

**North Central State College**



**Basic Financial Statements**

**June 30, 2016**





# Dave Yost • Auditor of State

Board of Trustees  
North Central State College  
2441 Kenwood Circle  
Mansfield, Ohio 44906

We have reviewed the *Independent Auditor's Report* of the North Central State College, Richland County, prepared by Plattenburg & Associates, 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 North Central State College is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 5, 2017

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
North Central State College, Richland County, 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 the North Central 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.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to previously 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 and schedules of net pension liabilities and pension contributions 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 December 2, 2016, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.

Cincinnati, Ohio

December 2, 2016

**North Central State College**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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The Management's Discussion and Analysis (MD&A) of the financial condition of North Central State College (hereafter referred to as the College) provides an overview of the financial performance for the year ended June 30, 2016. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes.

**Financial Highlights**

The Statement of Net Position includes all assets, liabilities, deferred inflows and deferred outflows. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when earned and expenses and liabilities are recognized when an obligation has been incurred, regardless of when cash is exchanged.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. State appropriations are classified as non-operating revenues. The College generated an operating loss. For fiscal year 2016, the College had an increase in net position of \$2,654,656 after including net non-operating revenue. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

An important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they become due. The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related, non-capital and related, and investing financing activities.

The financial statements include not only the College itself (known as the primary institution), but also one organization for which the College is financially accountable, which is the North Central State College Foundation. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

**North Central State College**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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**The Statement of Net Position**

Condensed Financial Information  
Statement of Net Position

	2016	2015
Current Assets	\$9,207,151	\$8,062,047
Non-current Assets	23,295,156	21,305,018
Deferred Outflows	2,854,871	1,183,918
Total Assets and Deferred Outflows	35,357,178	30,550,983
Current Liabilities	5,243,335	5,197,202
Non-current Liabilities	20,774,346	19,192,729
Deferred Inflows	3,772,868	3,249,079
Total Liabilities and Deferred Inflows	29,790,549	27,639,009
Net Position		
Net Investment in Capital Assets	21,116,390	19,310,927
Unrestricted	(15,549,761)	(16,398,953)
Total Net Position	\$5,566,629	\$2,911,974

**Assets and Deferred Outflows**

As of June 30, 2016, the College's total assets and deferred outflows amounted to \$35,357,178. Capital assets, net of related depreciation totaled \$21,116,390, represented the College's largest asset. Student accounts receivable of \$4,787,484 was the College's second largest asset. Unrestricted cash and cash equivalents including investments totaling \$3,086,646 represented the next largest asset.

**Liabilities and Deferred Inflows**

At June 30, 2016, the College's liabilities and deferred inflows totaled \$29,790,549, comprised of current liabilities of \$5,243,335 and non-current liabilities totaling \$20,774,346. Unearned tuition and fees represented \$3,946,082 of liabilities and deferred inflows. Total liabilities and deferred inflows increased during the year ended June 30, 2016 by \$2,151,540. This increase is mainly attributable to the Kehoe Center – Energy Project Loan.

**Net Position**

Unrestricted net position at June 30, 2016 totaled \$(15,549,761) . Net investment in capital assets totaled \$21,116,390. Total net position increased by \$2,654,656 during the year ended June 30, 2016.



**North Central State College**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

**The Statement of Revenues, Expenses, and Changes in Net Position**

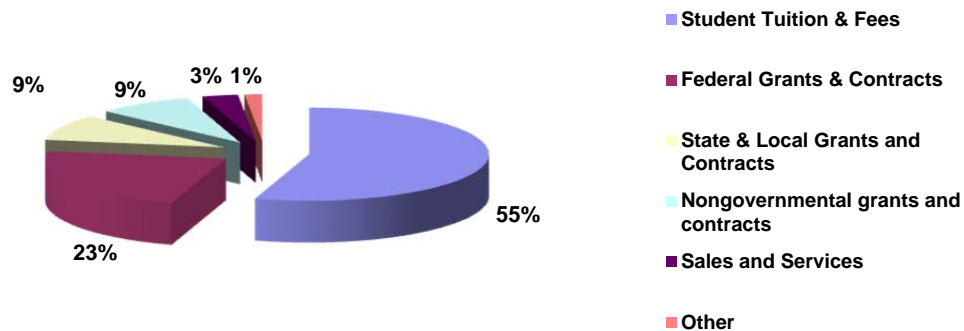
Condensed Financial Information

Statement of Revenues, Expenses, and Changes in Net Position

	2016	2015
Total Operating Revenues	\$12,431,199	\$11,938,257
Total Operating Expenses	23,153,599	23,454,301
Operating Loss	(10,722,400)	(11,516,044)
Non-Operating Revenues	11,287,250	11,757,149
Capital Appropriations	2,089,806	1,980,002
Increase (Decrease) in Net Position	2,654,656	2,221,107
Net Position, Beginning of Year	2,911,973	690,866
Net Position, End of Year	\$5,566,629	\$2,911,973

**Operating Revenues**

Total operating revenues were \$12,431,199 for the year ended June 30, 2016. The most significant sources of operating revenue for the College are net student tuition and fees, 55 percent, federal grants and contracts, 23 percent, nongovernmental grants and contracts, 9 percent, and state and local grants and contracts, 9 percent. It is important to note that tuition and fees appear net of scholarship allowances of \$2,875,058. Total operating revenues increased by \$492,942 due mainly to the increase in federal grants and contracts.



**Non-operating Revenues**

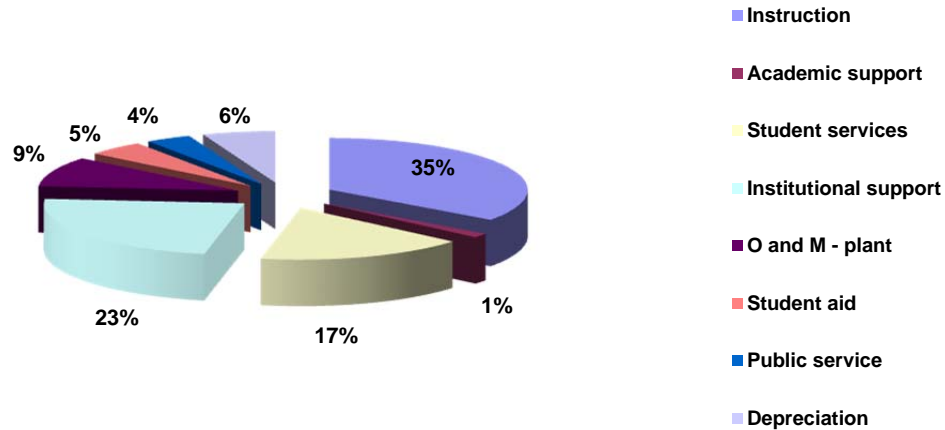
The other significant recurring sources of revenue essential to the operation of the College are state appropriations and some federal grants and contracts, which are considered non-operating revenue. The College's state appropriation for the fiscal year ended June 30, 2016, amounted to \$7,589,367. This represents an increase of \$236,376 from the College's appropriation for the prior year.

