

MONTHLY FINANCIAL REPORT

October 31, 2023

Audit

The FY23 audit was completed and submitted on October 31. According to the Partner at Plattenburg & Associates (the auditing firm), “the College received an unmodified opinion (best you can get). There are not reportable items on compliance or internal control.” The audited financial statements are included in this report.

SB6, CFI Scores

Now that we have the audited financial statements, the SB6 score and HLC CFI score were calculated for FY23.

- The Ohio SB6 score decreased to 3.90 for FY23 and remains in the “sound” (highest) category.
 - The SB6 score decreased primarily because we received federal Covid-19 HEERF money in FY22 and not in FY23.
- The HLC CFI score decreased to 2.35 for FY23 and remains “above the zone” (highest) zonal category.
 - The CFI score decreased primarily because the *change* in net assets decreased due to the sale of the Fayette campus.

There are eight other significant differences highlighted and explained in detail, but in summary the pension plans liability and pension plan deferred inflows together increased our liabilities by \$7.0 million. Fortunately, the Net Capital Assets change is not a recurring financial item. The SB6 and CFI detailed calculations and explanations are included in this report.

Finance Dashboard Summary

- Revenue were 2% higher than expected – primarily due to the continued strong enrollment for Spring 2024.
- Expenses were 6% lower than expected and were 35% of the budget through 33% of the fiscal year.
- There are no areas of concern at this time.

The finance dashboard summary narrative continues on the second page.

Revenue (Exhibit 1)

There were no surprises this month.

- State Subsidy (State Share of Instruction [SSI])
 - The FY24 budget for SSI is \$7.299 million, which is a -3.8% decrease from FY23 actual.
 - The fiscal year-to-date actual was lower by -2.7% from FY23 actual.
- Student Fees (Tuition and Fees)
 - The FY24 budget for tuition and fees is \$5.678 million, which is +2.9% increase from FY23 actual.
 - The fiscal year-to-date actual was higher by +10.0% from FY23 actual.
 - For accounting purposes, Student Fees are recognized on the accrual basis at the registration / drop-add date for the entire term and based upon current fee and course schedule.

Other

- The FY24 budget for other revenue is \$465k, which is a +1.4% increase from FY23 actual.
- The fiscal year-to-date actual was higher by +25.4% from FY23.

Expenses (Exhibit 1)

Through 33% of the fiscal year, expenses were 35% of the budget. If the spending patterns continue as they have in previous fiscal years, total expenses would finish the fiscal year within budget. Close monitoring of the expenses continues.

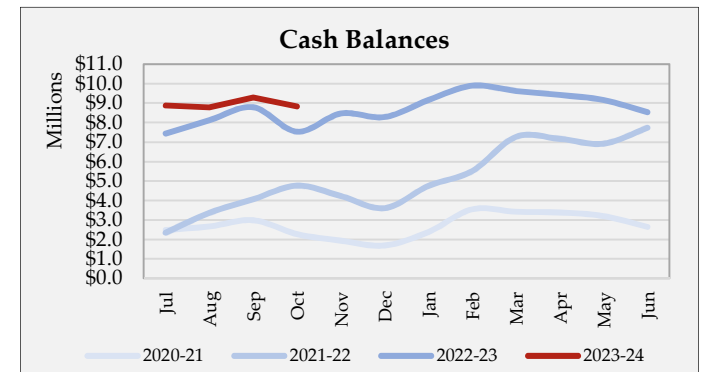
- Total Expenses
 - The FY24 budget for total expenses is \$13.349 million, which is a +3.7% increase from FY23 actual.
 - The fiscal year-to-date actual was lower by -0.8% from FY23 actual.

REVENUE (Recurring / Operating)	2023-2024 Budget	Year-to-Date Actual	Year-to-Date Expected	Percent of Actual to Expected	2023-2024 Outlook	Confidence	Notes
State Share of Instruction (SSI)	\$7,299	\$2,445	\$2,433	100%	\$7,299	High	Budget based on new state funding (-3.8%) from FY23.
Student Tuition and Fees	5,678	3,477	3,428	101%	5,678	High	Budget based on increase from FY23 (+2.9%).
Other Revenue (bookstore, interest, fac.rental)	465	175	130	135%	465	High	Budget based on increase from FY23 (+1.4%).
Total Revenue	\$13,442	\$6,097	\$5,991	102%	\$13,442	High	No changes to FY24 outlook at this time.

EXPENSES (Recurring / Operating)	2023-2024 Budget	Year-to-Date Actual	Year-to-Date Expected	Percent of Actual to Expected	2023-2024 Outlook	Confidence	Notes
Salaries	\$6,919	\$2,195	\$2,250	98%	\$6,919	High	All faculty and staff salaries.
Benefits	2,557	860	866	99%	2,557	High	All faculty and staff benefits.
Academic Affairs	536	163	205	80%	536	High	Academic programs.
Student Affairs	196	55	60	92%	196	High	Admissions, Student Accommodations, CCP Coordination.
Infrastructure & Technology	1,554	596	675	88%	1,554	High	Facilities, Technology, Utilities.
College-wide & General Admin	1,022	436	550	79%	1,022	High	Copiers, Phones, Postage, Software, Marketing, Scholarships.
Internal Transfers	565	306	315	97%	565	High	Student fees (technology, student activities).
Total Expenses	\$13,349	\$4,611	\$4,921	94%	\$13,349	High	35% of the budget spent through 33% of the fiscal year.
Net Surplus (Deficit) (recurring)	\$93	\$1,486	\$1,070		\$93	High	Year-to-date is operating at an expected surplus.

KEY PERFORMANCE INDICATORS					
Ohio Senate Bill 6 Composite	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Target = 3.5 (oversight when below 1.75)	2.30	2.30	3.60	4.20	3.90
HLC Composite Financial Index (CFI)	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Target = >1.1 (oversight when below 1.1)	0.48	0.86	4.05	4.62	2.35

OTHER UPDATES
1. Revenue is 2% higher than expected and continues to see strong student enrollment.
2. Expenses are below expectations. "General Administration" now includes \$509k for copiers, phone, postage, software charges.
SSCC Foundation: Total Assets = \$3,179 (of which \$2,883 is permanently restricted) / Total Liabilities = \$0



SOUTHERN STATE COMMUNITY COLLEGE
MONTHLY FINANCIAL STATEMENTS - EXHIBIT 1 OF 6
COMPARATIVE BUDGET REPORT
FOUR MONTHS ENDED OCTOBER 31, 2023 (unaudited)

	FISCAL 24			FISCAL 23		
	ANNUAL BUDGET	10/31/23 Y-T-D	% OF BUDGET	10/31/22 Y-T-D	ANNUAL CHANGE	ANNUAL % CHG
REVENUE						
STATE SUBSIDY	7,298,937	2,445,047	33.5%	2,513,876	(68,829)	-2.7%
STUDENT FEES	5,678,035	3,477,397	61.2%	3,162,656	314,741	10.0%
OTHER INCOME	465,000	174,505	37.5%	139,146	35,359	25.4%
TOTAL REVENUE	13,441,972	6,096,949	45.4%	5,815,678	281,271	4.8%
EXPENDITURES						
INSTRUCTIONAL	5,436,419	1,820,792	33.5%	1,828,338	(7,546)	-0.4%
RESEARCH	0	0	0.0%	0	0	0.0%
COMMUNITY SERVICE	3,000	385	12.8%	228	157	68.9%
ACADEMIC SUPPORT	2,084,542	815,588	39.1%	711,296	104,292	14.7%
STUDENT SERVICES	1,792,612	664,102	37.0%	701,017	(36,915)	-5.3%
INSTITUTIONAL SUPPORT	2,485,459	796,340	32.0%	844,930	(48,590)	-5.8%
PLANT OPERATIONS	1,397,411	441,348	31.6%	505,186	(63,838)	-12.6%
SCHOLARSHIPS	150,000	72,438	48.3%	58,283	14,155	24.3%
TOTAL EXPENDITURES	13,349,443	4,610,993	34.5%	4,649,278	(38,285)	-0.8%
ANNUAL SURPLUS/(DEFICIT)	92,529	1,485,956		1,166,400		

SOUTHERN STATE COMMUNITY COLLEGE
MONTHLY FINANCIAL STATEMENTS - EXHIBIT 2 OF 6
CONSOLIDATED FUND BALANCE SHEETS
AS OF OCTOBER 31, 2023 (unaudited)

ASSETS	GENERAL FUND	AUXILIARY FUND	RESTRICTED FUND	LOAN FUND	ENDOWMENT FUND	PLANT FUND	AGENCY FUND	TOTAL FUNDS
CASH AND INVESTMENTS	8,448,686	1,112,363	(505,282)	9,696		(230,190)	1,216,428	10,051,701
ACCTS. RECEIVABLE-STUDENTS(NET)	4,200,147							4,200,147
ACCTS. RECEIVABLE - OTHER	80,346	26,368						106,714
NOTES RECEIVABLE				8,000				8,000
INVENTORIES	9,207							9,207
DUE FROM OTHER FUNDS								0
PREPAID EXPENSES	376,963	30,092						407,055
EQUIPMENT						816,876		816,876
BUILDINGS AND IMPROVEMENTS						20,750,239		20,750,239
OTHER ASSETS					12,318	161,846		174,164
TOTAL ASSETS	13,115,349	1,168,823	(505,282)	17,696	12,318	21,498,771	1,216,428	36,524,103
LIABILITIES AND FUND BALANCES								
ACCOUNTS PAYABLE								0
SALES TAX PAYABLE								0
REFUNDS PAYABLE								0
PAYROLL TAXES AND WITHHOLDINGS								0
ACCRUED PAYROLL	76,776							76,776
ACCRUED EXPENSES								0
DEFERRED REVENUE			(71,413)					(71,413)
OTHER LIABILITIES	1,298					8,178,775		8,180,073
DEFERRED COMPENSATION	372,224							372,224
NET INVESTMENT IN PLANT						13,319,996		13,319,996
FUND BALANCE/HELD IN CUSTODY	12,665,051	1,168,823	(433,869)	17,696	12,318		1,216,428	14,646,447
TOTAL LIAB. AND FUND BALANCES	13,115,349	1,168,823	(505,282)	17,696	12,318	21,498,771	1,216,428	36,524,103

SOUTHERN STATE COMMUNITY COLLEGE
MONTHLY FINANCIAL STATEMENTS - EXHIBIT 3 OF 6
STATEMENT OF CURRENT FUNDS, REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE PERIOD ENDED OCTOBER 31, 2023 (unaudited)

