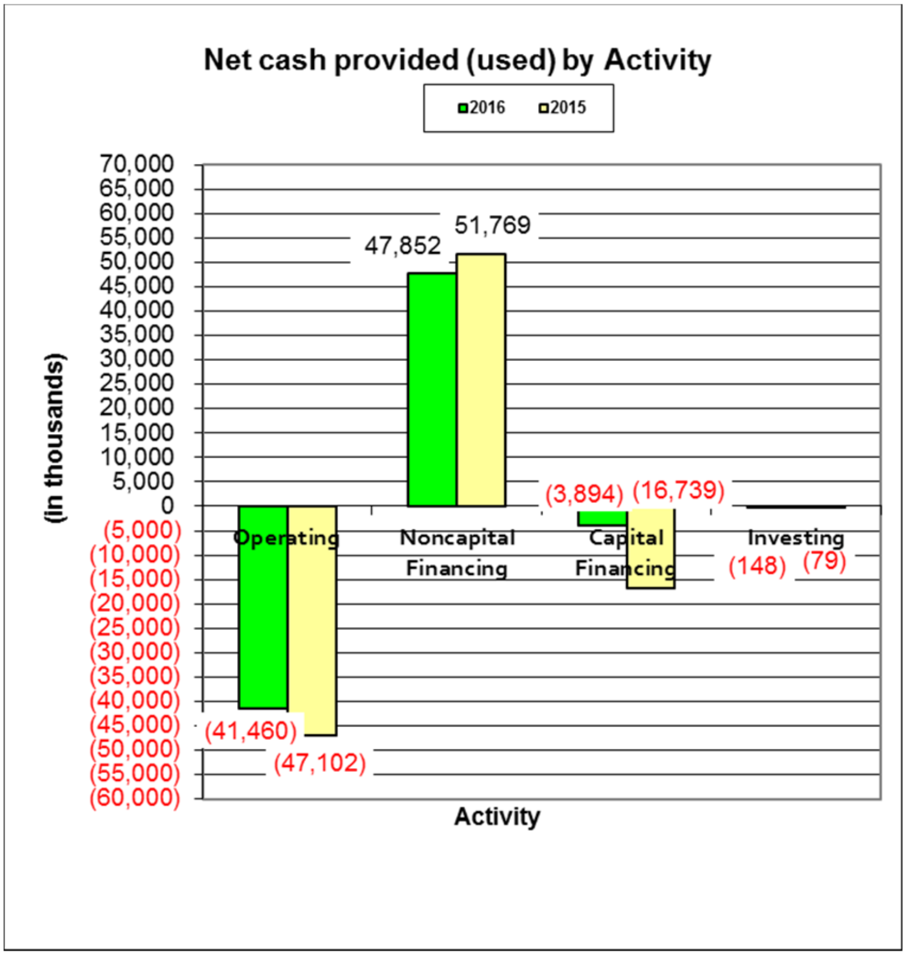
Equipment purchases from current funds decreased 43.5% from the prior year as plant funds were utilized to make major IT and scientific equipment purchases, where they were expensed through the current unrestricted educational and general fund in the prior year.

Communications expenses increased by 30.5%. Printing and postage costs fell as other forms of advertising were increased for marketing efforts as well as the cost for publications and subscriptions, memberships, and telecommunications.

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 fiscal year 2016. This decreased the Supplies expense 9.4%, 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 13.5%. The Instructional Division developed additional in-house training which avoided travel expenses.

Analysis of Cash Flows



The College's liquidity increased during the year. Cash flows going out from operations were less than cash flows coming in from nonoperating categories. State General Revenue funding for general operations increased 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 increased due to the total increase in the State budget for the State Share of Instruction appropriation.

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 was offset in part by increased fee revenue to support distance learning. Almost all categories of the use of cash declined, including payments for labor and student aid, but payments to suppliers increased.

Noncapital financing decreased 7.6%. Although inflows from grants decreased, increases in support from the state of Ohio for SSI and the US Department of Education for grants mitigated a portion of these reduced cash flows.

Capital financing activities provided proceeds from state appropriations, federal and state grants and gifts. In the prior fiscal year, the College had exercised an extraordinary redemption call and refunded $12.5 million in outstanding bonds. Decreased cash outflows were the result of fewer facilities projects. Capital funds were used for the replacement of roofs, a portable welding lab, a new culinary kitchen and completion of the new Gateway Center addition for student services.

Cash used by investing activities was from increased reinvestment of interest earnings.

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. Following the replacement of the facilities in downtown Canton and Alliance, the College has entered into a lease-purchase Agreement for land owned by the City of Akron to build a new facility to serve the greater Akron/Summit County population. A temporary facility capable of educating at least 1,500 students is scheduled to open in January 2017 in Akron and will be used while the permanent facility is constructed on the City's land, which is expected to open for Fall 2018. The new campus will be able to accommodate up to 5,500 students by the time it reaches its maximum capacity.

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 4.0% 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 2016 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 4% to this point in the year. The College has implemented new policies and procedures in the areas of financial aid and loan default prevention, as well as new practices across the spectrum of student services which are improving student outcomes and retention rates. The College awarded more degrees in fiscal year 2016 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.

In accordance with GASB Statement No. 61, The Financial Reporting Entity: Omnibus, which amends GASB Statement Nos. 39 and 14, Determining Whether Certain Organizations are Component Units, the Stark State College Foundation qualifies as a discretely presented component unit of the College. Complete financial statements may be obtained from the Foundation office at address 6200 Frank Avenue N.W., North Canton, Ohio 44720.

Stark State College

Statement of Net Position

June 30, 2016

Assets	
Current assets:	
Cash and cash equivalents	$ 13,391,091
Investments	10,244,858
Student accounts receivable, net	6,917,542
Intergovernmental receivables	3,594,302
Other receivables, net	350,356
Advance payments and postponed charges	478,089
Insurance reserve	908,205
Funds due from foundation	150,046
Inventories, at cost	1,016,971
Total current assets	37,051,460
Non-current assets:	
Restricted cash and cash equivalents	118,731
Restricted investments	266,454
Advance payments and postponed charges	7,673
Insurance reserve	2,503,799
Net pension asset	84,346
Capital assets not being depreciated	12,327,374
Capital assets, net of depreciation	85,057,747
Total non-current assets	100,366,124
Total assets	$ 137,417,584
Deferred Outflow of Resources	
Pensions:	
OPERS	$ 5,807,660
STRS	5,907,519
Total deferred outflow of resources	$ 11,715,179

(continued)

Stark State College

Statement of Net Position (continued)

June 30, 2016

Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	$ 1,541,513
Deferred income	1,609,231
Accrued salaries and wages	1,872,445
Insurance claims payable	908,241
Deposits held for others	164,980
Compensated absences, current portion	258,043
Long-term liabilities, current portion	878,750
Total current liabilities	7,233,203
Non-current liabilities:	
Net pension liability - OPERS	17,034,422
Net pension liability - STRS	63,366,029
Compensated absences	1,096,295
Other long-term liabilities	2,002,072
Total non-current liabilities	83,498,818
Total liabilities	$ 90,732,021
Deferred Inflow of Resources	
Pensions:	
Deferred inflows - OPERS	$ 849,363
Deferred inflows - STRS	8,236,529
Total deferred inflow of resources	$ 9,085,892
Net Position	
Invested in capital assets, net of related debt	$ 94,604,479
Restricted for:	
Non-expendable:	
Scholarships	301,394
Expendable:	
Student grants and scholarships	8,306
Public service	8,192
Instructional departments	76,614
Student services	52,669
Capital projects	131,213
Student loans	18,515
Institutional support	1,238
Total restricted	598,141
Unrestricted	(45,887,770)
Total net position	$ 49,314,850