**North Central State College**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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**Operating Expenses**

Operating expenses totaled \$23,153,599. The majority of the College's operating funds are expended directly for the primary mission of the College instruction, 35 percent, academic support, 1 percent, and institutional support, 23 percent. For the year ended June 30, 2016, student aid totaled \$1,078,870 or 5 percent. Operating expenses decreased \$300,702 from prior year.



**The Statement of Cash Flows**

The primary purpose of the statement of cash flows is to provide information about the cash receipts and cash payments made by the College during the period. The statement of cash flows also helps financial statement readers assess:

- the College's ability to generate future net cash flows,
- the College's ability to meet obligations as they become due, and
- the College's need for external financing.

Major sources of cash inflows included in operating activities are grants and contracts \$6,696,604 and student tuition and fees \$4,362,300. The largest cash outflows for operating activities were to employees, for wages and benefits, \$13,697,522, for student aid, \$1,078,870, for utilities and maintenance, \$1,456,581, and to suppliers, \$2,929,266.

The largest cash receipts in the non-capital financing activities group are the non-operating appropriation from the State of Ohio, \$7,589,367.

**Capital Assets**

Capital assets, net of accumulated depreciation, totaled \$21,116,390 at June 30, 2016, a net increase of \$1,805,463 from the prior year-end. Depreciation expense for the year ended June 30, 2016 amounted to \$1,361,720. More detailed information about the College's capital assets is presented in Note 5 to the financial statements.

## **Debt**

As of June 30, 2016, the College had \$1,000,000 in notes payable.

## **Factors Impacting Future Periods**

North Central State College (NCSC)'s funding comes from two main sources: State Share of Instruction (SSI) and student tuition & fees. In FY 2016, the College received about \$7.6 million of its total revenue, from SSI, and approximately \$6.9 million from student tuition & fees.

North Central State College's headcount enrollment remained stable from FY 2015 to FY 2016, while credit hours declined by 4%. Dual credit enrollment grew by nearly 50% in both headcount and credit hours as the state of Ohio introduced the new College Credit Plus program encouraging early college. However, post-high school students continued to decline by 13% headcount and 14% credit hours. These inverse trends appear to be occurring across the state. Enrollment is projected to stay flat or slightly decline in the near future as the economy continues to recover.

External factors such as declining enrollment, information technology, competition, etc., continue to be a challenge for all institutions of higher education in the state. As a response to this environmental pressure, North Central State College continues to carefully analyze the environment by identifying key strategic goals to pursue by judiciously evaluating where performance improvement and adaptation to changing conditions may be necessary while using both cross-sectional and longitudinal analysis.

## **Final Analysis**

Despite the challenges posed by external economic factors coupled with the continued decline in enrollment and the related tuition revenue, the financial health of the College continues to improve meaningfully. In response to the declining enrollment and revenue, the resource planning and management processes at the College have been informed by an analysis of forces and factors, internal and external to the College that have implications for the College's current and future performance.

While total unrestricted revenues in FY 2016 decreased 3% compared to FY 2015, the College has been able to keep its expenses down. In FY 2016, the financial accountability composite score assigned by the state of Ohio is expected to be 4.0, the same as in FY 2015 as the College continues to improve its financial condition.

The College continues to be very successful attracting and investing several millions of dollars in its infrastructure at the Kehoe Center to meet the critical needs of our students and regional employers. As the economy continues to evolve and change, the College continues to remain relevant to our business partners and our students by creating and delivering solutions and leveraging our strengths to better meet the demands of the community. Our top priority is to continue to provide our students with educational and training experiences that enable them to earn a high-quality and affordable degree or certificate in a shorter amount of time while focusing on our main strategic goals of access, success, and resources.

**North Central State College**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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**Contacting the College's Financial Management**

This financial report is designed to provide the Ohio Board of Regents, our citizens, taxpayers, investors, and creditors with a general overview of the College's finances, and demonstrate the College's accountability for the money it received. If you have questions about this report or need additional financial information, contact **Koffi C. Akakpo, Vice President for Business and Administrative Services at 419-755-4702.**

**North Central State College**  
Statement of Net Position  
As of June 30, 2016

	Primary Institution	Component Unit
<b>ASSETS</b>		
Current Assets		
Cash & Cash Equivalents	\$ 1,064,874	\$ 206,611
Investments	2,021,772	3,333,289
Student Accounts Receivable, Net	4,787,484	-
Intergovernmental Receivables	1,190,035	-
Prepaid Expenses & Deferred Charges	142,986	-
Contributions Receivable	-	343,354
Interest in Assets held by Richland Co Foundation	-	350,000
Total Current Assets	9,207,151	4,233,254
Noncurrent Assets		
Restricted Cash & Cash Equivalents	5,000	-
Other Receivables	2,173,766	4,722
Capital Assets, net	21,116,390	2,007
Total Noncurrent Assets	23,295,156	6,729
<b>DEFERRED OUTFLOWS</b>		
Pension	2,854,871	-
Total Deferred Outflows	2,854,871	-
Total Assets and Deferred Outflows	35,357,178	4,239,983
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable & Accrued Liabilities	213,278	14,999
Unearned Tuition and Fees	3,946,082	-
Accrued Wages	1,083,975	-
Deferred Income	-	-
Total Current Liabilities	5,243,335	14,999
Noncurrent Liabilities		
Compensated Absences	525,835	-
Net Pension Liability	19,248,511	-
Notes Payable	1,000,000	-
Total Noncurrent Liabilities	20,774,346	-
<b>DEFERRED INFLOWS</b>		
Pension	3,772,868	-
Total Deferred Inflows	3,772,868	-
Total Liabilities and Deferred Inflows	29,790,549	14,999
<b>NET POSITION</b>		
Net Investment in Capital Assets	21,116,390	-
Restricted for		
Nonexpendable		
Scholarships	-	3,468,829
Expendable		
Student Grants and Scholarships	-	1,054,729
Unrestricted	(15,549,761)	(298,574)
Total Net Position	5,566,629	4,224,984
Total Liabilities, Deferred Inflows & Net Position	\$ 35,357,178	\$ 4,239,983

See accompanying notes to the basic financial statements.

**North Central State College**  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Year Ended June 30, 2016

	Primary Institution	Component Unit
<b>REVENUES</b>		
Operating Revenues:		
Tuition, Fees and Other Student Charges, Net	\$ 6,862,773	\$ -
Federal Grants and Contracts	2,842,695	-
State and Local Grants and Contracts	1,141,572	-
Nongovernmental Grants and Contracts	1,072,376	-
Sales and Services	397,893	-
Contributions	-	433,207
Fundraising	-	138,402
Other Operating Revenue	113,890	58,473
Total Operating Revenues	12,431,199	630,082
<b>EXPENSES</b>		
Operating Expenses		
Educational and General:		
Instruction	8,086,466	-
Academic Support	310,002	165,735
Student Services	3,921,258	-
Institutional Support	5,366,532	-
Operation and Maintenance of Plant	2,179,830	-
Student Aid and Scholarships	1,078,870	604,253
Public Service	848,921	-
Depreciation	1,361,720	-
Other Expenditures	-	236,900
Total Operating Expenses	23,153,599	1,006,888
Operating Income (Loss)	(10,722,400)	(376,806)
<b>NONOPERATING REVENUES</b>		
State Appropriations	7,589,367	-
Federal Grants & Contracts	3,694,020	-
Investment Income, Net	3,863	(353)
Net Nonoperating Revenues	11,287,250	(353)
Income (Loss) Before Other Revenues and Expenses	564,850	(377,159)
Capital Appropriations	2,089,806	-
Change in Net Position	2,654,656	(377,159)
<b>NET POSITION</b>		
Net Position, Beginning of Year	2,911,973	4,602,143
Net Position, End of Year	\$ 5,566,629	\$ 4,224,984

See accompany notes to the basic financial statements.