	----- UNRESTRICTED -----			---- RESTRICTED ----		
	EDUCATIONAL AND GENERAL	AUXILIARY ENTERPRISES	UNRESTRICTED TOTAL	EDUCATIONAL AND GENERAL	TOTAL RESTRICTED	TOTAL CURRENT FUNDS
REVENUES						
TUITION, FEES, STUDENT CHARGES	3,477,397		3,477,397		0	3,477,397
STATE APPROPRIATION	2,445,047		2,445,047		0	2,445,047
FEDERAL GRANTS AND CONTRACTS			0	1,968,814	1,968,814	1,968,814
STATE GRANTS AND CONTRACTS			0	2,240,260	2,240,260	2,240,260
LOCAL GRANTS AND CONTRACTS			0	7,373	7,373	7,373
PRIVATE GIFTS, GRANTS & CONTRACTS			0	87,436	87,436	87,436
SALES AND SERVICES		524,046	524,046		0	524,046
OTHER SOURCES	174,505		174,505		0	174,505
TOTAL EDUCA./GEN. REVENUE	6,096,949	524,046	6,620,995	4,303,883	4,303,883	10,924,878
EXPENDITURES AND MANDATORY TRANSFERS						
EDUCATIONAL AND GENERAL						
INSTRUCTIONAL	1,660,667		1,660,667	2,507	2,507	1,663,174
SEPARATELY BUDGETED RESEARCH	0		0		0	0
PUBLIC SERVICE	385		385	2,228,120	2,228,120	2,228,505
ACADEMIC SUPPORT	815,588		815,588	29,935	29,935	845,523
STUDENT SERVICES	518,535		518,535	15,503	15,503	534,038
INSTITUTIONAL SUPPORT	796,340		796,340	0	0	796,340
OPERATION/MAINTENANCE OF PLANT	441,348		441,348		0	441,348
SCHOLARSHIPS AND FELLOWSHIPS	72,438		72,438	2,038,490	2,038,490	2,110,928
TOTAL EDUCA./GEN. EXPENDITURES	4,305,301	0	4,305,301	4,314,555	4,314,555	8,619,856
AUXILIARY ENTERPRISES		434,153	434,153		0	434,153
TRANSFERS	305,692	0	305,692	(305,692)	(305,692)	0
TOTAL EXPENDITURES/TRANSFERS	4,610,993	434,153	5,045,146	4,008,863	4,008,863	9,054,009
NET INCREASE IN FUND BALANCES	1,485,956	89,893	1,575,849	295,020	295,020	1,870,869

SOUTHERN STATE COMMUNITY COLLEGE
MONTHLY FINANCIAL STATEMENTS - EXHIBIT 4 OF 6
AUXILIARY FUND OPERATIONS
FOR FOUR MONTHS ENDED OCTOBER 31, 2023 (unaudited)

WORKFORCE

REVENUE	528,161
DISCOUNTS	(4,115)
COST OF SALES	
GROSS MARGIN	<u>524,046</u>
ADMIN & GENERAL EXPENSES	
FACULTY FULL-TIME	104,466
FACULTY PART-TIME	22,290
ADMINISTRATIVE SALARIES	24,332
PART-TIME ADMIN SALARIES	
SUPPORT STAFF SALARIES	11,938
PART-TIME STAFF SALARIES	0
FRINGE BENEFITS ALLOCATEI	71,562
OFFICE SUPPLIES	2,106
PROGRAM SUPPLIES	2,896
FUEL	20,603
PRINTING SUP./PHOTOCOPYIN	533
TRAVEL-CONFERENCE REIM	623
TRAVEL-MILEAGE REIMB	2,908
STUDENT TEST AND TRAVEL	22,134
SPECIAL EVENTS	311
ADVERTISING	10,598
TELEPHONE	730
DUES & SUBSCRIPTIONS	0
POSTAGE	219
COMPUTER SERVICES	0
FACILITY RENTAL	6,000
STAFF DEVELOPMENT	2,203
UTILITIES	369
LICENSE AND CERTIFICATES	0
OTHER PROFESSIONAL FEES	33,056
EQUIPMENT GREATER THAN \$	94,276
TOTAL ADMIN. & GEN EXPENS	<u>434,153</u>
SURPLUS/(DEFICIT)	<u>89,893</u>
	=====

SOUTHERN STATE COMMUNITY COLLEGE
 MONTHLY FINANCIAL STATEMENTS - EXHIBIT 5 OF 6
 BID ITEMS AND EXPENDITURES OVER \$10,000
 OCTOBER 2023

CHECK DATE	VENDOR	CHECK AMOUNT	DESCRIPTION
OCT 4	MID-AMERICAN CLEANING CONTRACTORS INC	\$15,132.15	PROF FEES
OCT 10	AMERICAN ELECTRIC POWER	\$12,329.52	UTILITIES
OCT 10	PLATTENBURG	\$21,100.00	AUDIT
OCT 12	HCCA/HAMILTON COUNTY ESC	\$11,586.00	PROF FEES-PHONE
OCT 12	IRONWILL ENTERPRISES INC	\$13,053.29	EQUIPMENT
OCT 18	GRADUATION ALLIANCE INC	\$15,484.00	GRAD ALLIANCE
OCT 27	GLOCKNER GM SUPER STORE	\$15,858.37	EQUIPMENT
OCT 30	BNY MELLON	\$23,562.28	BONDS
OCT 30	BNY MELLON	\$57,595.92	BONDS
	TOTAL	----- \$185,701.53 =====	

SOUTHERN STATE COMMUNITY COLLEGE
MONTHLY FINANCIAL STATEMENTS - EXHIBIT 6 OF 6
DONATIONS OCTOBER 2023

RECEIPT DATE	DONOR	CHECK AMOUNT	DESCRIPTION
OCT 2	WASHINGTON CH CITY SCHOOLS	\$2,500.00	SCHOLARSHIP
OCT 23	MCCLAIN ALUMNI ASSOCIATION INC	\$1,000.00	SCHOLARSHIP
OCT 25	HEA	\$500.00	SCHOLARSHIP
OCT 25	BROWN CO FOUNDATION	\$1,000.00	SCHOLARSHIP
	TOTAL	----- \$5,000.00 =====	

SOUTHERN STATE COMMUNITY COLLEGE FOUNDATION
BALANCE SHEET
AS OF OCTOBER 31, 2023 (unaudited)

ASSETS

Cash in Bank		214,540
Investments		
Cost Basis	1,324,159	
Unrealized Gain	1,637,545	

Market Value of Investments		2,961,704
Pledges Receivable		1,180
Other Assets		1,855

Total Assets		3,179,279
		=====

LIABILITIES AND NET ASSETS

LIABILITIES

Other Liabilities		-

Total Liabilities		-

NET ASSETS

Unrestricted		40,189
Temporarily Restricted		255,779
Permanently Restricted		2,883,311

Total Net Assets		3,179,279

Total Liabilities and Net Assets		3,179,279
		=====

SOUTHERN STATE COMMUNITY COLLEGE FOUNDATION
 FINANCIAL REPORT
 PERIOD ENDING OCTOBER 31, 2023 (unaudited)

FUNDS	CONTRIBUTIONS	INVESTMENT RETURN	TRANSFER TO SSSC	BEGINNING FUND BALANCE	CURRENT FUND BALANCE
PERMANENTLY RESTRICTED:					
Col.Pommert Scholarship Fund		(1,509)	(250)	47,026	45,267
Fifth Third Bank Fund	-	(483)	(7,928)	24,471	16,060
Hodson Fund	-	(2,379)	(500)	74,233	71,354
Igo Fund	-	(660)	(125)	20,591	19,806
Jacobson Fund		(503)	-	15,556	15,053
Ladrach Fund	-	(550)		17,025	16,475
General Contribution Fund		(6,275)	-	194,259	187,984
Beck Fund		(504)	-	15,603	15,099
Hottle Nursing Scholarship Fund		(486)		15,041	14,555
Barthel Art Scholarship Fund	-	(821)	-	25,415	24,594
Daniels Fund	-	(672)	(250)	21,114	20,192
Stephen Bennet Scholarship Fund	-	(457)	(500)	14,351	13,394
Gene Worthington BCRW Fund	-	(1,484)		45,926	44,442
Douglas & Susan Seipelt Fund	-	(1,884)	(1,000)	59,520	56,636
Highland County Fund	-	(11,879)	(7,500)	376,745	357,366
Bagshaw Enterprises	-	(65)	(188)	2,235	1,982
Paul Neff Memorial Fund	-	(1,368)	(1,250)	43,858	41,240
Fender Scholarship Fund	395	(6,938)	(750)	215,296	208,003
Elmer & Helen Reed Fund	-	(32,512)		1,006,463	973,951
Joyce Fender Family Scholarship Fund		(978)		30,276	29,298
Pence Patron Arts	-	(9,344)		289,237	279,893
Elks Club Scholarship Fund	-	(1,019)	(500)	32,127	30,608
Wilson & Paeltz Memorial	100	(809)	(500)	25,501	24,292
Storer Endowment		(747)	(500)	23,725	22,478
Lawrence & Gale Dukes Fund		(4,194)	(1,313)	131,414	125,907
Thoroman Endowment		(777)		24,064	23,287
Elizabeth White Memorial	-	(857)	(750)	27,426	25,819
Sizemore/Green Family Memorial Schol		(789)	-	24,431	23,642
Shell Family Scholarship Fund	700	(319)	-	9,230	9,611
Dr. Sherry and Michael Stout Fund	-	(960)	-	29,718	28,758
Bill Horne Memorial Scholarship Fund		(1,166)		36,090	34,924
Rhoades/Shanks Sch	-	(529)	(500)	16,983	15,954
Hillcrest Foundation Fund		(2,169)	(2,125)	69,681	65,387
SUBTOTAL	1,195	(96,086)	(26,429)	3,004,631	2,883,311
TEMPORARILY RESTRICTED:					
Appalachian Gateway Fund	-	(126)	(500)	4,485	3,859
Fayette Co. Schol. Fund	-	-	-	-	-
Performing Arts Fund	670	(661)	1,256	19,448	20,713
Cassner Foundation Fund		(408)	(7,500)	20,769	12,861
Patriot Center Capital Improvement	-	324	-	(10,031)	(9,707)
Dare WCH Schol	-	(274)		8,492	8,218
Charles Taylor Memorial		(283)		8,763	8,480
Clinton County Succeeds	-	18		(565)	(547)
TDA Marathon Scholarship	-	(223)		6,902	6,679
Alice Mae Smith AC	-	(1,583)	(2,250)	51,708	47,875
NCB ME Scholarship		(630)	(2,625)	22,666	19,411
Cindy Bloom Mem		(274)		8,468	8,194
Sara M Barrere Mem		(3,785)	(47,767)	174,160	122,608
Katie Bailey Mem		(16)	(281)	827	530
Kevin & Diane Boys		(214)		6,629	6,415
Jason Sharrett Mem	20	(6)		176	190
SUBTOTAL	690	(8,141)	(59,667)	322,897	255,779
UNRESTRICTED					
General Contribution Fund	1,038	(1,323)	(5,025)	45,499	40,189
SUBTOTAL	1,038	(1,323)	(5,025)	45,499	40,189
GRAND TOTAL	2,923	(105,550)	(91,121)	3,373,027	3,179,279