Stark State College

Statement of Net Assets
Component Unit
June 30, 2016

Assets		
Cash and cash equivalents	$	354,986
Unconditional promises to give:		
Unrestricted		1,178
Restricted to student services		220,854
Restricted to college equipment		1,100,851
Restricted to scholarships		1,948
Restricted to endowments		117,885
Investments held for others		256,902
Prepaid expense		3,359
Endowment assets:		
Cash and cash equivalents		114,681
Long-term investments		4,814,778
Total assets	$	6,987,422
Liabilities		
Accounts payable	$	150,046
Investments held for others		256,902
Total liabilities		406,948
Net Assets		
Unrestricted		104,171
Temporarily restricted		1,991,315
Permanently restricted		4,484,988
Total net assets		6,580,474
Total liabilities and net assets	$	6,987,422

Stark State College

Statement of Revenues, Expenses, and Changes in Net Position

For the year ended June 30, 2016

Revenues	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of $15,010,800)	$ 18,509,866
Federal grants and contracts	2,974,106
State and local grants and contracts	494,814
Non-governmental grants and contracts	1,167,494
Sales and services of educational departments	16,128
Auxiliary enterprises: bookstore	5,917,226
Other operating revenues	1,550,128
Total operating revenues	30,629,762
Expenses	
Operating expenses:	
Educational and general:	
Instruction	28,950,634
Academic support	5,893,659
Student services	6,600,247
Institutional support	9,443,729
Operation and maintenance of plant	5,553,905
Student aid	7,169,065
Public service	1,169,936
Depreciation	4,026,379
Auxiliary enterprises: bookstore	5,092,883
Total operating expenses	73,900,437
Operating loss	$ (43,270,675)

(continued)

Stark State College

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

For the year ended June 30, 2016

Non-operating revenues (expenses)	
State appropriations	$ 28,654,621
Federal grants	17,995,198
State and local grants	294,003
Gifts	339,650
Investment income	4,014
Interest on capital asset-related debt	(83,065)
Other non-operating revenues	225,303
Net non-operating revenues (expenses)	47,429,724
Income before other revenues, expenses, gains, or losses	4,159,049
Capital appropriations	3,096,796
Capital grants and gifts	116,230
Increase in net position	7,372,075
Net Position	
Net position, beginning of year	41,942,775
Net position, end of year	$ 49,314,850

Stark State College

Statement of Activities
Component Unit
For the year ended June 30, 2016

Unrestricted Net Assets	
Support:	
Individuals	$ 10,137
Corporations & foundations	11,284
In-kind donations	28,310
Investment income	1,523
Investment losses	(785)
Transfers, net	(5,054)
Net assets released from restrictions:	
Restrictions satisfied by payments	1,007,527
Total unrestricted support, revenues, and gains	1,052,942
Expenses:	
Supporting college activities:	
Scholarships and loans for students	368,967
Instructional equipment & supplies	425,544
Aesthetics	207
Professional development	5,431
Public services	1,500
Student services	208,749
Operations:	
Management and general	127
Total Unrestricted Expenses	1,010,525
Increase in unrestricted net assets	42,417
Temporarily Restricted Net Assets	
Support for instructional departments	1,100,851
Support for scholarships and loans for students	335,280
Support for student services	161,010
Support for Barberton campus	16,500
Support for public services	630
Support for aesthetics	300
Investment income	68,042
Investment losses	(29,687)
Transfers, net	6,955
Net assets released from restrictions:	
Restrictions satisfied by payments	(1,007,527)
Increase in temporarily restricted net assets	652,354

(continued)

Stark State College

Statement of Activities (continued)
Component Unit
For the year ended June 30, 2016

Permanently Restricted Net Assets	
Endowment fund support	339,690
Investment income	116
Investment losses	(133)
Transfers, net	(1,901)
Increase in permanently restricted net assets	337,772
Increase in net assets	1,032,543
Net assets at beginning of year	5,547,931
Net assets at end of year	$ 6,580,474

Stark State College

Statement of Cash Flows

For the year ended June 30, 2016

Cash Flows from Operating Activities	
Tuition and fees	$ 18,332,605
Grants and contracts	4,837,958
Payments to suppliers	(17,706,751)
Employee and related payments	(47,128,982)
Payments for student aid	(7,169,065)
Loans issued to students	(2,521)
Auxiliary enterprise charges: bookstore	5,953,054
Sales and service of educational activities	16,128
Other receipts	1,407,941
Net cash used by operating activities	(41,459,633)
Cash Flows from Non-Capital Financing Activities	
State appropriations	28,654,621
Gifts and grants for other than capital purposes	18,854,155
Stafford, PLUS, NEALP and other loans received	21,705,599
Stafford, PLUS, NEALP and other loans disbursed	(21,705,599)
Agency transactions	343,223
Net cash provided by non-capital financing activities	47,851,999
Cash Flows from Capital Financing Activities	
Capital appropriations	3,924,087
Capital grants and gifts received	116,230
Purchases of capital assets	(6,990,080)
Principal paid on capital debt	(861,900)
Interest paid on capital debt	(83,065)
Net cash used by capital financing activities	(3,894,728)
Cash Flows from Investing Activities	
Proceeds from sale of investments	9,015,210
Purchase of investments	(9,163,051)
Net cash used by investing activities	(147,841)
Net increase in cash	2,349,797
Cash, beginning of year	11,160,025
Cash, end of year	$ 13,509,822

(continued)

Stark State College

Statement of Cash Flows (continued)

For the year ended June 30, 2016

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (43,270,675)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation expense	4,026,379
Change in allowance for uncollectible receivables	281,388
Changes in assets and liabilities:	
Receivables, net	(465,276)
Inventories	(49,811)
Other assets	(271,296)
Net pension asset	(36,323)
Deferred outflows - pensions	2,673,280
Accounts payable	207,631
Grant refund liability	(2,158,496)
Advance revenue	266,719
Compensated absences	64,382
Net pension liability	399,804
Deferred inflows - pensions	(3,127,339)
Net cash used by operating activities	$ (41,459,633)

Non-cash Capital Financing Activities:	
Change in capital assets purchased on credit	$ 698,733

Note 1: Description of the Entity

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

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

The Foundation uses non-governmental generally accepted accounting principles in the United States of America (GAAP) as a reporting model. Therefore, the Foundation's statement of financial position and statement of activities are reported on a separate page following the College's statement of net position and statement of revenues, expenses, and changes in net position. The economic resources received or held by the Foundation that the College is entitled to or has the ability to access are significant to the College.

Note 2: Summary of Significant Accounting Policies

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

Note 2: Summary of Significant Accounting Policies (continued)

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

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

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

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. A portion of the student tuition and fees for the summer session 2016 and all of the payments of student tuition and fees resulting from early registration for the fall session 2016 are included in unearned revenue.

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflow of resources. Deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the College, deferred inflow of resources includes pensions. Deferred inflow of resources related to pensions are explained in Note 9

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.