**North Central State College**  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2016

	Primary Institution	Component Unit
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
<i>Cash Flows from Operating Activities:</i>		
Tuition and Fees	\$ 6,949,996	\$ -
Gifts, Grants and Contracts	4,362,300	416,107
Payments to Suppliers	(2,929,266)	(421,798)
Payments to Employees and for Benefits	(13,697,522)	-
Payments for Scholarships and Fellowships	-	(604,253)
Payments for Utilities and Maintenance	(1,456,581)	-
Payments for Student Aid	(1,078,870)	-
Sales and Service of Educational Activities	397,893	-
Other Receipts (Payments)	(2,505,340)	381,882
Net Cash Used by Operating Activities	<u>(9,957,390)</u>	<u>(228,062)</u>
<i>Cash Flows from Non-Capital and Related Financing Activities:</i>		
FFEL Loans Received	2,960,627	-
FFEL Loans Disbursed	(2,960,627)	-
Federal Grants & Contracts	3,694,020	-
State Appropriations	7,589,367	-
Net Cash Provided by Non-Capital and Related Financing Activities	<u>11,283,387</u>	<u>-</u>
<i>Cash Flows from Capital and Related Financing Activities:</i>		
Purchases of Capital Assets	(3,170,907)	-
Capital Appropriations	2,089,806	-
Proceeds of Note	630,976	-
Net Cash Used by Capital and Related Financing Activities	<u>(450,125)</u>	<u>-</u>
<i>Cash Flows from Investing Activities:</i>		
Sales (Purchases) of Investments	(2,021,772)	(297,540)
Interest on Investments	3,863	(353)
Net Cash Provided by Investing Activities	<u>(2,017,909)</u>	<u>(297,893)</u>
Net Decrease in Cash and Cash Equivalents	(1,142,037)	(525,955)
Cash and Cash Equivalents, Beginning of Year	<u>2,211,911</u>	<u>732,566</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,069,874</u>	<u>\$ 206,611</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating Loss	\$ (10,722,400)	\$ (376,806)
Adjustments to Teconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,361,720	-
Loss on Disposal of Assets	3,723	-
Change in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources Which Provided (Used) Cash		
Receivables, Net	(453,154)	154,218
Prepaid Expenses	3,110	30,789
Payables	139,832	(19,163)
Accrued Wages	60,267	-
Unearned Tuition and Fees	(153,966)	-
Deferred Income	-	(17,100)
Compensated Absences	(24,690)	-
Net Pension Liability	975,331	-
Deferred Outflows of Resources - Net Pension Expense	(1,670,953)	-
Deferred Inflows of Resources - Net Pension Expense	523,790	-
Net Cash Used by Operating Activities	<u>\$ (9,957,390)</u>	<u>\$ (228,062)</u>

See accompanying notes to the basic financial statements.

**NOTE 1 - DESCRIPTION OF THE ENTITY**

North Central Ohio Technical Institute (the “College”) was chartered in 1969 under provisions of Section 3357 of the Ohio Revised Code. This action of the Ohio Board of Regents and the Secretary of State created the Technical College District in the contiguous counties of Ashland, Crawford, and Richland. In August of 1999, the Board of Trustees changed the name of the College to North Central State College. The College is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The College offers associate degree programs and certificate programs that prepare individuals to be technicians and paraprofessionals in business technologies, engineering technologies, health technologies, and public service technologies. The College also offers noncredit continuing education classes and customized contract-training services to companies and employees in the service area. The College is directed by a Board of Trustees, the members of which are public representatives of Ashland, Crawford and Richland Counties.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14 which was implemented by the College, further clarifies that certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government. The College has determined that the North Central State College Foundation (the “Foundation”) meets this definition and is therefore included as a discretely presented component unit in the College’s financial statements. The Foundation’s financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the FASB. See Note 13 for additional disclosures regarding the Foundation.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the College have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the College’s accounting policies are described below:

A. *Basis of Presentation* – The College applies GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statement presentation required by GASB Statements No. 34/35 is intended to provide a



**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

comprehensive, entity-wide perspective of the College's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows.

*B. Basis of Accounting* - The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The College reports as a "business type activity" as defined by GASB Statement No. 34. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The full scope of the College's activities is considered to be a single business type activity and accordingly, is reported within a single column in the basic financial statements.

*C. Budgetary Process* - The budget is an annual plan for the financial operations of the College that establishes a basis of control and evaluation of activities financed through the current funds of the College. Formal adoption of the budget into the accounting records is not legally mandated and, thus, the College does not integrate the budget into its accounts.

*D. Cash and Investments* - For purposes of presentation on the Statement of Net Position and the Statement of Cash Flows, investments with maturities of three months or less at the time they are purchased are considered to be cash equivalents. During the fiscal year, investments were limited to STAR Ohio. These investments are reported as cash equivalents on the Statement of Net Position. Investments are reported at fair value which is based on quoted market prices.

*E. Accounts Receivable* - Receivables at year end, consist primarily of student tuition and fees, and grants due from other agencies. Student tuition and fees are reported net using the direct write-off method.

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F. Capital Assets - Donated land, buildings, improvements, and equipment are capitalized at estimated fair market value on the date of the gift. The College capitalizes assets other than land and building improvements that have a value or cost in excess of \$2,500 and an expected useful life of one or more years. Land and building improvements that significantly increase the value or useful life of the asset of more than \$12,500 and \$25,000, respectively, are also capitalized. 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. Infrastructure assets, consisting of sidewalks, parking lots, lighting systems and signage, are capitalized and reported. Capital assets, with the exception of land, are depreciated using the straight-line method and full-month convention over the following useful lives:

Land Improvements	20-30 years
Buildings	40 years
Building Improvements	7-30 years
Equipment	5-20 years
Vehicles	5-10 years
Infrastructure	25 years
Leasehold Improvements	7-30 years

G. Noncurrent Long-Term Liabilities - Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.

H. Unearned Tuition and Fees - Unearned tuition and fees is principally comprised of receipts relating to tuition and fees received in advance of the sessions that are primarily or fully conducted in the next accounting period. The College recognizes this revenue in the fiscal year that the sessions are predominately conducted.

I. Compensated Absences - GASB Statement No. 16, *Accounting for Compensated Absences*, specifies that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

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

Other compensated absences with characteristics similar to vacation leave are those which are not contingent on a specific event outside the control of the employer and employee. Further, sick leave and other similar compensated absences are those which are contingent on a specific event that is outside the control of the employer and employee. The College has accrued a liability for these compensated absences using the termination method when the following criteria are met:

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 for sick leave.