**SOUTHERN STATE COMMUNITY COLLEGE
HIGHLAND COUNTY**



SOUTHERN STATE
COMMUNITY COLLEGE

SINGLE AUDIT

FOR THE YEARS ENDED JUNE 30, 2023 AND JUNE 30, 2022

**SOUTHERN STATE COMMUNITY COLLEGE
HIGHLAND COUNTY, OHIO
FOR THE YEAR ENDED JUNE 30, 2023 AND 2022**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis	4
Basic Financial Statements:	
Statement of Net Position	10
Statement of Revenues, Expenses, and Changes in Net Position	11
Statement of Cash Flows	12
Notes to the Financial Statements	14
Required Supplementary Information.....	50
Schedule of Expenditures of Federal Awards	67
Notes to the Schedule of Expenditures of Federal Awards	68
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	69
Independent Auditor’s Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	71
Schedule of Findings and Questioned Costs.....	74
Schedule of Prior Audit Findings and Questioned Costs	75

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Southern State Community College

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Southern State Community College (the College), a component unit of the State of Ohio, as of and for the year ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of pension information and other postemployment information to be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 30, 2023

Accounting Standards

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

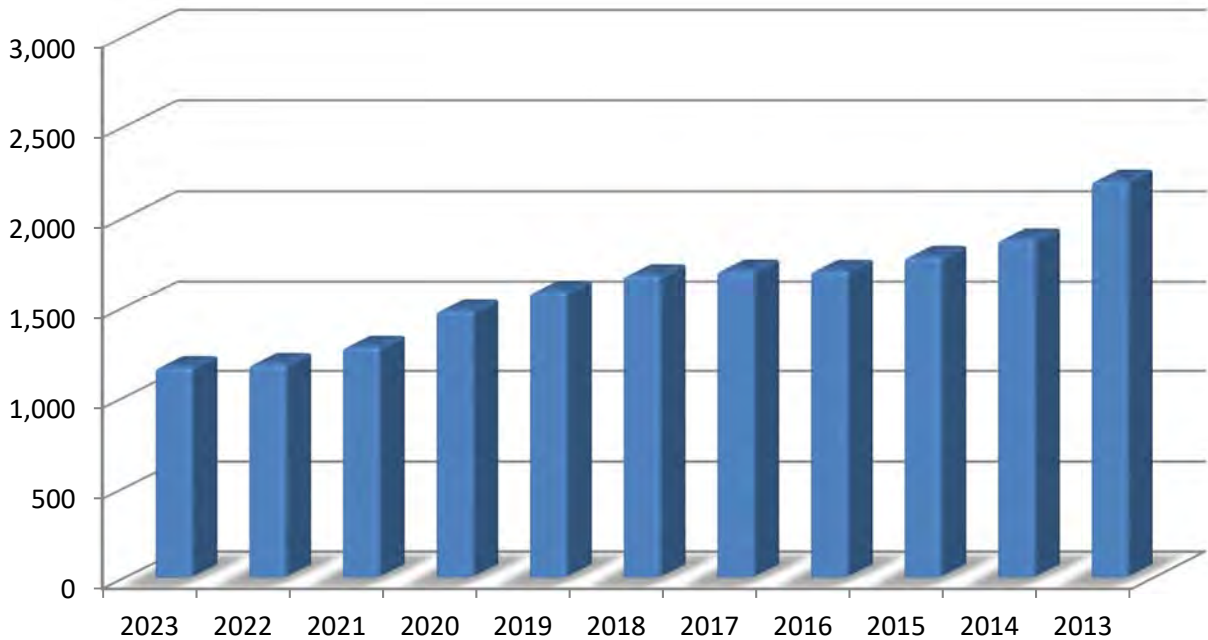
The following discussion and analysis provides an overview of the College's financial activities. This is the 21st year using this format.

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

Financial and Enrollment Highlights

- State Appropriations decreased 9.00%.
- In FY2023 the College experienced a decrease in full-time equivalent enrollment of 1.44%.

Annual FTE



Statement of Net Position

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

Southern State Community College
 Highland County
Management's Discussion and Analysis
 For the Fiscal Years Ended June 30, 2023 and 2022 (Unaudited)

	2023	2022	2021
Assets:			
Current Assets	\$13,460,040	\$13,230,306	\$7,596,446
Noncurrent Assets	4,592,435	4,959,198	5,032,988
Capital assets, net	<u>21,760,076</u>	<u>26,495,207</u>	<u>28,812,450</u>
Total Assets	<u>39,812,551</u>	<u>44,684,711</u>	<u>41,441,884</u>
Deferred Outflows of Resources	<u>4,340,273</u>	<u>2,484,085</u>	<u>1,986,351</u>
Liabilities:			
Current Liabilities	2,252,573	2,590,503	2,396,612
Noncurrent Liabilities	<u>20,810,975</u>	<u>15,586,091</u>	<u>22,909,486</u>
Total Liabilities	<u>23,063,548</u>	<u>18,176,594</u>	<u>25,306,098</u>
Deferred Inflows of Resources	<u>2,797,579</u>	<u>9,513,357</u>	<u>5,497,660</u>
Net Position:			
Net Investment in Capital Assets	13,605,075	16,105,207	17,337,450
Restricted	3,357,541	3,135,682	3,319,887
Unrestricted	<u>1,329,081</u>	<u>237,956</u>	<u>(8,032,860)</u>
Total Net Position	<u>\$18,291,697</u>	<u>\$19,478,845</u>	<u>\$12,624,477</u>

Receivables include student accounts for tuition, company accounts for training, and grant receivables. Deferred inflows of resources in FY2023 and FY2022 are largely a result of the continued reporting in accordance with GASB 68 and GASB 75. These balances decreased in FY2023 due to changes in actuarially determined deferrals and the net pension liability and net OPEB liability recognized by the College. See below for more discussion on GASB 68 and GASB 75. Long-term liabilities include deferred compensation (accrued vacation and sick days), outstanding balances of bond issues, and the College's proportionate share of the State-wide net pension liability and net OPEB liability. The overall increase in noncurrent liabilities for 2023 is due to an increase in the actuarially determined net pension and OPEB liabilities, and bond principal payments. Net position includes the net investment in capital assets and both restricted and unrestricted funds. Total net position decreased approximately 6.09% from FY2022 to FY2023.

The net pension liability (NPL) is the one of the largest liability's reported by the College at June 30, 2023 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27*. The College adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the College's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the College's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the College is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

Southern State Community College
 Highland County
Management's Discussion and Analysis
 For the Fiscal Years Ended June 30, 2023 and 2022 (Unaudited)

In accordance with GASB 68 and GASB 75, the College's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the College is reporting a net OPEB liability/asset and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting.

Statement of Revenues, Expenses and Changes in Net Position

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenue:			
Net tuition and fees	\$4,733,588	\$4,720,532	\$4,226,291
Auxiliary	1,255,879	1,421,465	1,049,645
Grants and contracts	3,465,921	2,752,474	2,490,528
Other	387,850	593,883	495,413
Total operating revenue	<u>9,843,238</u>	<u>9,488,354</u>	<u>8,261,877</u>
Operating expenses:			
Instructional	5,046,475	7,824,068	3,797,774
Community service	3,027,139	2,036,993	1,385,375
Academic support	2,216,384	1,494,056	1,215,573
Student services	1,905,124	2,757,077	2,183,472
Institutional support	2,407,070	1,461,973	1,724,753
Plant operations	1,276,050	1,242,290	1,018,758
Depreciation	950,028	918,440	1,108,194
Scholarships	1,991,777	1,427,675	1,484,225
Auxiliary	1,263,997	1,050,129	902,514
Total operating expenses	<u>20,084,044</u>	<u>20,212,701</u>	<u>14,820,638</u>
Operating loss	<u>(10,240,806)</u>	<u>(10,724,347)</u>	<u>(6,558,761)</u>
Nonoperating revenues (expenses):			
Federal grants	2,683,779	9,923,829	3,812,779
State subsidy	7,592,522	8,343,066	8,137,457
Investment income (loss)	531,274	(201,221)	576,627
Interest on capital asset-related debt	(322,822)	(392,659)	(418,620)
Capital appropriations	631,218	980,274	3,196,663
Loss on disposal of real estate	(2,062,314)	(1,074,574)	0
Total Nonoperating revenues (expenses)	<u>9,053,657</u>	<u>17,578,715</u>	<u>15,304,906</u>
Change in net position	(1,187,149)	6,854,368	8,746,145
Net position - beginning of year	<u>19,478,845</u>	<u>12,624,477</u>	<u>3,878,332</u>
Net position - end of year	<u>\$18,291,696</u>	<u>\$19,478,845</u>	<u>\$12,624,477</u>

Southern State Community College
 Highland County
Management's Discussion and Analysis
 For the Fiscal Years Ended June 30, 2023 and 2022 (Unaudited)

Net tuition and fees were \$4,733,588 in FY2023 and \$4,720,532 in FY2022. Auxiliary revenue consists of the non-grant portion of corporate and community services. These revenues decreased from FY2022 to FY2023. Operating expense decreases primarily reflect decreases in pension and OPEB expenses, associated with these balances were lower than the prior year, based on actuarially determined information, allocated amongst various functions. State appropriation in FY2023 and FY2022 represented 72.4% and 47.2%, respectively of non-operating revenues (expenses).

Statement of Cash Flows

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash provided by (used in):			
Operating activities	(\$9,591,778)	(\$13,058,849)	(\$9,837,938)
Non-capital financing activities	10,276,301	18,266,895	11,950,236
Capital and related financing activities	(211,371)	(173,156)	(1,528,252)
Investing activities	<u>299,633</u>	<u>132,076</u>	<u>196,658</u>
Net increase (decrease) in cash	<u>772,785</u>	<u>5,166,966</u>	<u>780,704</u>
Cash - beginning of year	<u>9,359,742</u>	<u>4,192,776</u>	<u>3,412,072</u>
Cash - end of year	<u><u>\$10,132,527</u></u>	<u><u>\$9,359,742</u></u>	<u><u>\$4,192,776</u></u>

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

Capital Assets

Capital assets, net of accumulated depreciation totaled \$21,760,076 at June 30, 2023 and \$26,495,207 at June 30, 2022 a decrease of \$4,735,131 from the prior year-end. Additions to capital assets during the year totaled \$83,872 and disposals were \$5,647,816 in FY2023. Depreciation expense for the year ended June 30, 2023 totaled \$950,028. For more information on capital assets, see note 4 to the basic financial statements.