Note 2: Summary of Significant Accounting Policies (continued)

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

During fiscal year 2016, investments were limited to STAR Ohio, repurchase agreements, U.S. Treasury and Agency items, mutual funds, corporate notes 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 leasehold 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 Leasehold Improvements	7 to 40 years	50,000
Equipment and Software	5 to 15 years	5,000
Library Books	10 years	5,000
Infrastructure	20 to 50 years	250,000

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

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

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

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

Note 2: Summary of Significant Accounting Policies (continued)

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

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

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

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

Net position is reported as restricted when there are limitations imposed on their use. The College identifies restricted net position as either non-expendable or expendable. Non-expendable net position represents endowment contributions from donors that are permanently restricted as to principal. Expendable net position relates to grants and contract activity, whose use is subject to externally imposed restrictions. As of June 30, 2016, the College's restricted net position is $598,141, none of which were restricted by enabling legislation.

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

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

Note 3: Change in Accounting Principles

For fiscal year 2016, the College implemented GASB Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and GASB Statement No. 82, *Pension Issues-an Amendment of GASB Statements No. 67, No. 68 and No. 73*.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the College's fiscal year 2016 financial statements; however, there was no effect on beginning net position.

Note 3: Change in Accounting Principles (continued)

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68. These changes were incorporated in the College's fiscal year 2016 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 76 identifies in the context of the current governmental financial reporting environment – the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the College's financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The College incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the College's fiscal year 2016 financial statements; however, there was no effect on beginning net position.

Note 4: Cash and Investments

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

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

Note 4: Cash and Investments (continued)

the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for the public deposits and investments to be maintained in the College's name.

STAR Plus is a cash management program endorsed by the Ohio Treasurer of State, which allows political subdivisions of the State of Ohio access to the Federally Insured Cash Accounts or FICA® program. The FICA program provides access to hundreds of Federal Deposit Insurance Corporation insured banks via a single, convenient account with a custodial bank that is managed by an investment advisor registered with the U.S. Securities and Exchange Commission. The funds held with STAR Plus are reported in deposits at June 30, 2016.

B. Cash on Hand – At June 30, 2016, the College had $17,780 in un-deposited cash on hand, which is included in "cash and cash equivalents" on the accompanying statement of net position.

C. Deposits – At June 30, 2016, the reported amount of the College's deposits was $5,061,337 and the bank balance was $5,065,826, which was covered by the FDIC insured limit.

D. Investments – The College had the following investments and maturities as of June 30, 2016:

		Investment Maturity (in years)		
Investment Type	Fair Value	Less than 1 Year	1 – 5	More than 5 Years
Insurance Reserve	$ 3,412,004	$ 908,205	$ 2,503,799	$ -
Repurchase Agreement	8,425,521	8,425,521	-	-
STAR Ohio	5,184	5,184	-	-
Investments				
Money Market Funds	550,806	550,806	-	-
U.S. Agencies	9,697,961	9,696,216	1,745	-
Corporate Notes	46,828	-	29,965	16,863
Mutual Funds–Treasury Obligations	19,405	19,405	-	-
Mutual Funds	67,312	67,312	-	-
Corporate Stock	129,000	129,000	-	-
	$ 22,354,021	$ 19,801,649	$ 2,535,509	$ 16,863

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

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

Note 4: Cash and Investments (continued)

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

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

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

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

Corporate Stocks	A	0.08%
Corporate Stocks	A-	0.05%
Corporate Stocks	A+	0.07%
Corporate Stocks	B	0.05%
Corporate Stocks	B-	0.01%
Corporate Stocks	B+	0.16%
Corporate Stocks	Not rated	0.17%
Mutual Funds	AAAM	0.04%
Mutual Funds	Not rated	0.22%
Mutual Funds	BBB+	0.04%
Mutual Funds-Treasury	AA+	0.09%
Corporate Notes	A	0.06%
Corporate Notes	A-	0.09%
Corporate Notes	A+	0.03%
Corporate Notes	BBB+	0.03%
STAR Ohio	AAAm	0.02%
Money market funds	Not rated	2.46%
US Agencies	AA+	43.38%
Repurchase Agreements	Not Rated	37.69%
Insurance Reserve	Not Rated	15.26%

Note 5: Fair Value Measurements

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

Stark State College has the following recurring Fair Value measurements for June 30, 2016:

		Fair Value Measurements		
	Balance at 6/30/16	Level 1 Markets for Identical Assets	Level 2 Significant other Observable Inputs	Level 3 Significant Unobservable Inputs
Insurance Reserve	$ 3,412,004	$ 1,400,881	$ 2,011,123	$ -
Repurchase Agreement	8,425,521	8,425,521	-	-
Money Market Funds	550,806	550,806	-	-
U.S. Agencies	9,697,961	-	9,697,961	-
Corporate Notes	46,828	-	46,828	-
Mutual Funds-Treasury Obligations	19,405	19,405	-	-
Mutual Funds	67,312	67,312	-	-
Corporate Stock	129,000	129,000	-	-
	$ 22,348,837	$ 10,592,925	$ 11,755,912	$ -

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2016:

- U.S. Agencies and corporate notes are measured based on Level 2 inputs, using matrix pricing.
- Mutual Funds, Mutual Funds-Treasury Obligations, and Corporate Stock are measured based on quoted market prices.
- Money Market Funds and the Repurchase Agreement are valued at amortized cost, which approximates fair value.
- The Insurance Reserve is comprised of both Level 1 and Level 2 investments. The investments valued based on Level 1 inputs are measured based on quoted market prices as well as being valued at amortized cost, which approximates fair value. The Level 2 investments are valued using matrix pricing.

STAR Ohio is valued based on the net asset value, has no unfunded commitments and does not include a redemption notice period.

Note 6: Capital Assets

A summary of the changes in capital assets and related accumulated depreciation for the year ended June 30, 2016, is as follows:

	Balance 6/30/2015	Additions	Disposals	Transfers	Balance 6/30/2016
Capital assets not being depreciated:					
Land	$ 6,068,586	$ -	$ -	$ -	$ 6,068,586
Construction in progress	2,445,400	4,213,989	-	(6,367,088)	292,301
Software	5,727,486	239,001	-	-	5,966,487
Total capital assets not being depreciated	14,241,472	4,452,990	-	(6,367,088)	12,327,374
Capital assets being depreciated:					
Land improvements	6,123,188	10,314	-	-	6,133,502
Buildings and leasehold improvements	104,241,009	70,380	-	6,367,088	110,678,477
Equipment	8,551,426	1,757,663	(494,581)	-	9,814,508
Library books	19,548	-	(5,264)	-	14,284
Infrastructure	309,310	-	-	-	309,310
Total capital assets being depreciated	119,244,481	1,838,357	(499,845)	6,367,088	126,950,081
Less accumulated depreciation for:					
Land improvements	2,677,283	243,864	-	-	2,921,147
Buildings and leasehold improvements	29,696,529	3,123,228	-	-	32,819,757
Equipment	5,775,769	647,012	(494,581)	-	5,928,200
Library books	17,879	1,174	(5,264)	-	13,789
Infrastructure	198,340	11,101	-	-	209,441
Total accumulated Depreciation	38,365,800	4,026,379	(499,845)	-	41,892,334
Capital assets being depreciated, net	80,878,681	(2,188,022)	-	6,367,088	85,057,747
Capital assets, net	$ 95,120,153	$ 2,264,968	-	-	$ 97,385,121

Note 7: Leases

Stark State College leases buildings and parking lots on a month-to-month basis and under long-term operating lease agreements. Rent expense totaled $633,057 during the year ended June 30, 2016.