*J. Operating and Non-Operating Revenues and Expenses*

The College presents its revenues and expenses as operating or non-operating based on recognition definitions per GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trusts Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include all charges to customers, grants received for student financial assistance, and interest earned on loans. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the College. Revenues from non-exchange transactions and state appropriations that represent subsidies or gifts to the College, as well as investment income, are considered non-operating since these are investing, capital, or noncapital financial activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor non-operating activities and are presented after non-operating activities on the accompanying Statement of Revenues, Expenses and Changes in Net Assets.

*K. Deferred Outflows and Inflows of Resources*

A deferred outflow of resources is a consumption of assets by the College that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of assets by the College that is applicable to a future reporting period.

For the College, deferred outflows and inflows of resources for pensions have been recorded on the statement of net position and is also explained further in Note 9.

*L. Scholarship Allowances*

Student tuition and fees revenue is reported net of scholarship allowances in the accompanying Statement of Revenues, Expenses and Changes in Net Assets.

The scholarship allowance represents the difference between actual charges for goods and services provided by the College and the amount that is paid by the student or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as operating revenues in the Statement of Revenues, Expenses and Changes in Net Assets. To the extent that revenues from these

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship allowance discount.

*M. Net Position*

The College's net position is classified as follows:

*Net Investment in Capital Assets* – This is comprised of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvements of those assets.

*Unrestricted* – Net position whose use by the College is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

*N. Income Taxes* – Income taxes have not been provided on the general operations of the College because, as a state institution, its income is exempt from Federal income taxes under Section 115 of the Internal Revenue Code.

*O. Use of Estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosure in the footnotes. Actual results could differ from those estimates.

*P. Pension* - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net 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.

**NOTE 3 - CASH AND CASH EQUIVALENTS 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 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. Investment of the College's monies is restricted to certificates of deposit, savings accounts, money market accounts and the State Treasurer's Investment Pool (STAR Ohio), obligations of the United States

**NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

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. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. State law does not require security for the public deposits and investments to be maintained in the College's name.

*B. Cash on Hand* - At June 30, 2016, the College had \$2,200 in un-deposited cash on hand which is reported as part of cash and cash equivalents on the Statement of Net Position.

*C. Deposits* - Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The College's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2016, the carrying amount of the College's deposits was \$1,069,874. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosure*, as of June 30, 2016, \$247,248 was exposed to custodial credit risk as discussed above, while \$822,626 was covered by FDIC.

*D. Investments* - The State Treasurer's Investment Pool (STAR Ohio) is authorized as an investment under both the College's policy and the Ohio Revised Code.

As of June 30, 2016, the primary government had the following investment (based on quoted market prices) and maturity (in years):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>Percent of</u> <u>Portfolio</u>
STAR Ohio	\$2,021,772	\$2,021,772	100%

*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 policy is to invest in allowable investments per the Ohio Revised Code. The Ohio Revised Code limits the purchase of securities to those with a maturity of no more than five years from the date of purchase unless matched to a specific

**NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

obligation or debt of the College. The College's investment policy also allows the entering into a repurchase agreement with any eligible depository for a period not exceeding thirty days.

*Credit risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Ohio Revised Code limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations at the time of purchase. Standard & Poor's has assigned STAR Ohio a rating of AAAM.

*Concentration of credit risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College does not have an investment policy that provides for diversification to avoid concentration in securities of one type or securities of one financial institution. 100% has been invested in STAR Ohio.

*Custodial credit risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College is not exposed to custodial credit risk for its investments.

Statement No. 72 of the Government Accounting Standards Board ("GASB") Fair Value Measurements and Applications, set forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy under GASB 72 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets and liabilities in active markets that the College has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liability in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the College's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the College's own data.

**NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of what constitutes observable requires judgment by the College's management. College management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment with the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to College management's perceived risk of that investment.

In instances whereby inputs used to measure fair value fall into difference levels in the above fair value hierarchy, fair value measurement in their entirety are categorized based on the lowest level input that is significant to the valuation. The College's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset and liability.

The College only invests with the State Treasurer's Investment Pool (STAR Ohio). Star Ohio is reported at its share price.

**NOTE 4 - RECEIVABLES**

Receivables as of June 30, 2016 are summarized as follows:

	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable	Unearned Tuition and Fees
Student Accounts	\$5,141,495	\$354,011	\$4,787,484	\$3,946,082
Intergovernmental	1,190,035	0	1,190,035	0
Other	2,173,766	0	2,173,766	0
Total Receivables	<u>\$8,505,296</u>	<u>\$354,011</u>	<u>\$8,151,285</u>	<u>\$3,946,082</u>

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**North Central State College**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

**NOTE 5 - CAPITAL ASSETS**

**Capital assets as of June 30, 2016 are summarized as follows:**

	<b>Balance</b>			<b>Balance</b>
	<b>7/1/2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>6/30/2016</b>
<i><u>Non-Depreciable Assets</u></i>				
Land	225,629	-	-	225,629
CIP	995,098	1,988,460	1,684,921	1,298,637
	<u>1,220,727</u>	<u>1,988,460</u>	<u>1,684,921</u>	<u>1,524,266</u>
<i><u>Depreciable Assets</u></i>				
Land Improvements	2,196,543	-	-	2,196,543
Buildings	14,809,029	-	-	14,809,029
Building Improvements	8,635,174	1,461,141	-	10,096,315
Infrastructure	674,536	-	-	674,536
Leasehold Improvements	4,427,362	-	-	4,427,362
Vehicles	125,884	60,000	12,870	173,014
Equipment	6,470,895	1,346,227	112,265	7,704,857
	<u>37,339,423</u>	<u>2,867,368</u>	<u>125,135</u>	<u>40,081,656</u>
<i><u>Accumulated Depreciation</u></i>				
Land Improvements	(1,010,476)	(86,776)	-	(1,097,252)
Buildings	(7,631,044)	(346,630)	-	(7,977,674)
Building Improvements	(2,557,984)	(386,986)	-	(2,944,970)
Infrastructure	(153,038)	(26,981)	-	(180,019)
Leasehold Improvements	(2,178,751)	(162,317)	-	(2,341,068)
Vehicles	(104,824)	(6,403)	11,582	(99,645)
Equipment	(5,613,106)	(345,626)	109,828	(5,848,904)
	<u>(19,249,223)</u>	<u>(1,361,719)</u>	<u>121,410</u>	<u>(20,489,532)</u>
	<u>19,310,927</u>	<u>3,494,109</u>	<u>1,931,466</u>	<u>21,116,390</u>

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## **NOTE 6 - STATE SUPPORT**

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

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

These are currently being funded through appropriations to the Ohio Board of Regents by the Ohio General Assembly. Construction in progress for any portion of the facilities being financed by the state agencies for use by the College is recorded on the College's books of account as costs are incurred.

The facilities are not pledged as collateral for the special obligation bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State.

Outstanding debt issued by the Ohio Public Facilities Commission is not included on the College's Statement of Net Assets. In addition, the appropriations by the Ohio General Assembly to the Board of Regents for payment of debt services are not shown as appropriation revenue received by the College and the related debt service payments are not recorded in the accounts of the College.

## **NOTE 7 - DEFINED BENEFIT 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.

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)**

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 in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

**Plan Description - School Employees Retirement System (SERS)**

Plan Description – College non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)**

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30 or \$86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14.00 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The College’s contractually required contribution to SERS was \$440,171 for fiscal year 2016.