Debt

As of June 30, 2023, the College had outstanding debt of \$8,155,000 of which \$795,000 was short-term (or due within one year) and \$7,360,000 was long-term debt (would come due beyond one year). The outstanding debt related to three 20 year bond issues that were used to provide a portion of the funding of the Patriot Center located on the Central Campus, and a portion of the funding for a renovation and expansion project on the Fayette Campus, and the construction of a new Brown County campus, which will replace the existing facility. The Patriot Center was completed in March of 2005. The Fayette expansion was completed in 2009. The construction of the new Brown County Campus began March 2013, and completed in July 2014. For more information on debt, see note 9 to the basic financial statements.

Economic Factors that will affect the Future

Challenges

- The historically strong local and national economies along with declining demographics present major enrollment challenges.
- Responding responsibly to market demand for technical programs while limiting disruption.
- Addressing current facility roles and online potential expeditiously.

Opportunities

- Building on the recent Program Vitality Assessments can serve to assure that offerings remain relevant in preparing students to succeed in the current and future workforce.
- Taking advantage of the college community's overall awareness of the financial impact of recent enrollment challenges provides an excellent atmosphere to work towards major structural budget modifications that are sustainable.
- To become an even stronger resource for college credit plus students.

Southern State Community College
Highland County
Statements of Net Position
As of June 30, 2023 and 2022

	2023		2022	
	College	Foundation	College	Foundation
Assets:				
Current assets:				
Cash and Cash equivalents	\$8,964,804	\$384,031	\$8,123,656	\$396,848
Accounts receivable, net	3,434,059	0	3,930,641	0
Pledges receivable	0	3,458	0	4,326
Prepaid expenses	488,415	0	491,711	0
Inventories	9,254	0	9,451	0
Other assets	174,164	1,855	271,818	1,855
Total current assets	13,070,696	389,344	12,827,277	403,029
Noncurrent assets:				
Restricted cash equivalents	783,692	0	839,238	0
Restricted investments	0	2,983,683	0	2,752,041
Net OPEB asset	825,060	0	1,367,919	0
Capital assets, net	21,760,076	0	26,495,207	0
Total noncurrent assets	23,368,828	2,983,683	28,702,364	2,752,041
Total assets	36,439,524	3,373,027	41,529,641	3,155,070
Deferred outflows of resources:				
Pension plans	3,877,768	0	2,416,203	0
OPEB plans	462,505	0	67,882	0
Total deferred outflows of resources	4,340,273	0	2,484,085	0
Liabilities:				
Current liabilities:				
Accrued liabilities	242,766	0	246,030	0
Held in custody for others	1,214,807	0	1,229,473	0
Bonds payable, current portion	795,000	0	1,115,000	0
Total current liabilities	2,252,573	0	2,590,503	0
Noncurrent liabilities:				
Bonds payable, long-term portion	7,360,000	0	9,275,000	0
Capital lease obligation, long-term portion		0		0
Compensated absences	372,224	0	384,875	0
Net pension liability	12,943,524	0	5,926,216	0
Net OPEB liability	135,227	0	0	0
Total noncurrent liabilities	20,810,975	0	15,586,091	0
Total liabilities	23,063,548	0	18,176,594	0
Deferred inflows of resources				
Grants and contracts	42,195	0	477,941	0
Pension plans	1,961,713	0	7,518,707	0
OPEB plans	793,671	0	1,516,709	0
Total deferred inflows of resources	2,797,579	0	9,513,357	0
Net position:				
Net investment in capital assets	13,605,075	0	16,105,207	0
Restricted for:				
Nonexpendable:				
Endowments	12,318	3,004,631	12,318	2,861,571
Expendable:				
Loans	17,696	0	17,696	0
Scholarships and fellowships	0	322,896	0	244,097
Unrestricted (deficit)	1,283,581	45,500	188,554	49,402
Total net position	\$14,918,670	\$3,373,027	\$16,323,775	\$3,155,070

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

Southern State Community College
Highland County
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2023 and 2022

	2023		2022	
	College	Foundation	College	Foundation
Revenues:				
Operating revenues:				
Student tuition and fees (net of scholarship allowance)	\$4,733,588	\$0	\$4,720,532	\$0
State grants and contracts	3,149,593	0	2,377,725	0
Local grants and contracts	1,047	0	8,136	0
Private grants and contracts	124,212	191,069	110,477	256,136
Auxiliary services	1,255,879	0	1,421,465	0
Other operating revenue	387,850	0	593,883	0
Total operating revenue	9,652,169	191,069	9,232,218	256,136
Expenses:				
Operating expenses:				
Instructional	5,046,475	0	7,824,068	0
Community service	3,027,139	0	2,036,993	0
Academic support	2,216,384	0	1,494,056	0
Student services	1,708,496	196,628	2,577,980	179,097
Institutional support	2,407,070	0	1,461,973	0
Plant operations	1,276,050	0	1,242,290	0
Depreciation	950,028	0	918,440	0
Scholarships	1,991,777	0	1,427,675	0
Auxiliary activities	1,263,997	0	1,050,129	0
Total operating expenses	19,887,416	196,628	20,033,604	179,097
Operating income (loss)	(10,235,247)	(5,559)	(10,801,386)	77,039
Nonoperating revenues (expenses):				
Federal grants and contracts	2,683,779	0	9,923,829	0
State appropriations	7,592,522	0	8,343,066	0
Investment income (loss), net of investment expense	307,759	223,515	68,598	(269,819)
Interest on capital asset-related debt	(322,822)	0	(392,659)	0
Total nonoperating revenues (expenses)	10,261,238	223,515	17,942,834	(269,819)
Income (loss) before other revenues, expenses, gains, losses	25,991	217,956	7,141,448	(192,780)
Capital appropriations	631,218	0	980,274	0
Loss on disposal of real estate	(2,062,314)	0	(1,074,574)	0
Change in net position	(1,405,105)	217,956	7,047,148	(192,780)
Net position - beginning of year	16,323,775	3,155,070	9,276,627	3,347,850
Net position - end of year	\$14,918,670	\$3,373,026	\$16,323,775	\$3,155,070

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

Southern State Community College
Highland County
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2023 and 2022

	2023		2022	
	College	Foundation	College	Foundation
Cash flows from operating activities:				
Tuition and fees	\$4,880,371	\$0	\$4,963,446	\$0
Grants and contracts	3,187,552	0	2,344,290	0
Private gifts	0	191,937	0	255,314
Other operating revenue	387,850	0	593,883	0
Payments to suppliers	(5,825,150)	0	(9,120,668)	0
Payments for utilities	(405,327)	0	(382,826)	0
Payments to employees	(7,575,907)	0	(8,351,774)	0
Payments for benefits	(3,058,804)	0	(2,962,997)	0
Scholarships	(2,304,249)	(196,628)	(1,577,881)	(179,097)
Auxiliary enterprise charges	1,257,810	0	1,424,579	0
Other disbursements	(131,233)	0	(65,118)	0
Net cash provided (used) by operating activities	(9,587,087)	(4,691)	(13,135,066)	76,217
Cash flows from noncapital financing activities:				
Federal grants and contracts	2,683,779	0	9,923,829	0
State appropriations	7,592,522	0	8,343,066	0
Net cash provided (used) by noncapital financing activities	10,276,301	0	18,266,895	0
Cash flows from capital and related financing activities:				
Capital appropriations	631,218	0	980,274	0
Purchase of capital assets	(276,833)	0	(925,771)	0
Sale of capital assets	1,999,625	0	1,250,000	0
Principal paid on capital debt	(2,235,000)	0	(1,085,000)	0
Interest paid on capital debt	(330,381)	0	(392,659)	0
Net cash provided (used) by capital and related financing activities	(211,371)	0	(173,156)	0
Cash flows from investing activities:				
Interest on investments	307,759	223,515	68,598	(269,819)
(Purchase) sale of investments	0	(231,641)	0	333,297
Net cash provided (used) by investing activities	307,759	(8,126)	68,598	63,478
Net increase (decrease) in cash and cash equivalents	785,602	(12,817)	5,027,271	139,695
Cash and cash equivalents - beginning of year	8,962,894	396,848	3,935,623	257,153
Cash and cash equivalents - end of year	\$9,748,496	\$384,031	\$8,962,894	\$396,848

(Continued)

Southern State Community College
Highland County
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2023 and 2022

	2023		2022	
	College	Foundation	College	Foundation
Reconciliation of operating income (loss) to net cash used by operating activities:				
Operating income (loss)	(\$10,235,247)	(\$5,559)	(\$10,801,386)	\$77,039
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation expense	950,028	0	918,440	0
Changes in assets and liabilities:				
Receivables, net	496,582	868	(383,365)	(822)
Inventories	197	0	(102)	0
Other assets	97,654	0	1	0
Accrued liabilities	4,292	0	79,009	0
Deferred outflows of resources-pension/OPEB	(1,856,188)	0	(497,734)	0
Deferred inflows of resources-grants and contracts	(435,746)	0	132,489	0
Deferred inflows of resources-pension/OPEB	(6,280,032)	0	3,883,208	0
Net pension/OPEB asset	542,859	0	(329,613)	0
Net pension liability	7,017,308	0	(6,030,236)	0
Net OPEB liability	135,227	0	0	0
Deposits held for others	(14,666)	0	(65,118)	0
Compensated absences	(12,651)	0	(28,159)	0
Prepaid expenses	3,296	0	(12,704)	0
Net cash provided (used) by operating activities	(\$9,587,087)	(\$4,691)	(\$13,135,270)	\$76,217

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

Southern State Community College
Highland County

Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

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

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

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

Basis of Presentation

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

Basis of Accounting

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

Cash and Cash Equivalents

The College's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents include the College's investment in the STAR Ohio and money market funds, which amounted to \$9,748,496 and \$8,962,894 at June 30, 2023 and 2022, respectively.

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

During fiscal years 2023 and 2022, the College and Foundation invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The College and Foundation measure their investments in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal years 2023 and 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice for deposits and withdrawals of \$100 million or more is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Investments

The College does not have a formal investment policy but consults the Ohio Revised Code for guidance with respect to allowable investments. The Foundation does have a formal policy, and the purchase of specific investment instruments is at the discretion of the Treasurer within these policy guidelines. As of June 30, 2023 and 2022, investments held by the Foundation were valued at \$2,983,683 and \$2,752,041, respectively. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value.