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

2017	$	497,052
2018		806,942
2019		863,254
2020		825,439
2021		366,274
Thereafter		1,715,137
	$	5,074,098

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 $1,841,757 at June 30, 2016. Rent income totaled $792,355 during the year ended June 30, 2016.

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

2017	$	565,704
2018		460,108
2019		79,538
	$	1,105,350

Note 8: Long-Term Liabilities

The College's long-term liabilities consisted of the following at June 30, 2016:

	Balance 6/30/2015	Additions	Reductions	Balance 6/30/2016	Due Within One Year
Bonds					
2010 Series A1 (Tax-Exempt)	$ 3,642,542	$ -	$ (861,900)	$ 2,780,642	$ 878,750
Net Pension Liability					
OPERS	12,591,530	4,442,892	-	17,034,422	-
STRS	59,629,259	3,736,770	-	63,366,029	-
Total net pension liability	72,220,789	8,179,662	-	80,400,451	-
Other Long-Term Liabilities					
Compensated absences	1,289,956	441,059	(376,677)	1,354,338	258,043
Lease liability	64,740	35,440	-	100,180	-
Total other long-term liabilities	1,354,696	476,499	(376,677)	1,454,518	258,043
Total	$ 77,218,027	$ 8,656,161	$ (1,238,577)	$ 84,635,611	$ 1,136,793

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.

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%.

Scheduled principal maturities and total debt service on the 2010 Series A1 bond for fiscal years subsequent to June 30, 2016 are as follows:

Fiscal Years Ending	Principal	Interest	Total
2017	$ 878,750	$ 65,798	$ 944,548
2018	898,333	47,215	945,548
2019	922,917	26,063	948,980
2020	80,642	2,023	82,665
	$ 2,780,642	$ 141,099	$ 2,921,741

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, 2016.

Note 9: 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

Plan Description – College employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. 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 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.

Note 9: 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 as well as the Combined 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 Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount.

The Traditional Plan is a defined benefit plan in which a member's retirement benefits are calculated on a formula that considers years of service and FAS. Pension benefits are funded by both member and employer contributions and investment earnings on those contributions.

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 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

Note 9: Pension Plans (continued)

Ohio Public Employees Retirement System (continued)

Once a benefit recipient retiring under the Traditional Plan has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided on the member's base benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent. Additionally, a death benefit of $500-2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional Plan.

The Combined Plan is a defined benefit plan with elements of a defined contribution plan. Members earn a formula benefit similar to, but at a factor less than the Traditional Plan benefit. This defined benefit is funded by employer contributions and associated investment earnings. Member contributions are deposited into a defined contribution account in which the member self-directs the investment. Upon retirement, the member may choose a defined contribution distribution that is equal to the member's contributions to the plan and investment earnings (or losses). Members may also elect to use their defined contribution account balances to purchase a defined benefit annuity administered by OPERS.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (the defined benefit element) and a defined contribution element. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Plan. The subsequent table provides age and service requirements for retirement and the retirement formula applied to FAS for the three member groups under the Combined Plan (see OPERS CAFR referenced above for additional information). The 2016 service formula used to compute the benefit remained unchanged from 2015.

The following table provides age and service requirements for retirement and the retirement formula applied to FAS for the three member groups under the Combined 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: 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Formula:** 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Formula:** 1.0% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Note 9: Pension Plans (continued)

Ohio Public Employees Retirement System (continued)

Once a benefit recipient retiring under the Combined Plan has received benefits for 12 months, an annual COLA is provided on the member's base benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent. Additionally, a death benefit of $500-2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Combined Plan.

The Member-Directed Plan is a defined contribution plan in which members self-direct the investment of both member and employer contributions. The distribution upon retirement is equal to the sum of member and vested employer contributions plus investment earnings (or losses). Employer contributions and associated investment earnings vest over a five-year period at a rate of 20 percent per year. Members may also elect to use their defined contribution account balances to purchase a defined benefit annuity administered by OPERS.

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 2016 contribution rate was 14 percent of earnable salary – 12 percent towards pension and 2 percent towards post-employment health care benefits. In fiscal year 2016, the College's contractually required pension contributions for the Traditional Plan and Combined Plan was $1,439,327 and $74,199, respectively. Of these amounts $284,619 was reported as a liability at June 30, 2016.

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 active member population which consists of members in the Traditional and Combined Plans is assumed to remain constant. For purposes of financing the unfunded actuarial accrued liabilities, total payroll is assumed to grow at the wage inflation rate indicated below.

Note 9: Pension Plans (continued)

Actuarial Assumptions – OPERS (continued)

The total pension liability in the December 31, 2015 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 simple	3 percent simple
Investment Rate of Return	8 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the Voluntary Employee's Beneficiary Association (VEBA) Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money-weighted rate of return, net of investments expenses, for the Defined Benefit portfolio is 0.4 percent for 2015. In 2014, the money-weighted rate of return, net of investment expenses was 6.9 percent.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Note 9: Pension Plans (continued)

Actuarial Assumptions – OPERS (continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.0%	2.31%
Domestic Equities	20.7%	5.84%
Real Estate	10.0%	4.25%
Private Equity	10.0%	9.25%
International Equities	18.3%	7.40%
Other Investments	18.0%	4.59%
Total	100.0%	5.27%

Discount Rate The discount rate used to measure the total pension liability for both 2015 was 8.0 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	$ 27,139,994	$ 17,034,422	$ 8,510,690
College's proportionate share of the net pension (asset) – Combined	$ (1,733)	$ (84,346)	$ (150,797)

Note 9: Pension Plans (continued)

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 website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on FAS multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of FAS 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.

Note 9: Pension Plans (continued)

State Teachers Retirement System (continued)

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, 2016, plan members were required to contribute 13 percent of their annual covered salary. The College was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates. The College's contractually required contributions to STRS Ohio for fiscal year 2016 were $3,018,828. Of this amount $215,784 was reported as a payable at June 30, 2016.

Actuarial Assumptions – STRS

The total pension liability in the June 30, 2015, 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, from age 80 through 89 are set back one year, and from age 90 and above are not set back.