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description – College licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)**

net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)**

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 years ended June 30, 2016 and 2015, plan members were required to contribute 13 percent and 12 percent, respectively, 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 and 2015 contribution rates were equal to the statutory maximum rates.

The College’s contractually required contribution to STRS was \$601,053 for fiscal year 2016.

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

For the year ended June 30, 2016, the net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$6,197,883	\$13,050,628	\$19,248,511
Proportion of the Net Pension Liability	0.10861860%	0.04722145%	
Pension Expense	368,966	500,427	869,393

**North Central State College**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$102,324	\$604,506	\$706,830
Net difference between projected and actual earnings on pension plan investments	463,794	655,113	1,118,907
Changes in employer proportion and differences between contributions and proportionate share of contributions	(2,527)	(9,562)	(12,089)
District contributions subsequent to the measurement date	<u>440,170</u>	<u>601,053</u>	<u>1,041,223</u>
Total Deferred Outflows of Resources	<u><u>\$1,003,761</u></u>	<u><u>\$1,851,110</u></u>	<u><u>\$2,854,871</u></u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$717,336	\$1,777,459	\$2,494,795
Changes in employer proportion and differences between contributions and proportionate share of contributions	(48,187)	(183,758)	(231,945)
Changes in employer proportionate share of net pension liability	<u>342,554</u>	<u>1,167,464</u>	<u>1,510,018</u>
Total Deferred Inflows of Resources	<u><u>\$1,011,703</u></u>	<u><u>\$2,761,165</u></u>	<u><u>\$3,772,868</u></u>

\$1,041,223 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	(\$283,805)	(\$957,034)	(\$1,240,839)
2018	(283,805)	(957,034)	(1,240,839)
2019	(283,806)	(957,035)	(1,240,841)
2020	<u>403,303</u>	<u>1,359,996</u>	<u>1,763,299</u>
Total	<u><u>(\$448,113)</u></u>	<u><u>(\$1,511,107)</u></u>	<u><u>(\$1,959,220)</u></u>

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)**

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, 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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return, including inflation	7.75 percent net of investments expense
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)**

weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.00%
US Stocks	22.50%	5.00%
Non-US Stocks	22.50%	5.50%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	10.00%
Real Assets	10.00%	5.00%
Multi-Asset Strategies	<u>15.00%</u>	7.50%
Total	<u>100.00%</u>	

**Discount Rate** - Total pension liability was calculated using the discount rate of 7.75%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.75%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of Net Pension Liability to Changes in the Discount Rate** – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%), or one percentage point higher (8.75%) than the current rate.

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
College's proportionate share of the net pension liability	\$ 8,594,236	\$ 6,197,883	\$ 4,179,956

**Actuarial Assumptions - STRS**

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



**NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)**

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, including inflation
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** - Rates are based on the RP-2000 Combined Mortality Table (Projection 2022–Scale AA) for Males and Females. Males’ ages are set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and no set back from age 90 and above.

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

**Investment Return Assumptions** -STRS Ohio’s investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
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	<u>1.00%</u>	3.00%
Total	<u><u>100.00%</u></u>	

\* 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.50 percent

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75% as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the 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 Ohio’s 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

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)**

of 7.75% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

**Sensitivity of Net Pension Liability to Changes in the Discount Rate** – The following table presents the net pension liability as of June 30, 2015, calculated using the current period discount rate assumption of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current assumption.

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
College's proportionate share of the net pension liability	\$ 18,128,306	\$13,050,628	\$ 8,756,693

**Plan Description – Alternative Retirement Plan (ARP)**

The State of Ohio allows public institutions of higher education to offer an alternative retirement plan to those participating in SERS and STRS. The alternative retirement plans shall be defined-contribution plans, with the Ohio employer contribution rates of 6.0% and 4.5%, respectively. The College has implemented the alternative retirement plan. In fiscal years 2016, 2015, and 2014 the employer contribution was \$325,297, \$300,207, and \$263,254, respectively.

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

The College provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

*A. State Teachers Retirement System*

STRS Ohio administers a pension plan that is comprised of; a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be

**NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)**

absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. The 14 percent employer contribution rate is the maximum rate established under Ohio law. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2015, and 2014. For fiscal year 2016 0 percent was allocated. For the College, these amounts were \$0, \$46,646, and \$50,094, for fiscal years 2016, 2015, and 2014 respectively, which equaled the required allocation for each year.

*B. School Employees Retirement System*

In addition to a cost-sharing multiple employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2016, 2015, and 2014, the actuarially required allocations were 0.74 percent, 0.76 percent, and 0.74 percent, respectively. For the College, contributions for the years ended June 30, 2016, 2015 and 2014, were \$0, \$0, and \$24,655, respectively, which equaled the required contributions for those years.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

**NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)**

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2016, 2015 and 2014, the health care allocation was .00 percent, .82 percent, and .16 percent, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statute provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the minimum compensation level was established at \$23,000. For the College, the amounts assigned to fund health care benefits, including the surcharge, during the 2016, 2015 and 2014 fiscal years equaled \$43,131, \$49,785, and \$45,522, respectively, which equaled the required allocation for each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on the SERS website at [www.ohsers.org](http://www.ohsers.org) under *Employers / Audit Resources*.

**NOTE 9 - LONG-TERM LIABILITIES**

Changes in long-term liabilities are as follows:

	Balance			Balance	Current
	7/1/2015	Additions	Subtractions	6/30/2016	Portion
Compensated Absences	\$ 550,525	\$ 525,835	\$ 550,525	\$ 525,835	\$ -
Net Pension Liability	\$ 18,273,180	\$ 19,248,511	\$ 18,273,180	\$ 19,248,511	\$ -
Note Payable	\$ 369,024	\$ 630,976	-	\$ 1,000,000	\$ -
Total Long-Term Liabilities	\$ 19,192,729	\$ 20,405,322	\$ 18,823,705	\$ 20,774,346	\$ -

**Note Payable**

During fiscal year 2015, the College entered into an Energy Loan agreement with the Ohio Development Services Agency to upgrade certain building components to provide energy efficiencies and other improvements. The total borrowing amount authorized under this agreement is \$1 million. During the year the College has drawn down additional funds in the amount of \$630,976 and has recorded a note payable liability for \$1,000,000. This loan has not been closed and therefore no amortization or repayment schedule has been developed.

**North Central State College**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

**NOTE 10 - OPERATING EXPENSES BY FUNCTION AND NATURAL CLASS**

	Payroll and Benefits	Supplies and Other Services	Utilities and Maintenance	Student Aid and Scholarships	Depreciation Expense	Other Expense	Total
Instruction	7,105,985	576,358	-	-	-	404,123	8,086,466
Academic support	163,404	13	116,306	4,452	-	25,826	310,001
Student services	2,243,066	1,163,419	69,943	67,709	-	377,122	3,921,259
Institutional support	2,718,576	1,021,345	166,602	64,701	-	1,395,308	5,366,532
Operation & maintenance of plant	785,123	109,315	1,246,671	-	-	38,721	2,179,830
Student aid	-	-	-	1,078,870	-	-	1,078,870
Public service	716,945	58,818	-	-	-	73,158	848,921
Depreciation	-	-	-	-	1,361,720	-	1,361,720
Total operating expenses	13,733,099	2,929,266	1,599,523	1,215,733	1,361,720	2,314,258	23,153,599

**NOTE 11 - CONTINGENCIES**

A. 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. In the opinion of the College, no material grant disbursements will be disallowed.