Accounts and Pledges Receivables

At June 30, 2023 and 2022, accounts receivable consist primarily of student tuition and fees, third party, and intergovernmental grants and contracts. Student and third party accounts receivable are reported net of an allowance for doubtful accounts of \$724,893 and \$608,327 at June 30, 2023 and 2022, respectively, whereas other receivables are reported at net, based on separate allowances for doubtful accounts estimated by management. Pledges receivable are unconditional promises to give and are recognized at the present value of future cash flows. No allowance for uncollectible promises to give is considered necessary.

Inventory

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

Restricted Assets

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

Capital Assets

Capital assets with a unit cost of over \$5,000, and all library books, are recorded at cost at the date of acquisition, or, if donated, at acquisition value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Expenditures for construction in progress are capitalized as incurred. Interest expense related to construction is capitalized net of interest income earned on

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

resources set aside for this purpose. Routine maintenance and repairs are charged to expenses as incurred. Certain assets purchased through capital leases have been capitalized and included as part of equipment in the accompanying financial statements.

Lease Assets

A lease asset is a lessee's right to use an asset over the life of a lease. The asset is calculated as the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received. The amortization period of the lease asset is from the lease commencement date to the earlier of the end of the lease term or the end of the useful life of the asset. At the termination of a lease, the lease asset and associated lease liability are removed from the books of the lessee. The difference between the two amounts is accounted for as a gain or loss at that time.

Deferred Inflows/Outflows of Resources

Deferred inflows of resources is comprised primarily of receipts relating to tuition and student fees in advance of the services to be provided and grant funds not earned as of June 30, 2023 and 2022. Deferred inflows and outflows of resources related to pensions/OPEB are explained in notes 6 and 7.

Operating Revenues

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

Scholarships and Allowances and Student Aid

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Scholarship allowances for fiscal years 2023 and 2022, were \$785,843 and \$3,838,231 respectively.

Pensions/Other Postemployment Benefits (OPEB)

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

Federal Financial Assistance Programs

The College participates in federally funded Pell Grants, SEOG Grants, and Federal Direct Lending programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

Principles, and Audit Requirements for Federal Awards (Uniform Guidance). During fiscal years 2023 and 2022, the College distributed \$1,997,772 and \$1,454,364, respectively, for direct lending through the U.S. Department of Education, which is not included as revenues and expenses on the accompanying financial statements.

Net Position

Net position is classified according to external donor restrictions or availability of assets for satisfaction of College obligations. Capital assets, net of accumulated depreciation, reduced by related debt represents the College's net investment in capital assets. Nonexpendable restricted net position represents gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net position represents funds that have been received for specific purposes. Unrestricted net position includes resources which can be used at the College's discretion. Of the College's \$3,357,541 and \$3,135,682 in restricted net position at June 30, 2023 and 2022, respectively, none is restricted by enabling legislation.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the respective fiscal year end, are recorded as prepaid items. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Use of Estimates

The preparation of the 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Cash, Cash Equivalents and Investments

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

	<u>Cash</u>	<u>Investments</u>
Category 1	Deposits that are either insured or collateralized with securities held by the College or by its agent in the College's name.	Investments that are insured or registered, or securities held by the College or by its agent in the College's name.
Category 2	Deposits collateralized with securities held by the pledging financial institution's trust department or agent in the College's name.	Investments that are uninsured and registered, with securities held by the counterparty's trust department or agent in the College's name.

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

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

Primary Government - College

At June 30, 2023, the carrying amount of the College's cash deposits was \$2,424,690 and the bank balance was \$2,617,808. At June 30, 2023, \$324,486 of the bank balance was insured by the FDIC (Category 1); the remaining bank balances were Category 3.

The College held \$6,540,114 in STAR Ohio investments, which is an external investment pool and is considered cash equivalents under GASB Statement No. 9. Oversight of the pool is through the Treasurer of State. The fair value of the College's position in the pool is the same as the value of its pool shares. Such investments are not required to be categorized in accordance with Governmental Accounting Standards Board Statement No. 3. All other investments are Category 1. The following summarizes the market value of the College's investments:

June 30, 2023			
Investment Type	Fair Value/NAV	< 1 Year	Fair Value Hierarchy
Star Ohio	\$6,540,114	\$6,540,114	N/A
Money Market Funds	783,692	783,692	Level 1
Total	<u>\$7,323,806</u>	<u>\$7,323,806</u>	

At June 30, 2022, the carrying amount of the College's cash deposits was \$4,163,651 and the bank balance was \$4,808,276. At June 30, 2022, \$264,165 of the bank balance was insured by the FDIC (Category 1); the remaining bank balances were Category 3.

The College held \$3,960,005 in STAR Ohio investments, which is an external investment pool and is considered cash equivalents under GASB Statement No. 9. Oversight of the pool is through the Treasurer of State. The fair value of the College's position in the pool is the same as the value of its pool shares. Such investments are not required to be categorized in accordance with Governmental Accounting Standards Board Statement No. 3. All other investments are Category 1. The following summarizes the market value of the College's investments:

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

June 30, 2022			
Investment Type	Fair Value/NAV	< 1 Year	Fair Value Hierarchy
Star Ohio	\$3,960,005	\$3,960,005	N/A
Money Market Funds	839,238	839,238	Level 1
Total	<u>\$4,799,243</u>	<u>\$4,799,243</u>	

Component Unit – Foundation

At June 30, 2023, the carrying amount of the Foundation's cash deposits was \$0 and the bank balance was \$0. At June 30, 2022, the carrying amount of the Foundation's cash deposits was \$0 and the bank balance was \$0. The following summarizes the market value of the Foundation's investments:

June 30, 2023		
Investment Type	Fair Value/NAV	Investment Maturities < 1 Year
Star Ohio	\$296,246	\$296,246
Money Market Funds	87,785	87,785
Other Bonds	1,282,120	1,282,120
Equity Funds	1,439,483	1,439,483
Common Stock	262,080	262,080
Total	<u>\$3,367,714</u>	<u>\$3,367,714</u>

June 30, 2022		
Investment Type	Fair Value/NAV	Investment Maturities < 1 Year
Star Ohio	\$275,086	\$275,086
Money Market Funds	121,761	121,761
Other Bonds	1,188,353	1,188,353
Equity Funds	1,306,289	1,306,289
Common Stock	257,400	257,400
Total	<u>\$3,148,889</u>	<u>\$3,148,889</u>

The College has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. STAR Ohio is reported at its share price. All other investments of the College are valued using pricing sources as provided by the investments managers (Level 1 inputs). The

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

Foundation's money market fund, bond, and equity fund investments are also Level 1 inputs. STAR Ohio investments are valued as previously noted. Common stock investments are Level 3 inputs.

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

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

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

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

Primary Government - The College has no investment policy that limits its investment choices. As of the fiscal years ended June 30, 2023 and 2022, the College's investments in STAR Ohio rated AAAM by Standard & Poor's. Money market funds are unrated.

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

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

Primary Government - The College places no limit on the amount the College may invest in any one issuer. More than 5% of the College's investments are in STAR Ohio and money market funds. These investments were 89% and 11% as of June 30, 2023 and 83% and 17% as of June 30, 2022, respectively of the College's total investments.

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

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

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

For the fiscal year ended June 30, 2023, more than 5% of the Foundation’s investments are equity funds, common stock, and other bonds. These investments represent 48%, 8%, and 43% of the Foundation’s total investments, respectively. For the fiscal year ended June 30, 2022, more than 5% of the Foundation’s investments are equity funds, common stock, and other bonds. These investments represent 41%, 8%, and 38% of the Foundation’s total investments, respectively.

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

Primary Government - Deposits. As of June 30, 2023 and 2022, the College’s bank balances of \$2,617,808 and \$4,808,276, respectively, was either covered by FDIC or collateralized by the financial institution’s public entity deposit pool in the manner described below.

The College has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

- Eligible securities pledged to the College and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

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

Note 3 – Accounts Receivable

Accounts receivable at June 30, 2023 was comprised of the following:

	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$4,034,575	(\$724,893)	\$3,309,682
Intergovernmental	69,135	0	69,135
Third Party	55,242	0	55,242
Total Current Receivables	<u>\$4,158,952</u>	<u>(\$724,893)</u>	<u>\$3,434,059</u>

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

Accounts receivable at June 30, 2022 was comprised of the following:

	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$4,051,487	(\$608,327)	\$3,443,160
Intergovernmental	417,581	0	417,581
Third Party	69,900	0	69,900
Total Current Receivables	<u>\$4,538,968</u>	<u>(\$608,327)</u>	<u>\$3,930,641</u>

Note 4 – Capital Assets

Capital asset activity for the years ended June 30, 2023 and 2022 were as follows:

	2023			
	Beginning Balance	Additions	Reductions	
Capital assets not depreciated:				
Land	\$4,517,468	\$0	(\$700,000)	\$3,817,468
Construction in Progress	0	0	0	0
Non-Depreciable Artwork	4,400	0	0	4,400
Total capital assets not depreciated	<u>4,521,868</u>	<u>0</u>	<u>(700,000)</u>	<u>3,821,868</u>
Capital assets being depreciated:				
Buildings and Improvements	36,601,242	192,963	(4,947,816)	31,846,389
Equipment	4,162,236	83,872	0	4,246,108
Library books	545,426	0	0	545,426
Vehicles	642,070	0	0	642,070
Total capital assets depreciated	<u>41,950,974</u>	<u>276,835</u>	<u>(4,947,816)</u>	<u>37,279,993</u>
Total capital assets	46,472,842	276,835	(5,647,816)	41,101,861
Accumulated depreciation:				
Buildings and Improvements	(15,439,242)	(867,291)	1,585,878	(14,720,655)
Equipment	(3,356,853)	(82,442)	0	(3,439,295)
Library books	(544,394)	(295)	0	(544,689)
Vehicles	(637,146)	0	0	(637,146)
Total accumulated depreciation	<u>(19,977,635)</u>	<u>(950,028)</u>	<u>1,585,878</u>	<u>(19,341,785)</u>
Capital assets, net	<u>\$26,495,207</u>	<u>(\$673,193)</u>	<u>(\$4,061,938)</u>	<u>\$21,760,076</u>

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

	2022			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not depreciated:				
Land	\$4,517,468	\$0	\$0	\$4,517,468
Construction in Progress	3,080,205	789,272	(3,869,477)	0
Non-Depreciable Artwork	51,900	0	(47,500)	4,400
Total capital assets not depreciated	<u>7,649,573</u>	<u>789,272</u>	<u>(3,916,977)</u>	<u>4,521,868</u>
Capital assets being depreciated:				
Buildings and Improvements	37,318,644	3,869,477	(4,586,879)	36,601,242
Equipment	4,051,477	136,499	(25,741)	4,162,235
Library books	545,426	0	0	545,426
Vehicles	642,070	0	0	642,070
Total capital assets depreciated	<u>42,557,617</u>	<u>4,005,976</u>	<u>(4,612,620)</u>	<u>41,950,973</u>
Total capital assets	50,207,190	4,795,248	(8,529,597)	46,472,841
Accumulated depreciation:				
Buildings and Improvements	(16,911,068)	(849,562)	2,321,389	(15,439,241)
Equipment	(3,302,427)	(68,584)	14,158	(3,356,853)
Library books	(544,099)	(295)	0	(544,394)
Vehicles	(637,146)	0	0	(637,146)
Total accumulated depreciation	<u>(21,394,740)</u>	<u>(918,441)</u>	<u>2,335,547</u>	<u>(19,977,634)</u>
Capital assets, net	<u>\$28,812,450</u>	<u>\$3,876,807</u>	<u>(\$6,194,050)</u>	<u>\$26,495,207</u>

The following estimated useful lives are used to compute depreciation:

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

Note 5 – State Support

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

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

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

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

Note 6 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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/OPEB are financed; however, the College does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 7 for the required OPEB disclosures.