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

Note 9: Pension Plans (continued)

Actuarial Assumptions – STRS (continued)

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

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

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

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	$ 88,020,194	$ 63,366,029	$ 42,517,256

Note 9: 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, 2015 for OPERS and June 30, 2015 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
Proportion of the net pension liability/asset prior measurement date	0.104398%	0.174665%	0.245151%	
Proportion of the net pension liability/asset current measurement date	0.098344%	0.173330%	0.229279%	
Change in proportionate share	(0.006054%)	(0.001335%)	(0.015872%)	
Proportionate share of the net pension liability (asset)	$ 17,034,422	$ (84,346)	$ 63,366,029	$ 80,316,105
Pension expense	$ 1,705,842	$ (14,026)	$ 1,972,221	$ 3,664,037

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

Deferred Outflow of Resources

	OPERS Traditional	OPERS Combined	STRS	Total
Differences between expected and actual experience	$ -	$ -	$ 2,888,691	$ 2,888,691
College contributions subsequent to the measurement date	726,393	37,446	3,018,828	3,782,667
Differences in employer contribution and change in proportionate share	-	348	-	348
Net difference between projected and actual earnings on pension plan investments	5,007,056	36,417	-	5,043,473
Total deferred outflow of resources	$ 5,733,449	$ 74,211	$ 5,907,519	$ 11,715,179

Note 9: Pension Plans (continued)

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

Deferred Inflow of Resources

	OPERS Traditional	OPERS Combined	STRS	Total
Differences between expected and actual experience	$ 329,138	$ 38,488	$ -	$ 367,626
Net difference between projected and actual earnings on pension plan investments	-	-	4,557,215	4,557,215
Differences in employer contributions and change in proportionate share	481,737	-	3,679,314	4,161,051
Total deferred inflow of resources	$ 810,875	$ 38,488	$ 8,236,529	$ 9,085,892

The College reported $3,782,667 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, 2017. 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
Year Ending June 30:				
2017	$ 872,816	$ 4,534	$ (1,948,241)	$ (1,070,891)
2018	952,879	4,534	(1,948,241)	(990,828)
2019	1,237,387	4,534	(1,948,241)	(706,320)
2020	1,133,099	3,515	496,885	1,633,499
2021	-	(4,825)	-	(4,825)
2022-2025	-	(14,015)	-	(14,015)
	$ 4,196,181	$ (1,723)	$ (5,347,838)	$ (1,153,380)

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

Note 9: Pension Plans (continued)

Alternative Retirement Plan (continued)

and employer contributions equal to those required by OPERS and STRS are required for the ARP, less any amounts required to be remitted to the state retirement system in which the employee would otherwise have been enrolled.

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. Under this plan, employees who would have otherwise been required to participate in STRS or OPERS, and who elect to participate in the ARP, must contribute the employee's share of retirement contributions to one of eight private providers approved by the Ohio Department of Insurance. The legislation mandates that the employer must contribute an amount to the state retirement system to which the employee would have otherwise belonged, based on an independent actuarial study commissioned by the Ohio Retirement Study Council and submitted to the Ohio Department of Higher Education. That amount is 4.5 percent for STRS and 0.77 percent for OPERS for the year ended June 30, 2016. 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

	STRS		OPERS	
Period	Traditional	ARP	Traditional	ARP
7/1/15 – 6/30/16	13.0%	13.0%	10.0%	10.0%
7/1/14 – 6/30/15	12.0%	12.0%	10.0%	10.0%
7/1/13 – 6/30/14	11.0%	11.0%	10.0%	10.0%

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

Employer Contribution Rate

	STRS			OPERS		
		ARP			ARP	
Period	Traditional	STRS	ARP	Traditional	STRS	ARP
7/1/15 – 6/30/16	14.00%	4.50%	9.50%	14.0%	0.77%	13.23%
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%

The College's required contributions for pension obligations to the plan for the fiscal years ended June 30, 2016, 2015, and 2014 were \$116,975, \$119,264, and \$78,387, respectively, of which 100% has been contributed.

Note 10: 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 two cost-sharing, multiple-employer defined benefit post-employment health care trusts which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a health reimbursement arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code (ORC) permits but does not mandate, OPERS to provide health care to its eligible benefit recipients. Athority to establish and amend health care coverage is provided by Chapter 145 of the ORC.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting https://www.opers.org/financial/reports.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 Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their 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 rates are expressed as a percentage of the covered payroll of active employees. In both 2015 and 2014, state and local employers contributed at a rate of 14.0 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

OPERS maintains three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the traditional pension and combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members.

Note 10: Post-Employment Benefits (continued)

Ohio Public Employees Retirement System (continued)

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 both the Traditional and Combined Plans was 2 percent, 2 percent, and 1 percent for calendar years 2015, 2014, and 2013, respectively. Effective January 1, 2016, the portion of the employer contribution allocated to health care remained 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 consistently allocate 4 percent of employer contributions toward the health care fund after the end of the transition period.

The College's contributions allocated to fund post-employment health care benefits for the fiscal years ended June 30, 2016, 2015, and 2014 were $257,413, $224,470, and $144,778, 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 2016, 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, 2016, 2015, and 2014 were $0, $0, and, $249,289, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

Note 11: Contingencies and Commitments

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, 2016.

Litigation

The College is unaware of any un-asserted claims pending against it as of June 30, 2016. During the normal course of business, the College is subject to occasional legal proceedings, claims, and contract disputes. In the opinion of management, the eventual outcome of any current proceedings and claims against the College will not materially affect its financial condition or operations.

Capital Commitments

The College has entered into a Ground Lease Purchase Agreement in August 2016 with the City of Akron. The land purchased will be the future site of Stark State College-Akron Campus. The purchase price is $949,380 payable in annual payments of $47,649 over a 20 year term.

Note 12: 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 $908,205 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
2016	$ 927,295	$ 5,216,666	$ 5,235,720	$ 908,241
2015	902,899	5,519,860	5,495,464	927,295

Note 13: Discretely Presented Component Unit

1. DESCRIPTION OF THE REPORTING ENTITY

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Financial Statement Presentation

The Foundation follows authoritative guidance issued by the Financial Accounting Standards Board (FASB) which established the Accounting Standards Codification (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America.

ASC 958: Not-for-Profit Entities requires that the amounts for each of three classes of net assets: unrestricted, temporarily restricted and permanently restricted, be presented in an aggregated Statement of Financial Position and that the amounts of changes in each of those classes of net assets be presented in a Statement of Activities. This topic requires that resources be classified into three net asset categories according to the presence or absence of donor-imposed restrictions. A description of the categories is as follows:

Unrestricted Net Assets – Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in temporarily or permanently restricted net assets.

Temporarily Restricted Net Assets – Net assets which include gifts and pledges receivable for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds are not permanently restricted.

Note 13: Discretely Presented Component Unit (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanently Restricted Net Assets – Net assets that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. The income from these assets is included in the investment income of unrestricted and restricted funds, as appropriate, in the accompanying Statement of Activities.

When a donor restriction expires, that is, when a stipulated time restriction expires or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Contributions

The Foundation reports contributions in accordance with ASC 958. ASC 958 requires that unconditional promises to give, with payments due in future periods, be recorded as receivables and support in either unrestricted, temporarily restricted, or permanently restricted net assets as appropriate in the period received at their net present value. The accumulated discount of net present value of the pledge is accounted for as contribution income of the related class of net assets. Conditional promises to give are not recorded as support until the condition upon which they depend has been substantially met by the Foundation.

Cash and Cash Equivalents

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

Investments

Investments in marketable securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment fees were $34,778 during the year ended June 30, 2016.

Investments of the unrestricted, temporarily restricted and permanently restricted funds are pooled for making investment transactions and are carried at market value. Interest and dividend income, as well as realized and unrealized gains and losses, are allocated to unrestricted, temporarily restricted and permanently restricted funds.

Promises to Give

Contributions received, including unconditional promises to give, are recognized as revenue by net asset class when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. Conditional promises are recorded when donor stipulations are substantially met.

Note 13: Discretely Presented Component Unit (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management analyzes the promises to give on a continuing basis to determine collectability and to assess the need for an allowance for doubtful accounts. Pledges are written off when collection is considered doubtful. No allowance was established as of June 30, 2016.