B. Litigation

The College is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the College's counsel that resolutions of these matters will not have a material adverse effect on the financial condition of the College.

**NOTE 12 - RISK MANAGEMENT**

The College is exposed to various risks of loss related to torts; 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.

**NOTE 13 – IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES**

For the fiscal year ended June 30, 2016, the College has implemented Governmental Accounting Standards Board (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* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

**NOTE 13 – IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES (Continued)**

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the College fiscal year 2016 note disclosures; however, there was no effect on beginning net position.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the College.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the College.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the College.

**NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION**

**DESCRIPTION OF THE FOUNDATION**

North Central State College Foundation, Inc. (the Foundation) financial statements have been prepared on an accrual basis of accounting, under the provisions of FASB Accounting Standards Codification (ASC) No. 958 “Not-for-Profit Entities”. The Foundation is a not-for-profit organization established in accordance with Section 501(c) (3) of the Internal Revenue Code. The Foundation operates under a Board of Trustees who is appointed, not to be less than twelve, but not to exceed forty members. The Foundation is organized primarily to engage in activities and programs to provide support and services to the North Central State College (the College).

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Contributions*

The Foundation reports unconditional promises to give, with payments due in future periods, as receivables and support in either unrestricted, temporarily restricted, or permanently restricted

**NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION (Continued)**

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.

*Financial Statement Presentation*

The Foundation reports 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 statement requires that resources be classified into three net asset categories according to donor-imposed restrictions. A description of each of the categories is as follows:

**Unrestricted Net Assets**

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**

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.

**Permanently Restricted Net Assets**

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 Revenues, Expenses, and Changes in Net Assets.

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 Revenues, Expenses, and Changes in Net Assets as net assets released from restrictions.

There are terminology differences due to the College implementing GASB Statements 63 and 65. During fiscal year 2013 the College implemented the above mentioned statements which resulted in a terminology change for reporting from the term “net assets” to “net position”. The Statements of Financial Position and the Statement of Activities use this terminology to be consistent with the College’s reporting. However, the terminology has not been changed in this footnote.

With the exceptions of the above mentioned presentation adjustments to conform to the College’s GASB reporting format, no modifications have been made to the Foundation’s financial information in the College’s financial report.

**NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION (Continued)**

*Cash and Cash Equivalents*

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

*Investments*

The Foundation reports investments in marketable securities with readily determined fair values and all investments in debt securities are reported at their fair values in the Statement of Net Assets. Unrealized gains and losses are included in the change in net assets. 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.

*Donated Service and Facilities*

The Foundation has no employees or property (other than cash and investments). Substantially all clerical and management duties are presently performed by business office personnel who are employees of North Central State College, utilizing equipment and facilities of North Central State College.

For accounting purposes, the value of facilities is considered immaterial and it has not been recognized in the financial statements. However, the value of the services provided by College personnel have been recognized in the Statement of Revenues, Expenses, and Changes in Net Assets as personnel reimbursement expenses as required by the accrual basis of accounting.

*Contributions Receivable*

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. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted. Conditional promises are recorded when donor stipulations are substantially met. The Foundation requires an initial minimum balance of \$10,000 to establish a scholarship fund.

*Prepaid Expenses*

Certain payments to vendors for fundraising activities reflect costs applicable to future accounting periods and are recorded as prepaid items.

*Capital Assets*

Capital assets acquired by the Foundation consist of office equipment. All expenditures for capital assets in excess of \$1,000 are capitalized. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets not to exceed ten years.



**North Central State College**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

**NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION (Continued)**

*Deferred Income*

Deferred income results from various fundraising activities. It represents amounts received from sponsors, vendors, and sales of admission tickets in advance. Deferred income is recognized as revenue in the period that the fundraising activity actually occurs.

*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.

**INVESTMENTS**

The various investments in fixed income securities, mutual funds and other investment securities are exposed to various risks, such as interest rate, market fluctuations, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities could occur in the near term and those changes could materially affect the amounts reported in the financial statements.

At June 30, 2016, investments consisted of the following:

	Market / Carrying Value	Maturity					
		Less Than One Year	1-2 years	3-5 years	6-7 Years	Various within Fund	No Maturity
Money Market Investments - US							
Government Obligations	\$ 198,276	\$ 198,276	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	\$ 50,143	\$ -	\$ 50,143	\$ -	\$ -	\$ -	\$ -
Mutual Funds - Fixed Income	\$ 860,349	\$ 71,920	\$ 179,801	\$ 107,880	\$ -	\$ 500,748	\$ -
Mutual Funds - Equity Securities	\$ 1,124,391	\$ -	\$ -	\$ -	\$ -	\$ 1,124,391	\$ -
Common Stock	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADR / Foreign Equities	\$ 622,671	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 622,671
Preferred Stock	\$ 163,297	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 163,297
ADR / Foreign Preferred	\$ 287,071	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 287,071
REIT	\$ 11,642	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,642
Rights and Warrants	\$ 11,834	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,834
Marketable LLC	\$ 3,615	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,615
Partnerships	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 3,333,289</b>	<b>\$ 270,196</b>	<b>\$ 229,944</b>	<b>\$ 107,880</b>	<b>\$ -</b>	<b>\$ 1,625,139</b>	<b>\$ 1,100,130</b>

The Foundation determines the fair market values of its financial instruments based on the fair value hierarchy established in ASC No. 820, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent

**NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION (Continued)**

of the reporting entity. Unobservable inputs are inputs that reflect the Foundation’s own assumptions based on market data and on assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The Standard describes three levels within its hierarchy that may be used to measure fair value:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 Inputs: Significant other observable inputs other than Level 1 quoted prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Inputs: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would rise in pricing an asset or liability.

The fair value of investments held by the Foundation at June 30, 2016 is summarized as follows:

Investment Type	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observersable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Investments - US Government Obligations	\$ 198,276	\$ -	\$ -
Coporate Bonds	\$ 50,143	\$ -	\$ -
Mututal Funds - Fixed Income	\$ 860,349	\$ -	\$ -
Mututal Funds - Equity Securities	\$ 1,124,391	\$ -	\$ -
Common Stock	\$ -	\$ -	\$ -
ADR / Foreign Equities	\$ 622,671	\$ -	\$ -
Perferred Stock	\$ 163,297	\$ -	\$ -
ADR / Foreign Preferred	\$ 287,071	\$ -	\$ -
REIT	\$ 11,642	\$ -	\$ -
Rights and Warrants	\$ 11,834	\$ -	\$ -
Marketable LLC	\$ 3,615	\$ -	\$ -
Partnerships	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 3,333,289</b>	<b>\$ -</b>	<b>\$ -</b>

**NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION (Continued)**

**CONTRIBUTIONS RECEIVABLE**

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 estimated future cash flows. The discount rate on those amounts is computed using a risk free interest rate applicable to the years in which the promises are to be received. The discount rate used for the year ended June 30, 2016 was 3.25%. The amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until conditions of those promises have been met.