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description

The College’s employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. College employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan. Effective January 1, 2022 the Combined Plan is no longer available for member selection.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

<u>Group A</u>	<u>Group B</u>	<u>Group C</u>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<u>State and Local</u>	<u>State and Local</u>	<u>State and Local</u>
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member’s pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options and will continue to be administered by OPERS), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Effective January 1, 2022, the Combined Plan is no longer available for member selection.

Funding Policy

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

	<u>State and Local</u>
Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
Actual Contribution Rates	
Employer:	
Pension	14.00 %
Post-employment Health Care Benefits	<u>0.00</u>
Total Employer	<u>14.00 %</u>
Employee	10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The College's contractually required contributions to OPERS were \$453,778 and \$491,388 for fiscal years 2023 and 2022, respectively.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0.0% upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3.0% of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Eligibility changes will be phased in August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 34 years of service credit and any age. Further adjusting to five years of service and age 65, or 35 years of service credit and any age as of August 1, 2028.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.53% of the 14.0% employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47% of the 14.0% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12.0% of the 14.0% member rate is deposited into the member's DC account and the remaining 2.0% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

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. 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The 2023 employer and employee contribution rate of 14.0% was equal to the statutory maximum rates. For 2023, the full employer contribution was allocated to pension.

The College's contractually required contributions to STRS were \$539,164 and \$579,943 for fiscal years 2023 and 2022, respectively.

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

The net pension liability was measured as of December 31, 2022 (OPERS) and June 30, 2022 (STRS), 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:

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

	OPERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$5,860,154	\$7,083,370	\$12,943,524
Proportion of the Net Pension Liability:			
Current Measurement Date	0.01983800%	0.03186383%	
Prior Measurement Date	0.02055400%	0.03236327%	
Change in Proportionate Share	-0.00071600%	-0.00049944%	
Pension Expense	\$806,961	\$184,730	\$991,691

At June 30 2023, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	STRS	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$194,650	\$90,676	\$285,326
Changes of assumptions	61,908	847,667	909,575
Net difference between projected and actual earnings on pension plan investments	1,670,328	246,486	1,916,814
Changes in employer proportionate share of net pension liability	0	0	0
Contributions subsequent to the measurement date	226,889	539,164	766,053
Total Deferred Outflows of Resources	<u>\$2,153,775</u>	<u>\$1,723,993</u>	<u>\$3,877,768</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$0	\$27,096	\$27,096
Net difference between projected and actual earnings on pension plan investments	0	638,049	638,049
Changes in employer proportionate share of net pension liability	85,505	1,211,063	1,296,568
Total Deferred Inflows of Resources	<u>\$85,505</u>	<u>\$1,876,208</u>	<u>\$1,961,713</u>

\$766,063 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement dates will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year			
Ending June 30:	OPERS	STRS	Total
2023	\$165,687	(\$518,891)	(\$353,204)
2024	365,792	(484,573)	(118,781)
2025	491,659	(406,284)	85,375
2026	818,243	718,369	1,536,612
Total	<u>\$1,841,381</u>	<u>(\$691,379)</u>	<u>\$1,150,002</u>

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

As of and for the year ended June 30, 2022, the proportionate share and pension expense were as follows:

	OPERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$1,788,281	\$4,137,935	\$5,926,216
Proportion of the Net Pension Liability:			
Current Measurement Date	0.02055400%	0.03236327%	
Prior Measurement Date	0.02083300%	0.03666464%	
Change in Proportionate Share	-0.00027900%	-0.00430137%	
Pension Expense	(\$439,691)	(\$658,637)	(\$1,098,328)

At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	STRS	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$91,164	\$127,842	\$219,006
Changes of assumptions	223,623	1,147,937	1,371,560
Contributions subsequent to the measurement date	245,694	579,943	825,637
Total Deferred Outflows of Resources	<u>\$560,481</u>	<u>\$1,855,722</u>	<u>\$2,416,203</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$39,221	\$25,936	\$65,157
Net difference between projected and actual earnings on pension plan investments	2,127,096	3,566,108	5,693,204
Changes in employer proportionate share of net pension liability	44,584	1,715,762	1,760,346
Total Deferred Inflows of Resources	<u>\$2,210,901</u>	<u>\$5,307,806</u>	<u>\$7,518,707</u>

\$825,637 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense in subsequent years.

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2021, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67.

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

Key actuarial assumptions and methods used in the latest actuarial valuation, prepared as of December 31, 2022, reflecting experience study results, are presented below:

Actuarial Cost Method	Individual Entry Age
Investment Rate of Return	6.90%
Wage Inflation	2.75%
Projected Salary Increases	2.75% to 10.75%, includes wage inflation at 2.75%
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.00%, simple
Post-January 7, 2013 Retirees	3.00%, simple through 2023, then 2.05%, simple

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five year period ended December 31, 2020.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a longterm objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	22.00%	2.62%
Domestic Equities	22.00%	4.60%
Real Estate	13.00%	3.27%
Private Equity	15.00%	7.53%
International Equities	21.00%	5.51%
Risky Parity	2.00%	4.37%
Other Investments	5.00%	3.27%
Total	100.00%	

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 12.1% for 2022.

Discount Rate

The discount rate used to measure the total pension liability was 6.9% for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability or asset calculated using the discount rate of 6.9%, and the expected net pension liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

	1% Decrease 5.90%	Current Discount Rate 6.90%	1% Increase 7.90%
Proportionate share of the net pension liability	\$8,778,315	\$5,860,154	\$3,432,768

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

For the year ended June 30, 2022 the following table presents the net pension liability or asset calculated using the discount rate of 6.9%, and the expected net pension liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

	1% Decrease 5.90%	Current Discount Rate 6.90%	1% Increase 7.90%
Proportionate share of the net pension liability	\$4,714,882	\$1,788,281	(\$647,040)

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2022, actuarial valuation compared to those used in the June 30, 2021, actuarial valuation are presented below:

	June 30, 2022	June 30, 2021
Inflation	2.50%	2.50%
Projected Salary Increases	From 2.50% to 8.50% based on age	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.00% net of investments expense, including inflation	7.00% net of investments expense, including inflation
Discount Rate of Return	7.00%	7.00%
Payroll Increases	3.00%	3.00%
Cost-of-Living Adjustments (COLA)	0.00%	0.00%

For 2022, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110.0% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95.0% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For 2021, post-retirement mortality rates are based on RP-2014 Annuitant Mortality Table with 50.0% of rates through age 69, 70.0% of rates between ages 70 and 79, 90.0% of rates between ages 80 and 84, and 100.0% of rates, thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90.0% of rates for males and 100.0% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

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

Asset Class	Target Allocation *	Long-Term Expected Rate of Return **
Domestic Equity	26.00%	6.60%
International Equity	22.00%	6.80%
Alternatives	19.00%	7.38%
Fixed Income	22.00%	1.75%
Real Estate	10.00%	5.75%
Liquidity Reserves	1.00%	1.00%
Total	100.00%	

* Final target weights reflected October 1, 2022.

** 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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 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. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the College's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Proportionate share of the net pension liability	\$10,700,393	\$7,083,370	\$4,024,488

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

For the year ended June 30, 2022 the following table presents the net pension liability or asset calculated using the discount rate of 7.00%, and the expected net pension liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.45%
Proportionate share of the net pension liability	\$7,748,803	\$4,137,935	\$1,086,759

Changes Between the Measurement Date and the Reporting Date

In May 2023, the Board approved the following:

1. Retirees who started receiving benefits on June 1, 2019, or earlier will receive a 1.0% cost-of-living adjustment (COLA) in fiscal year 2024. The increase will be added to the base benefit on the retirement date anniversary.
2. For teachers now in the classroom, the current retirement eligibility rule requiring 34 years of service for an unreduced retirement has been extended five years through July 2028. The requirement was scheduled to increase to 35 years of service on August 1, 2023.

Any effect on the net pension liability is not known at this time.

Note 7 - Defined Benefit OPEB Plans

See Note 6 for a description of the net OPEB liability (asset).

Ohio Public Employees Retirement System (OPERS)

Health Care Plan Description

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance. Those who retired prior to January 1, 2015, will have an allowance of at least 75 percent of the base allowance.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan.

OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. Current retirees eligible (or who became eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

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

Funding Policy

The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan.