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

Estimates

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

Concentrations of Credit Risk

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

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

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

At various times during the year ended June 30, 2016, the Foundation’s cash in bank balances may have exceeded the federal insured limits.

Donated Administrative Expenses

Certain administrative functions of the Foundation are performed by administrative employees of the College at no charge to the Foundation. The value of these services is not recognized in these financial statements.

In-Kind Donations

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

Note 13: Discretely Presented Component Unit (continued)

3. INVESTMENTS

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through February 13, 2017, the date the financial statements were available to be issued.

Investments consist of the following at June 30, 2016:

	Foundation	Held for College
Equity	$ 2,975,429	$ 172,074
Fixed income	1,509,865	65,424
Money market funds	329,484	19,404
	$ 4,814,778	$ 256,902

4. FAIR VALUE MEASUREMENTS

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

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

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

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

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

Note 13: Discretely Presented Component Unit (continued)

4. FAIR VALUE MEASUREMENTS (continued)

The following is a summary of the inputs used as of June 30, 2016, in valuing the Foundation's investments carried at fair value:

	Level 1	Level 2	Level 3	Total
Equity:				
Corporate stock	$ 2,975,429	$ -	$ -	$ 2,975,429
Fixed income:				
Corporate notes	-	668,403	-	668,403
Mutual funds	767,753	-	-	767,753
U.S. agencies	-	73,709	-	73,709
Money market funds	329,484	-	-	329,484
	$ 4,072,666	$ 742,112	$ -	$ 4,814,778

The following is a summary of the inputs used as of June 30, 2016, in valuing the Foundation's investments held on behalf of others carried at fair value.

	Level 1	Level 2	Level 3	Total
Equity:				
Corporate stock	$ 172,074	$ -	$ -	$ 172,074
Fixed income:				
Corporate notes	-	46,828	-	46,828
Mutual funds	13,432	-	-	13,432
U.S. agencies	-	5,164	-	5,164
Money market funds	19,404	-	-	19,404
	$ 204,910	$ 51,992	$ -	$ 256,902

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

5. ENDOWMENT FUND

Net Asset Classification of Endowment Funds

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 13: Discretely Presented Component Unit (continued)

5. ENDOWMENT FUND (continued)

Net Asset Classification of Endowment Funds (continued)

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purpose of the Foundation and the donor-restricted endowment fund
(3) General economic conditions
(4) The investment policies of the Foundation

During the year ended June 30, 2016, the Foundation had the following endowment related activities:

	Donor-Restricted Endowment Funds	Board-Designated Endowment Funds	Total
Investment return:			
Interest and dividends	$ 68,158	$ 683	$ 68,841
Net realized and unrealized loss	(29,820)	(785)	(30,605)
Total investment return	38,338	(102)	38,236
Contributions	335,020	-	335,020
Transfers	(1,901)	-	(1,901)
Appropriation of endowment assets for expenditure	(124,049)	-	(124,049)
Total change in endowment	$ 247,408	$ (102)	$ 247,306

Note 13: Discretely Presented Component Unit (continued)

5. ENDOWMENT FUND (continued)

Net Asset Classification of Endowment Funds (continued)

Endowment net asset composition by type of fund as of June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 513,509	$ 4,367,103	$ 4,880,612
Board-designated endowment funds	48,847	-	-	48,847
Total funds	$ 48,847	$ 513,509	$ 4,367,103	$ 4,929,459

Changes in endowment net assets for the year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 48,949	$ 599,203	$ 4,034,001	$ 4,682,153
Investment return:				
Interest and dividends	683	68,042	116	68,841
Net realized and unrealized loss	(785)	(29,687)	(133)	(30,605)
Total investment return	(102)	38,355	(17)	38,236
Contributions	-	-	335,020	335,020
Transfer	-	-	(1,901)	(1,901)
Appropriation of endowment assets for expenditure	-	(124,049)	-	(124,049)
Endowment net assets, end of year	$ 48,847	$ 513,509	$ 4,367,103	$ 4,929,459

Below is a reconciliation of permanently restricted net assets included in the endowment fund to total permanently restricted net assets:

Permanently restricted net assets within endowment fund	$ 4,367,103
Permanently restricted net assets included in pledges receivable	117,885
Total permanently restricted net assets	$ 4,484,988

Note 13: Discretely Presented Component Unit (continued)

5. ENDOWMENT FUND (continued)

Return Objectives and Risk Parameters

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

Strategies Employed For Achieving Objectives

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

The investment strategy for the Foundation's portfolio indicates the principal category of equity investments will be common stocks with primary emphasis on high quality companies that are financially sound and that have favorable prospects for earnings growth. The largest percentage of fixed income investments will be invested in portfolios of high quality (primarily A- to AAA- rated) corporate bonds, U.S. Treasury, and U.S. Government Agency securities. Investments in foreign securities may comprise 15% to 25% of equity investments based upon market conditions and investment manager discretion.

In addition to asset classes, the Foundation may be diversified between managers/funds and investment styles, as well. The purpose of this approach is to incorporate prudent diversification within the Foundation, enhancing expected returns, and/or reducing risk of the total portfolio. This structure will be reviewed by the investment committee on an ongoing basis as part of the overall monitoring process.

Note 13: Discretely Presented Component Unit (continued)

5. ENDOWMENT FUND (continued)

Spending Policy

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

6. PROMISES TO GIVE

Unconditional promises to give are included in the financial statements as contributions receivable and contributions of the appropriate net asset category. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimate of future cash flows using a discount rate of 5%. Conditional promises to give are not included as support until conditions are met.

Unconditional promises to give:

	Unrestricted	Restricted	Total
Gross receivables due within:			
Less than one year	$ 1,188	$ 1,291,862	$ 1,293,050
One to five years	52	167,606	167,658
	1,240	1,459,468	1,460,708
Discount	(62)	(17,930)	(17,992)
Promises to give, net	$ 1,178	$ 1,441,538	$ 1,442,716

Approximately 92% of the promises to give, net balance at June 30, 2016 was due from two donors. One of these donors made contributions that approximated 56% of the total contributions revenue for the year ended June 30, 2016.

The Foundation has a conditional promise to give endowment funds from a donor based upon meeting certain matching requirements to the endowment. The total conditional promise was for $420,000. During fiscal 2016, the Foundation recognized $90,000 related to this promise resulting from meeting matching requirements. At June 30, 2016, the Foundation had $260,000 remaining to be recognized under this conditional promise, provided that the matching requirements are met during the term of the promise.

Note 13: Discretely Presented Component Unit (continued)

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted assets are those whose use by the Foundation has been limited by the donors to a specific time period or purpose. Temporarily restricted net assets are available for providing scholarships and loans to the College's students, providing professional development funds to the College staff, purchasing equipment for the benefit of the College, and student services.

The temporarily restricted net assets as of June 30, 2016 are restricted for the following purposes:

Scholarships and loans for students	$	720,958
Aesthetics		655
Barberton campus equipment		11,028
Professional development		17,311
Departmental equipment and supplies		862,711
Student services		378,652
Total temporarily restricted net assets	$	1,991,315

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by donors as follows:

Scholarships and loans for students	$	368,967
Aesthetics		207
Barberton campus equipment		10,472
Professional development		5,431
Departmental equipment and supplies		412,201
Student services		208,749
Public service		1,500
Total net assets released from donor restrictions	$	1,007,527

8. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investment in perpetuity and the income from which is expendable for scholarships and loans to the College's students, providing professional development funds to the College staff, and student services.