Contributions receivable consisted of the following at June 30, 2016:

Unconditional promises to give before unamortized discount and allowance for uncollectible contributions:

Unrestricted	\$5,700
Temporarily restricted	252,190
Permanently restricted	<u>147,998</u>
Gross unconditional promises to give	405,888
Less: Unamortized discount	(21,945)
Less: Allowance for uncollectible contributions	<u>(40,589)</u>
Amounts due:	
Less than one year	<u>\$343,354</u>

**TEMPORARILY RESTRICTED NET ASSETS**

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

Scholarships for Students	\$90,520
Grants	15,784
Other	<u>497,949</u>
Total Released Net Assets	<u>\$604,253</u>

Temporarily and permanently restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Temporarily restricted net assets are available for the use of providing scholarships to the College's students, providing professional development funds to the College staff and for purchasing equipment for the benefit of the College. Permanently restricted net assets are restricted to investment in perpetuity and the income from which is expendable for scholarships to the College's students.

**NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION (Continued)**

The different types of temporarily restricted net assets are classified as follows:

<b>Scholarships for Students:</b>	
ADA Ford Educ Aid	5,629.00
Alumni Association	13,338.00
Bennett	831.00
Brown Respiratory Care	1,867.00
Cardwell Neer	1,000.00
Carter Memorial	3,274.00
Chambers	71.00
Cobey	373.00
Coleman	1,000.00
Cress	958.00
Emerson	4,442.00
Dewald	750.00
Faculty	306.00
Galion FOP	1,894.00
Garber	1,416.00
Gimble - Health Chair	40,981.00
G-R Civic	497.00
G-R Rupp	4,138.00
Gubkin	194.00
Hahn	21.00
Haring	2,463.00
Jenko	30,235.00
Kroger	1,000.00
MIMA - Urban Center	2,102.00
Martin Speech	400.00
Necessities	22,226.00
Necessities - Crawford	10,996.00
Necessities - Shelby	11,171.00
Necessities - Wayne	5,718.00
Nursing	7,921.00
Orange and Blue	8,729.00
PTA Fund	1,000.00
Phillips Fund	3,294.00
Phillips E Troop	1,976.00
Plotts	565.00

North Central State College  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION (Continued)**

President Emeritus	414.00
Preston	1,003.00
RMC	2,933.00
Scheaffer	501.00
Searle - PTA	9,863.00
Searle - RN	8,359.00
Welsh	2,417.00
Vetter	294.00
YES Entrepreneur	2,486.00
ADA Ford Summer Access	75,000.00
Ambassador	4,977.00
CDC Small Steps	884.00
Gimbel Scholarship	17,069.00
Gorman Fund	30,736.00
Scholarships (General)	24,522.00
Mansfield University	3,483.00
Rable Machine Scholarship	1,261.00
Tuition Freedom	4,326.00
Radiology Merit Scholarship	3,091.00
Tech Prep	8,254.00
Equipment	14,568.00
CC Project Fund	38,170.00
College Project Fund	17,142.00
Crawford Cty Project Fund	94,180.00
Restricted Projects	673.00
Urban Center Fund	70,643.00
Temporarily Restricted Other	74,704.00
	<b>\$ 704,729.00</b>

**NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION (Continued)**

**PERMANENTLY RESTRICTED NET ASSETS**

<b>Endowment Scholarships for Students:</b>	
Avita Health	10,000.00
ADA Ford Educ Aid	20,000.00
Alumni Association	20,593.00
Bennett	20,021.00
Brown Respiratory Care	12,116.00
Cardwell Neer	10,073.00
Carter Memorial	31,267.00
Chambers	4,250.00
Cobey	19,201.00
Coleman	23,178.00
Cress	26,800.00
Diab	7,276.00
Dewald	22,854.00
Emerson	105,402.00
Faculty	12,012.00
Galion FOP	13,376.00
Garber	29,355.00
Gimble - Health Chair	660,000.00
G-R Civic	22,463.00
G-R Rupp	56,661.00
Gubkin	10,213.00
Hahn	1,250.00
Haring	24,334.00
Jenko	699,933.00
Kroger	36,129.00
MIMA - Urban Center	15,866.00
Martin Speech	12,244.00
Necessities	141,273.00
Necessities - Crawford	54,950.00
Necessities - Shelby	62,166.00
Necessities - Wayne	26,275.00
Nursing	237,473.00
Orange and Blue	345,843.00

**NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION (Continued)**

PTA Fund	34,325.00
Phillips	48,000.00
Phillips E Troop	26,973.00
Plotts Endowment	8,853.00
President Emeritus	20,320.00
Preston	37,235.00
RMC	24,072.00
Sheaffer	11,658.00
Searle - PTA	97,750.00
Searle - RN	97,750.00
Welsh	53,678.00
Vetter	12,125.00
YES Entrepreneur	40,835.00
Restricted Contributions	160,408.00
	<u>\$ 3,468,829.00</u>

Interpretation of UPMIFA: The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) 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 to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, 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 standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization

**NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION (Continued)**

(7) The investment policies of the organization

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. The Foundation had no such amounts totaled as of June 30, 2016.

Endowment Composition:

Endowment Net Assets Composition by Type of Fund as of June 30, 2016

	Unrestricted Endowment	Temporarily Restricted Endowment	Permanently Restricted Endowment	Total Endowment
Donor -restricted endowment funds	\$ -	\$ -	\$ 3,468,829	\$ 3,468,829
Board-designated endowment funds	-	-	-	-
<b>Total Funds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,468,829</b>	<b>\$ 3,468,829</b>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2016

	Unrestricted Endowment	Temporarily Restricted Endowment	Permanently Restricted Endowment	Total Endowment
Endowment net assets, beginning of year			\$ 3,389,367	\$ 3,389,367
Investment income, including realized and unrealized gains and losses		(8,868)		(8,868)
Contributions			79,462	79,462
Appropriation of endowment assets for expenditure		8,868		8,868
<b>Endowment net assets, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,468,829</b>	<b>\$ 3,468,829</b>

**RICHLAND COUNTY FOUNDATION**

During 1991, the Foundation established a “Direct Fund” in which an irrevocable gift was made to the Richland County Foundation. This fund is identified by the Richland County Foundation as the North Central State College Foundation “Endowment Fund” and is subject to the provisions contained within the fund agreement dated December 31, 1991. This fund is the property of the Richland County Foundation, whereby, those funds will be held in perpetuity, and the investment income will be distributed to the Foundation annually to benefit the North Central State College. One of the provisions in this fund agreement, the variance power, concerns the power to vary some of the terms of the agreement. As defined by United States Treasury Regulations, the Richland County Foundation has the right to modify the terms of the fund agreement if in the judgment of the Richland County Foundation’s Board of Trustees, the restrictions and conditions in the agreement become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.



**NOTE 14 - COMPONENT UNIT DISCLOSURES- NORTH CENTRAL STATE COLLEGE FOUNDATION (Continued)**

The portion of this fund contributed by the Foundation is considered a reciprocal transfer because the Foundation is also the beneficiary of this fund. This balance is shown on the Richland County Foundation's Statement of Financial Position as a liability called "Funds Held as Agency Endowments". This amounted to \$350,000 at June 30, 2016.