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In calendar years 2022 and 2021, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For calendar years 2022 and 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for calendar years 2022 and 2021 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The College's contractually required contributions to OPERS were \$0 and \$0 for fiscal years 2023 and 2022, respectively.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

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

Funding Policy

Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14.0% of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of December 31, 2022 (OPERS) and June 30, 2022 (STRS), and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability (asset) was based on the College's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

	OPERS	STRS	Total
Proportionate Share of the Net OPEB (Asset)	\$135,227	(\$825,060)	(\$689,833)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.02144700%	0.03186383%	
Prior Measurement Date	0.02188800%	0.03236327%	
Change in Proportionate Share	-0.00044100%	-0.00049944%	
OPEB Expense	(\$272,277)	(\$167,299)	(\$439,576)

At June 30 2023, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	STRS	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$0	\$11,961	\$11,961
Changes of assumptions	132,080	35,145	167,225
Net difference between projected and actual earnings on OPEB plan investments	268,566	14,362	282,928
Changes in employer proportionate share of net OPEB liability	0	392	392
Total Deferred Outflows of Resources	<u>\$400,646</u>	<u>\$61,860</u>	<u>\$462,506</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$33,731	\$123,909	\$157,640
Changes of assumptions	10,868	585,048	595,916
Net difference between projected and actual earnings on OPEB plan investments	0	0	0
Changes in employer proportionate share of net OPEB liability	1,574	38,541	40,115
Total Deferred Inflows of Resources	<u>\$46,173</u>	<u>\$747,498</u>	<u>\$793,671</u>

No amount is reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as an adjustment to net OPEB asset in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	OPERS	STRS	Total
2023	\$42,875	(\$207,852)	(\$164,977)
2024	98,111	(201,012)	(102,901)
2025	83,748	(92,148)	(8,400)
2026	129,740	(38,557)	91,183
2027	0	(48,523)	(48,523)
Thereafter	0	(97,546)	(97,546)
Total	<u>\$354,474</u>	<u>(\$685,638)</u>	<u>(\$331,164)</u>

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

Following is information related to the proportionate share and OPEB expense for the fiscal year ending June 30, 2022:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB (Asset)	(\$685,566)	(\$682,353)	(\$1,367,919)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.02188800%	0.03236327%	
Prior Measurement Date	<u>0.02211100%</u>	<u>0.03666464%</u>	
Change in Proportionate Share	-0.00022300%	-0.00430137%	
OPEB Expense	(\$738,380)	(\$66,337)	(\$804,717)

At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$0	\$24,297	\$24,297
Changes of assumptions	0	43,585	43,585
Total Deferred Outflows of Resources	<u>\$0</u>	<u>\$67,882</u>	<u>\$67,882</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$103,990	\$125,020	\$229,010
Changes of assumptions	277,509	407,074	684,583
Net difference between projected and actual earnings on OPEB plan investments	326,830	189,136	515,966
Changes in employer proportionate share of net OPEB liability	<u>30,268</u>	<u>56,882</u>	<u>87,150</u>
Total Deferred Inflows of Resources	<u>\$738,597</u>	<u>\$778,112</u>	<u>\$1,516,709</u>

No amount is reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as an adjustment to net OPEB asset in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense in subsequent years.

Actuarial Assumptions - OPERS

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

Projections of health care costs 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 coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022.

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

The actuarial valuation used the following key actuarial assumptions and methods, reflecting experience study results, applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Actuarial Cost Method	Individual Entry Age
Wage Inflation	2.75%
Projected Salary	2.75% to 10.75% (including wage inflation at 2.75%)
Single Discount Rate:	
Current measurement date	5.22%
Prior Measurement date	6.00%
Investment Rate of Return	6.00%
Municipal Bond Rate:	
Current measurement date	4.05%
Prior Measurement date	1.84%
Health Care Cost Trend Rate:	
Current measurement date	5.50% initial, 3.50% ultimate in 2036
Prior Measurement date	5.50% initial, 3.50% ultimate in 2034

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five year period ended December 31, 2020.

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined benefit pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board's investment consultant.

For each major asset class that is included in the Health Care portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00%	2.56%
Domestic Equities	26.00%	4.60%
Real Estate Investment Trusts	7.00%	4.70%
International Equities	25.00%	5.51%
Risk Parity	2.00%	4.37%
Other Investments	6.00%	1.84%
Total	100.00%	

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 15.6% for 2022.

Discount Rate

A single discount rate of 5.22% was used to measure the total OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6.00%. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 4.05%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates

The following table presents the net OPEB liability calculated using the single discount rate of 5.22%, and the expected net OPEB liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

June 30, 2023

	1% Decrease <u>4.22%</u>	Single Discount Rate <u>5.22%</u>	1% Increase <u>6.22%</u>
Proportionate share of the net OPEB liability	\$460,253	\$135,277	(\$132,971)

The following table presents the net OPEB liability or asset calculated using the single discount rate of 6.00%, and the expected net OPEB liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

June 30, 2022

	1% Decrease <u>5.00%</u>	Single Discount Rate <u>6.00%</u>	1% Increase <u>7.00%</u>
Proportionate share of the net OPEB (asset)	(\$403,177)	(\$685,566)	(\$919,953)

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost trend assumption with changes over several years built into that assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2023 is 5.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health care cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

June 30, 2023

	<u>1% Decrease</u>	Current Health Care Cost Trend Rate Assumption	<u>1% Increase</u>
Proportionate share of the net OPEB liability	\$126,752	\$135,227	\$144,767

June 30, 2022

	<u>1% Decrease</u>	Current Health Care Cost Trend Rate Assumption	<u>1% Increase</u>
Proportionate share of the net OPEB (asset)	(\$692,974)	(\$685,566)	(\$676,777)

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2022, actuarial valuation and the June 30, 2021 actuarial valuation are presented below:

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

	June 30, 2022	June 30, 2021
Projected salary increases	Varies by service from 2.50% to 8.50%	Varies by service from 2.50% to 12.50%
Investment Rate of Return	7.00%, net of investment expenses, including inflation	7.00%, net of investment expenses, including inflation
Payroll Increases	3.00%	3.00%
Discount Rate of Return	7.00%	7.00%
Health Care Cost Trends:		
Medical		
Pre-Medicare	7.50% initial, 3.94% ultimate	5.00% initial, 4.00% ultimate
Medicare	-68.78% initial, 3.94% ultimate	-16.18% initial, 4.00% ultimate
Prescription Drug		
Pre-Medicare	9.00% initial, 3.94% ultimate	6.50% initial, 4.00% ultimate
Medicare	-5.47% initial, 3.94% ultimate	29.98% initial, 4.00% ultimate

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

For 2022, healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110.0% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95.0% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For 2021, healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50.0% of rates through age 69, 70.0% of rates between ages 70 and 79, 90.0% of rates between ages 80 and 84, and 100.0% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90.0% of rates for males and 100.0% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022, valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

Asset Class	Target Allocation *	Long-Term Expected Rate of Return **
Domestic Equity	26.00%	6.60%
International Equity	22.00%	6.80%
Alternatives	19.00%	7.38%
Fixed Income	22.00%	1.75%
Real Estate	10.00%	5.75%
Liquidity Reserves	1.00%	1.00%
Total	100.00%	

* Target allocation percentage is effective as of July 1, 2022. Target weights will be phased in over a 3-month period concluding on October 1, 2022.

** 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care plan investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

Sensitivity of the Proportionate Share of the Net OPEB (Asset) to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB asset as of June 30, 2022, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net OPEB (asset)	(\$762,747)	(\$825,060)	(\$878,438)
	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$855,789)	(\$825,060)	(\$786,274)

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

June 30, 2022			
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net OPEB (asset)	(\$575,800)	(\$682,353)	(\$771,362)
	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$767,755)	(\$682,353)	(\$576,745)

Changes Between the Measurement Date and the Reporting Date

In May 2023, the Board approved the following:

1. Retirees who started receiving benefits on June 1, 2019, or earlier will receive a 1.0% cost-of-living adjustment (COLA) in fiscal year 2024. The increase will be added to the base benefit on the retirement date anniversary.
2. For teachers now in the classroom, the current retirement eligibility rule requiring 34 years of service for an unreduced retirement has been extended five years through July 2028. The requirement was scheduled to increase to 35 years of service on August 1, 2023.

Any effect on the net OPEB asset is not known at this time.

Note 8 – Compensated Absences

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

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

The liability for the cost of vacation and sick leave benefits was approximately \$372,224 and \$384,875 as of June 30, 2023 and 2022, respectively.

Southern State Community College
Highland County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022

Note 9 – Long-Term Liabilities

During fiscal year ended June 30, 2008, the College issued General Receipts Bonds, Series 2008. During fiscal year ended June 30, 2012, the College issued General Receipts Bonds, Series 2011 and Series 2012.

The following summarizes as of June 30, 2023:

2023							
	Interest Rate	Due Serially Thorough	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bonds:							
Series 2008	3.5-5.05%	2025	\$1,275,000	\$0	(\$1,275,000)	\$0	\$0
Series 2011	2.0-4.0%	2031	6,190,000	0	(530,000)	5,660,000	550,000
Series 2012	2.0-3.6%	2031	2,925,000	0	(430,000)	2,495,000	245,000
Total Bonds			10,390,000	0	(2,235,000)	8,155,000	795,000
Net Pension Liability:							
OPERS			1,788,281	0	4,071,873	5,860,154	0
STRS			4,137,935	0	2,945,435	7,083,370	0
Total Net Pension Liability			5,926,216	0	7,017,308	12,943,524	0
Net OPEB Liability:							
OPERS			0	0	135,227	135,227	0
Total OPEB Pension Liability			0	0	135,227	135,227	0
Total Long-Term Liabilities			\$16,316,216	\$0	\$4,917,535	\$21,233,751	\$795,000

The following summarizes as of June 30, 2022:

2022							
	Interest Rate	Due Serially Thorough	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bonds:							
Series 2008	3.5-5.05%	2025	\$1,425,000	\$0	(\$150,000)	\$1,275,000	\$155,000
Series 2011	2.0-4.0%	2031	6,705,000	0	(515,000)	6,190,000	530,000
Series 2012	2.0-3.6%	2031	3,345,000	0	(420,000)	2,925,000	430,000
Total Bonds			11,475,000	0	(1,085,000)	10,390,000	1,115,000
Net Pension Liability:							
OPERS			3,084,914	0	(1,296,633)	1,788,281	0
STRS			8,871,538	0	(4,733,603)	4,137,935	0
Total Net Pension Liability			11,956,452	0	(6,030,236)	5,926,216	0
Total Long-Term Liabilities			\$23,431,452	\$0	(\$7,115,236)	\$16,316,216	\$1,115,000

**Southern State Community College
Highland County**

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022*

Principal and interest amounts due within each of the next five years and thereafter on obligations outstanding at June 30, 2023, are as follows:

Fiscal Year End	Series 2011		Series 2012	
	Principal	Interest	Principal	Interest
2024	550,000	195,583	245,000	77,974
2025	565,000	178,293	250,000	70,795
2026	585,000	159,746	260,000	63,143
2027	600,000	139,740	265,000	55,004
2028	625,000	118,303	275,000	46,361
2029-2032	2,735,000	220,352	1,200,000	86,799
Total	<u>\$5,660,000</u>	<u>\$1,012,016</u>	<u>\$2,495,000</u>	<u>\$400,076</u>

In connection with the General Receipts Bonds, the College has pledged future general revenues of the main campus, net of certain specified receipts such as state appropriations and taxes, to repay these bonds. The bonds are payable, through their final maturities, from net revenues applicable to the main campus. Annual principal and interest payments on the bonds are expected to require less than 1.4 percent of net revenues. Total principal and interest remaining to be paid on these bonds is \$9,567,092.