The permanently restricted net assets as of June 30, 2016 are restricted for the following purposes:

Scholarships and loans for students	$	4,340,225
Professional development		124,640
Departmental equipment and supplies		20,123
Total permanently restricted net assets	$	4,484,988

Note 13: Discretely Presented Component Unit (continued)

9. INCOME TAXES

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore makes no provision for income taxes.

The Foundation accounts for income taxes in accordance with the "Income Taxes" topic of the ASC. Uncertain income tax positions are evaluated at least annually by management. The Foundation classifies interest and penalties related to income tax matters as income tax expense in the accompanying financial statements. As of June 30, 2016, the Foundation has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the year then ended.

The Foundation files its Form 990 in the U.S. federal jurisdiction and an online charitable registration with the office of the state's attorney general for the State of Ohio.

10. RELATED ORGANIZATIONS

A significant portion of the general and administrative expenses of the Foundation, including salaries, are paid directly by the College and are therefore not reflected as operating expenses of the Foundation. The Foundation contributes funds to the College for scholarships, instructional equipment, supplies and buildings. During the year ended June 30, 2016, the Foundation contributed $982,086 to the College for scholarships, instructional equipment, and supplies and buildings.

The Foundation is investing $256,902 on behalf of the college as reflected in the Statement of Financial Position as "investments held for others."

The Foundation has a net payable due the college in the amount of $150,046 for equipment and scholarships.

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 Three Fiscal Years (1)

	2016	2015	2014
College's Proportion of the Net Pension Liability	0.098344%	0.104398%	0.104398%
College's Proportionate Share of the Net Pension Liability	$ 17,034,422	$ 12,591,530	$ 12,307,129
College's Covered Payroll	$ 12,200,348	$ 12,799,638	$ 13,607,184
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	139.62%	98.37%	90.45%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

Note: Amounts presented for each fiscal year were determined as of the measurement date for the OPERS pension plan, which is December 31, and are based on a 1-year period ending on this date.

(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 Three Fiscal Years (1)

	2016	2015	2014
College's Proportion of the Net Pension Asset	0.173330%	0.174665%	0.174665%
College's Proportionate Share of the Net Pension Asset	$ 84,346	$ 67,250	$ 18,328
College's Covered Payroll	$ 591,354	$ 581,478	$ 618,164
College's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	14.26%	11.57%	2.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	116.90%	114.83%	n/a

Note: Amounts presented for each fiscal year were determined as of the measurement date for the OPERS pension plan, which is December 31, and are based on a 1-year period ending on this date.

(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 Three Fiscal Years (1)

	2016	2015	2014
College's Proportion of the Net Pension Liability	0.229279%	0.245151%	0.245151%
College's Proportionate Share of the Net Pension Liability	$ 63,366,029	$ 59,629,259	$ 71,029,983
College's Covered Payroll	$ 23,894,221	$ 24,890,207	$ 26,605,677
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	265.19%	239.57%	266.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

Note: Amounts presented for each fiscal year were determined as of the measurement date for the STRS pension plan, which is June 30 of the prior fiscal year, and are based on a 1-year period ending on this date.

(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

	2016	2015	2014	2013	2012
Contractually-required contribution	$ 1,439,327	$ 1,503,008	$ 1,497,343	$ 1,833,455	$ 1,347,702
Contributions in relation to the contractually-required contribution	(1,439,327)	(1,503,008)	(1,497,343)	(1,833,455)	(1,347,702)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College covered payroll	$ 11,994,392	$ 12,525,067	$ 12,477,858	$ 14,006,532	$ 13,356,809
Contributions as a percentage of covered payroll	12.00%	12.00%	12.00%	13.09%	10.09%

	2011	2010	2009	2008	2007
Contractually-required contribution	$ 1,049,375	$ 808,700	$ 693,775	$ 511,416	$ 538,973
Contributions in relation to the contractually-required contribution	(1,049,375)	(808,700)	(693,775)	(511,416)	(538,973)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College covered payroll	$ 10,400,149	$ 8,906,388	$ 8,085,956	$ 7,326,877	$ 6,954,490
Contributions as a percentage of covered payroll	10.09%	9.08%	8.58%	6.98%	7.75%

Stark State College

Required Supplementary Information
Schedule of the College's Contributions
Ohio Public Employees Retirement System – Combined Plan

Last Ten Fiscal Years

	2016	2015	2014	2013	2012
Contractually-required contribution	$ 74,199	$ 68,280	$ 68,023	$ 74,805	$ 54,986
Contributions in relation to the contractually-required contribution	(74,199)	(68,280)	(68,023)	(74,805)	(54,986)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College covered payroll	$ 618,325	$ 569,000	$ 566,858	$ 571,466	$ 544,958
Contributions as a percentage of covered payroll	12.00%	12.00%	12.00%	13.09%	10.09%

	2011	2010	2009	2008	2007
Contractually-required contribution	$ 42,815	$ 32,995	$ 28,306	$ 20,866	$ 21,990
Contributions in relation to the contractually-required contribution	(42,815)	(32,995)	(28,306)	(20,866)	(21,990)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College covered payroll	$ 424,326	$ 363,381	$ 329,907	$ 298,937	$ 283,743
Contributions as a percentage of covered payroll	10.09%	9.08%	8.58%	6.98%	7.75%

Stark State College

Required Supplementary Information
Schedule of the College's Contributions
State Teachers Retirement System of Ohio

Last Ten Fiscal Years

	2016	2015	2014	2013	2012
Contractually-required contribution	$ 3,018,828	$ 3,345,191	$ 3,235,727	$ 3,458,738	$ 2,996,474
Contributions in relation to the contractually-required contribution	(3,018,828)	(3,345,191)	(3,235,727)	(3,458,738)	(2,996,474)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College covered payroll	$ 21,563,037	$ 23,894,221	$ 24,890,207	$ 26,605,677	$ 23,049,800
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	13.00%	13.00%

	2011	2010	2009	2008	2007
Contractually-required contribution	$ 3,538,059	$ 3,030,931	$ 2,896,984	$ 2,143,680	$ 1,975,376
Contributions in relation to the contractually-required contribution	(3,538,059)	(3,030,931)	(2,896,984)	(2,143,680)	(1,975,376)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College covered payroll	$ 27,215,838	$ 23,314,854	$ 22,284,492	$ 16,489,846	$ 15,195,200
Contributions as a percentage of covered payroll	13.00%	13.00%	13.00%	13.00%	13.00%

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Where Relationships Count.

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 and the discretely presented component unit of Stark State College (the "College), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated February 13, 2017.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Ciuni + Panichi, Inc.

Cleveland, Ohio
February 13, 2017

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Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Board of Trustees
Stark State College
North Canton, Ohio

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002. Our opinion on the major federal program is not modified with respect to these matters.

The College's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider to be a significant deficiency.