Also, the portion of this fund contributed by unrelated third party donors is considered a contribution to the Richland County Foundation and is included in the net assets of Richland County Foundation. The amount recognized in the Statement of Financial Position of the Richland County Foundation at June 30, 2016 totaled \$306,263.

**INCOME TAXES**

The Foundation is a not-for-profit corporation as described in Section 501 (c) (3) of the Internal Revenue Code, and the organization is exempt from federal and state income taxes.

**RELATED PARTY**

As previously described in Note 13, the Foundation is affiliated with the College. During the year ended June 30, 2016, the College provided the Foundation with professional services valued at \$165,735. The value of those services is included as personnel reimbursement expenses in the financial statements.

During the year ended June 30, 2016, the Foundation provided scholarships and support to the College of \$604,253.

# **REQUIRED SUPPLEMENTARY INFORMATION**

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**North Central 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) (2)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
College's Proportion of the Net Pension Liability	0.04722145%	0.05130503%	0.05130503%
College's Proportionate Share of the Net Pension Liability	\$13,050,628	\$12,479,159	\$14,792,503
College's Covered-Employee Payroll	\$4,331,450	\$5,394,746	\$5,599,092
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	301.30%	231.32%	264.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) - Information prior to 2013 is not available

(2) - College records its proportionate share of the net pension liability one year subsequent to the Pension Plan's year

**North Central State College**

Required Supplementary Information

Schedule of the College's Proportionate Share

of the Net Pension Liability

School Employees Retirement System of Ohio

Last Three Fiscal Years (1)

	2015	2014	2013
College's Proportion of the Net Pension Liability	0.10861860%	0.11448500%	0.11448500%
College's Proportionate Share of the Net Pension Liability	\$6,197,883	\$5,794,021	\$6,810,796
College's Covered-Employee Payroll	\$3,096,077	\$3,365,354	\$3,373,172
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	200.19%	172.17%	201.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) - Information prior to 2013 is not available

(2) - College records its proportionate share of the net pension liability one year subsequent to the Pension Plan's year

**North Central State College**  
 Required Supplementary Information  
 Schedule of College Contributions  
 State Teachers Retirement System of Ohio  
 Last Three Fiscal Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$601,053	\$606,403	\$701,317
Contributions in Relation to the Contractually Required Contribution	<u>(601,053)</u>	<u>(606,403)</u>	<u>(701,317)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
College Covered-Employee Payroll	\$4,293,236	\$4,331,450	\$5,394,746
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%

(1) - Information prior to 2014 is not available

**North Central State College**

Required Supplementary Information

Schedule of College Contributions

School Employees Retirement System of Ohio

Last Three Fiscal Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$440,171	\$408,063	\$466,438
Contributions in Relation to the Contractually Required Contribution	<u>(440,171)</u>	<u>(408,063)</u>	<u>(466,438)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
College Covered-Employee Payroll	\$3,144,079	\$3,096,077	\$3,365,354
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%

(1) - Information prior to 2014 is not available

**North Central State College**



**Single Audit Reports**

**June 30, 2016**





**North Central State College**  
*Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2016*

Federal Grantor/Pass Through Grantor Program Title	CFDA #	Pass Through Entity Number	Disbursements
<b>United States Department of Education</b>			
Student Financial Assistance Programs Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	43,243
Federal Direct Student Loans	84.268	N/A	2,960,627
Federal Work-Study Program	84.033	N/A	79,095
Federal Pell Grant Program	84.063	N/A	3,694,020
<i>Total Federal Student Financial Assistance Programs Cluster</i>			<u>6,776,985</u>
TRIO - Student Support Services	84.042	N/A	<u>229,178</u>
Title III	84.031	N/A	<u>434,493</u>
<i>Passed Through the Office of Vocational &amp; Adult Education:</i>			
Career and Technical Education - Basic Grants to States	84.048	3L90	<u>74,772</u>
<i>Total Passed Through the Office of Vocational &amp; Adult Education</i>			<u>74,772</u>
Total United States Department of Education			<u>7,515,428</u>
<b>United States Department of Health and Human Services</b>			
Head Start	93.600	N/A	<u>444,956</u>
Total United States Department of Health and Human Services			<u>444,956</u>
<b>United States Department of Labor</b>			
Trade Adjustments Assistance Community College and Career Training	17.282	N/A	<u>500,404</u>
Total United States Department of Labor			<u>500,404</u>
<b>United States Department of Agriculture</b>			
Distance Learning & Telemedicine	10.855	N/A	115,236
<i>Passed Through the Rural Business Coop Services</i>			
Campus District	10.351	N/A	35,416
<i>Passed Through the Ohio Department of Education</i>			
Child and Adult Care Food Program	10.558	3L80	<u>19,690</u>
Total United States Department of Agriculture			<u>170,342</u>
<b>United States Small Business Administration</b>			
<i>Passed Through the Ohio Development Services Agency</i>			
Small Business Development Center	59.037	N/A	<u>101,662</u>
Total United States Small Business Administration			<u>101,662</u>
<b>United States Department of Commerce</b>			
<i>Passed Through the Ohio Development Services Agency</i>			
Manufacturing Extension Partnership	11.611	N/A	<u>142,949</u>
Total United States Department of Commerce			<u>142,949</u>
<b>United States Environmental Protection Agency</b>			
<i>Passed Through the Office of Research and Development</i>			
EPA - People Program	66.516	N/A	<u>14,840</u>
Total United States Environmental Protection Agency			<u>14,840</u>
Total Federal Financial Assistance			<u><u>\$8,890,581</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**NORTH CENTRAL STATE COLLEGE**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES**

The accompanying schedule of expenditures of federal awards includes federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 2 CFR 200, Subpart F. The College did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 2: FEDERAL DIRECT STUDENT LOANS**

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

<b>CFDA Number</b>	<b>Program Name</b>	<b>Amount</b>
84.268	Federal Subsidized Loans	\$ 1,715,553
84.268	Federal Unsubsidized Loans	\$ 1,245,074
	Total Federal Direct Student Loans	<u>\$ 2,960,627</u>

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

Board of Trustees  
North Central State College, Richland County, 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 the North Central 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 December 2, 2016.

**Internal Control over Financial Reporting**

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

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

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

**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.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Cincinnati, Ohio  
December 2, 2016

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

To the Board of Trustees  
North Central State College, Richland County, Ohio

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

**Report on Internal Control over Compliance**

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

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

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

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

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

We have audited the financial statements of the business-type activities and the 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 December 2, 2016, 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.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Cincinnati, Ohio  
December 2, 2016

**NORTH CENTRAL STATE COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

Student Financial Assistance Cluster

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

Auditee qualified as low-risk auditee? No

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

None

**Section III – Federal Award Findings and Questioned Costs**

None

**NORTH CENTRAL STATE COLLEGE  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2016**

Finding Number	Finding Summary	Finding Corrected	Explanation
2015-001	Federal Direct Student Loans - The College did not perform the required monthly reconciliations of cash summary, cash detail and loan detail contained in CRF 685.102(b).	Yes	Monthly reconciliations were prepared and reviewed by supervisory personnel.





# Dave Yost • Auditor of State

**NORTH CENTRAL STATE COLLEGE**

**RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 24, 2017**