Board of Trustees
Stark State College

The College's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of the College as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated February 13, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions 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 the Uniform Guidance 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
February 13, 2017

Stark State College

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Education			
Direct Recipient:			
Student Financial Assistance Programs Cluster:			
Federal Work-Study Program	84.033		$ 224,128
Federal Supplemental Educational Opportunity Grants	84.007		431,446
Federal Pell Grant Program	84.063		17,589,353
Federal Direct Student Loans	84.268		21,458,883
Total Student Financial Assistance Programs Cluster			39,703,810
TRIO Cluster:			
Student Support Services	84.042		200,686
Upward Bound	84.047		257,981
Passed Through the Ohio Department of Education:			
Upward Bound	84.047	063420-SSC UB	5,101
Total Upward Bound			263,082
Total TRIO Cluster			463,768
Higher Education - Institutional Aid	84.031		421,107
Passed Through the Ohio Department of Education:			
Career and Technical Education - Basic Grants to States	84.048	063420-CDP-P-2016	390,959
Passed Through The University of Toledo			
Special Education -Personnel Development to Improve Services and Results for Children With Disabilities	84.325	F-2014-23	2,353
Total Federal Assistance - U.S. Department of Education			40,981,997
U.S. Department of Labor			
Passed Through the Ohio Board of Regents:			
H-1B Job Training Grant	17.268		108,788
Passed Through the Medina County WD:			
H-1B Job Training Grant	17.268		59,885
Total H-1B Job Training Grant			168,673
Passed Through Lorain Community College			
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282		581,415
Passed Through the Pennsylvannia College of Technology:			
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282		668,555
Total Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants			1,249,970
Total Federal Assistance - U.S. Department of Labor			1,418,643
U.S. Department of Veterans Affairs			
Direct Recipient:			
Post-9/11 Veterans Educational Assistance	64.028		2,898
Total Federal Assistance - All Sources			**$ 42,403,538**

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

Stark State College

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of Stark State College (the "College") under programs financed by U.S. Government for the year ended June 30, 2016. The Schedule has been prepared using the accrual basis of accounting.

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

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

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

Note 2: Indirect Cost Rate

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

Stark State College

Schedule of Findings and Questioned Costs
2 CFR Section 200.515

For the Year Ended June 30, 2016

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?	Yes
(d)(1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR Section 200.516(a)?	Yes
(d)(1)(vii)	Major Programs	Student Financial Aid Cluster: - CFDA # 84.033 - CFDA # 84.007 - CFDA # 84.063 - CFDA # 84.268
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >$750,000 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.

3. Findings for Federal Awards

2016-001 – Significant Deficiency in Internal Control and Instance of Noncompliance with Federal Awards:

Federal Program Information:
Student Financial Aid Cluster – CFDA No. 84.063 Federal Pell Grant Program

Criteria:
For an applicant for grant funds whose application is selected by the U.S. Department of Education (DOE), the College must verify the information required for the Verification Tracking Group to which the applicant is assigned. The College's verification process relies on the automated loading of the applications from the DOE and its system set up from its financial aid system to determine which students selected for verification had Pell funds applied to their accounts. If the student is not selected for verification, student document requirements are not populated in the system or requested from the student. The College must ensure that all Pell funds applied that are subject to verification are included in its financial aid system reports.

Condition and Context:
During our testing of the College's compliance with the verification requirements, we noted one student, out of 40 tested, who had Pell funds applied to her account, was then selected for verification, and the College had not performed the verification process. The College requested the required documents from the student but the student did not turn them in. Therefore, the College should have removed the Pell grant funds from the student's account, but did not. The College was able to isolate the issue to Pell recipients who had received funds prior to being selected for verification and were then subsequently selected. For that aid year, the system was not set up to automatically remove these applied Pell funds if the student was then selected for verification, and upon further review by the College, it was determined that 13 students were selected for verification by the DOE who were not verified by the College. The College contacted the DOE to ask for clarification on the issue and the DOE told the College to return the Pell funds, totaling $30,441, which the College has done.

Questioned Costs:
Questioned costs for the non-verified students were $30,441.

Cause:
The report used to determine whether students selected for verification had been issued Pell funds did not include all of the funds subject to verification.

Effect:
Without effective internal controls to ensure complete reporting of the Pell funds subject to verification, management risks not meeting verification requirements of its Pell funding.

Recommendation:
Management should change its reporting to ensure complete and accurate information is provided to make correct determinations about which students require verification. Further, management should evaluate its internal controls that help to ensure reporting is complete and accurate and make improvements as necessary.

Management's Response:
Refer to the Corrective Action Plan on page SA12.

2016-002 – Instance of Noncompliance with Federal Awards

Federal Program Information:
Student Financial Aid Cluster: CFDA No. 84.007 – Federal Supplemental Educational Opportunity Grants, CFDA No. 84.063 Federal Pell Grant Program, CFDA No. 84.268 – Federal Direct Student Loans

Criteria:
A student who has received Title IV funds who then withdraws from the College is subject to a calculation of how much of the funds had been earned prior to the student's withdrawal. A student attending 60% of the semester is deemed to have earned 100% of the funds awarded. A student not meeting the 60% threshold is subject to returning a portion of the funds awarded.

Condition and Context:
During our testing of the College's compliance with the Return of Title IV Funds requirements, one student, out of 25 tested, did not meet the 60% threshold and no calculation was performed as to how much of the student's funds needed to be returned. The student had appeared on a list of students not meeting the 60% threshold but was overlooked in performing the calculation. Upon notification of the matter, the College ran the calculation and returned the necessary funds.

Questioned Costs:
Questioned costs for the student was $511.

Cause:
The process for determining if Title IV funds need to be returned is a two-step process. Initially, the College's Banner Student system calculates an attendance percentage for any student who withdrew or was deemed to have withdrawn. The calculation as run is not exact in determining who has not met the 60% threshold in that there can be factors not taken into account in the College's system that would impact the calculation (e.g. if a course was of different length than what the system has programmed as the standard length). Management uses this initial calculation as a first step in the process and relies on a second step of further evaluating which students need to return funds. Due to human error, this student's need to return funds was not evaluated further.

Effect:
Due to the return of funds not being properly evaluated, $511 in funds was not returned timely.

Recommendation:
For each student that withdrawals from the College, the calculation should be performed to determine the percentage of time a student attended. This is the first step in the process. The second step of actually calculating the amount of funds to be returned should be performed on every student as a way of insuring that no student is overlooked when funds need to be returned.

Management's Response:
Refer to the Corrective Action Plan on page SA12.

Stark State College

Schedule of Prior Audit Findings and Questioned Costs

For the Year Ended June 30, 2016

No prior year findings or questioned costs.

Stark State College

Corrective Action Plan

For the Year Ended June 30, 2016

Finding Number	Finding Summary	Anticipated Completion Date	Responsible Contact Person
2016-001	The Financial Aid office addressed the issue by making modifications to the financial aid system used to remove applied Pell grants funds from a student account upon receipt of a subsequent transaction that selects them for verification, thus requiring further documentation. The College returned the funds immediately, upon notification, to the DOE. Management believes this was the result of a systems error and thus has been corrected for future aid years. The continued monitoring will be done by the financial aid office manager until further review can take place by College administration and internal control can be assessed.	Immediately	Amy Welty, Executive Director of Financial Aid, Registration and Enrollment Operations
2016-002	The College will perform the Title IV refund process analysis on every student that withdraws from the College no matter the percentage of time attended. This will insure that the calculation is performed on all students.	Immediately	Amy Welty, Executive Director of Financial Aid, Registration and Enrollment Operations

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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 28, 2017

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