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

Note 10 – Risk Management

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

Note 11 – Implementation of New Accounting Principles

For fiscal year 2023, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 91, Conduit Debt Obligations; GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements; GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs); and portions of GASB Statement No. 99, Omnibus 2022.

GASB Statement No. 91 clarifies the definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the College.

Southern State Community College
Highland County

Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2023 and 2022

GASB Statement No. 94 primary objective is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

GASB Statement No. 94 also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the College.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the College.

GASB Statement No. 99 addresses a variety of topics and includes clarification of provisions related to accounting and reporting of leases under GASB Statement No. 87, provides extension of the period which the London Interbank Offered Rate is considered appropriate benchmark interest rate, guidance on disclosure of nonmonetary transaction, accounting for pledges of future revenues when resources are not received by the pledging government under GASB Statement No. 48, and terminology updates related to certain provisions of GASB Statement No. 63 and No. 53. These topics under GASB Statement No. 99 provisions were implemented and did not have an effect on the financial statements of the College.

Other topics in GASB Statement No. 99 includes classification of other derivative instruments within the scope of GASB Statement No. 53, clarification of provisions related to accounting and reporting of Public-Private and Public-Public Partnerships under GASB Statement No. 94, and clarification of provisions to accounting and reporting of subscription-based information technology arrangements under GASB Statement No. 96. These topics are effective for future fiscal years and have not been implemented by of the College.

REQUIRED SUPPLEMENTARY INFORMATION

Southern State Community College
Highland County

Required Supplementary Information

Schedule of the District's Proportionate Share of the Net Pension Liability

State Teachers Retirement System of Ohio

Last Ten Fiscal Years (1)

Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.03186383%	\$7,083,370	\$4,142,450	170.99%	78.88%
2022	0.03236327%	4,137,935	3,993,414	103.62%	87.78%
2021	0.03666464%	8,871,538	4,398,007	201.72%	75.48%
2020	0.04272303%	9,447,941	5,015,843	188.36%	77.40%
2019	0.04471891%	9,832,684	5,057,164	194.43%	77.31%
2018	0.04651932%	11,050,764	5,298,143	208.58%	75.30%
2017	0.04703777%	15,744,959	4,949,279	318.13%	66.80%
2016	0.05499036%	15,197,727	5,671,321	267.98%	72.10%
2015	0.05919894%	14,399,231	5,972,200	241.10%	74.70%
2014	0.05919894%	17,106,077	6,179,592	276.82%	69.30%

(1) Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Southern State Community College
Highland County
Required Supplementary Information
Schedule of the District's Contributions for Net Pension Liability
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2023	\$539,164	(\$539,164)	\$0	\$3,851,171	14.00%
2022	579,943	(579,943)	0	4,142,450	14.00%
2021	559,078	(559,078)	0	3,993,414	14.00%
2020	615,721	(615,721)	0	4,398,007	14.00%
2019	702,218	(702,218)	0	5,015,843	14.00%
2018	708,003	(708,003)	0	5,057,164	14.00%
2017	741,740	(741,740)	0	5,298,143	14.00%
2016	692,899	(692,899)	0	4,949,279	14.00%
2015	793,985	(793,985)	0	5,671,321	14.00%
2014	776,386	(776,386)	0	5,972,200	13.00%

See accompanying notes to the required supplementary information.

Southern State Community College
Highland County

Required Supplementary Information

Schedule of the College's Proportionate Share of the Net Pension Liability (Asset)

Ohio Public Employees Retirement System

Last Ten Fiscal Years (1)

Year	College's Proportion of the Net Pension Liability	College's Proportionate Share of the Net Pension Liability	College's Covered Payroll	College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total Pension Liability
2023	0.01983800%	\$5,860,154	\$3,509,914	166.96%	75.74%
2022	0.02055400%	1,788,281	3,307,786	54.06%	92.62%
2021	0.02083300%	3,084,914	2,942,486	104.84%	86.88%
2020	0.02105000%	4,160,675	3,287,200	126.57%	82.17%
2019	0.02434600%	6,667,876	3,701,799	180.13%	74.70%
2018	0.02664300%	4,179,770	3,622,942	115.37%	84.66%
2017	0.02775100%	6,301,780	4,139,575	152.23%	77.25%
2016	0.03099000%	5,367,859	4,294,814	124.98%	81.08%
2015	0.04073468%	4,913,057	4,307,114	114.07%	86.45%
2014	0.04073468%	4,802,088	4,427,764	108.45%	86.45%

(1) Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Southern State Community College**Highland County***Required Supplementary Information**Schedule of College's Contributions for Net Pension Liability (Asset)**Ohio Public Employees Retirement System**Last Ten Fiscal Years*

Year	College's Contractually Required Contribution	College's Contributions in Relation to the Contractually Required Contributions	College's Contribution Deficiency (Excess)	College's Covered Payroll	College's Contributions as a Percentage of Covered Payroll
2023	\$453,778	(\$453,778)	\$0	\$3,241,271	14.00%
2022	491,388	(491,388)	0	3,509,914	14.00%
2021	463,090	(463,090)	0	3,307,786	14.00%
2020	411,948	(411,948)	0	2,942,486	14.00%
2019	460,208	(460,208)	0	3,287,200	14.00%
2018	499,743	(499,743)	0	3,701,799	13.50%
2017	434,753	(434,753)	0	3,622,942	12.00%
2016	496,749	(496,749)	0	4,139,575	12.00%
2015	515,378	(515,378)	0	4,294,814	12.00%
2014	559,925	(559,925)	0	4,307,114	13.00%

See accompanying notes to the required supplementary information.

**Southern State Community College
Highland County**

Required Supplementary Information

Schedule of the College's Proportionate Share of the Net OPEB (Asset)/Liability

State Teachers Retirement System of Ohio

Last Seven Years (1) (2)

Year	College's Proportion of the Net OPEB Asset/Liability	College's Proportionate Share of the Net OPEB (Asset)/Liability	College's Covered Payroll	College's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB (Asset)/Liability
2023	0.03186383%	(\$825,060)	\$4,142,450	(19.92%)	230.73%
2022	0.03236327%	(682,353)	3,993,414	(17.09%)	174.73%
2021	0.03666464%	(644,381)	4,398,007	(14.65%)	182.13%
2020	0.04272303%	(707,595)	5,015,843	(14.11%)	174.74%
2019	0.04471891%	(718,587)	5,057,164	(14.21%)	176.00%
2018	0.04651932%	1,815,012	5,298,143	34.26%	47.10%
2017	0.04703777%	2,515,592	4,949,279	50.83%	37.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

(2) Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Southern State Community College

Highland County

Required Supplementary Information

Schedule of College's Contributions for Net OPEB (Asset)/Liability

State Teachers Retirement System of Ohio

Last Ten Fiscal Years

<u>Year</u>	<u>College's Contractually Required Contribution</u>	<u>College's Contributions in Relation to the Contractually Required Contributions</u>	<u>College's Contribution Deficiency (Excess)</u>	<u>College's Covered Payroll</u>	<u>College's Contributions as a Percentage of Covered Payroll</u>
2023	\$0	\$0	\$0	\$3,851,171	0.00%
2022	0	0	0	4,142,450	0.00%
2021	0	0	0	3,993,414	0.00%
2020	0	0	0	4,398,007	0.00%
2019	0	0	0	5,015,843	0.00%
2018	0	0	0	5,057,164	0.00%
2017	0	0	0	5,298,143	0.00%
2016	0	0	0	4,949,279	0.00%
2015	0	0	0	5,671,321	0.00%
2014	59,722	(59,722)	0	5,972,200	1.00%

See accompanying notes to the required supplementary information.

**Southern State Community College
Highland County**

Required Supplementary Information

Schedule of the College's Proportionate Share of the Net OPEB (Asset)/Liability

Ohio Public Employees Retirement System

Last Seven Years (1) (2)

Year	College's Proportion of the Net OPEB Asset/Liability	College's Proportionate Share of the Net OPEB (Asset)/Liability	College's Covered Payroll	College's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB (Asset)/Liability
2023	0.02144700%	\$135,227	\$3,509,914	3.85%	94.79%
2022	0.02188800%	(685,566)	3,307,786	(20.73%)	128.23%
2021	0.02211100%	(393,925)	2,942,486	(13.39%)	115.57%
2020	0.02292100%	3,165,986	3,287,200	96.31%	47.80%
2019	0.02631200%	3,430,464	3,701,799	92.67%	46.33%
2018	0.02855000%	3,100,320	3,622,942	85.57%	54.14%
2017	0.03001170%	2,883,647	4,139,575	69.66%	54.05%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

(2) Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

**Southern State Community College
Highland County**

Required Supplementary Information

Schedule of College's Contributions for Net OPEB (Asset)/Liability

Ohio Public Employees Retirement System

Last Ten Fiscal Years

Year	College's Contractually Required Contribution	College's Contributions in Relation to the Contractually Required Contributions	College's Contribution Deficiency (Excess)	College's Covered Payroll	College's Contributions as a Percentage of Covered Payroll
2023	\$0	\$0	\$0	\$3,241,271	0.00%
2022	0	0	0	3,509,914	0.00%
2021	0	0	0	3,307,786	0.00%
2020	0	0	0	2,942,486	0.00%
2019	0	0	0	3,287,200	0.00%
2018	20,414	(20,414)	0	3,701,799	0.55%
2017	72,459	(72,459)	0	3,622,942	2.00%
2016	82,792	(82,792)	0	4,139,575	2.00%
2015	85,896	(85,896)	0	4,294,814	2.00%
2014	43,071	(43,071)	0	4,307,114	1.00%

See accompanying notes to the required supplementary information.

Southern State Community College

Highland County

*Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2023 and 2022*

Note 1 - Net Pension Liability

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2019-2023: There were no changes in benefit terms from the amounts reported for these fiscal years.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2023: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table:
 - a. Adjusted 110.0% for males, projected forward generationally using mortality improvement scale MP-2020
- (2) Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table:
 - a. Adjusted 95.0% for females, projected forward generationally using mortality improvement scale MP-2020
- (3) Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table:
 - a. Projected forward generationally using mortality improvement scale MP-2020
- (4) Projected salary increases changed from 2.50% to 12.50% to 2.50% to 8.50%

2022: There were changes in assumptions since the prior measurement date, which the discount rate was adjusted to 7.00% from 7.45%.

2019-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (5) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (6) The inflation assumption was lowered from 2.75% to 2.50%,
- (7) The payroll growth assumption was lowered to 3.00%,
- (8) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
- (9) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (10) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

Southern State Community College

Highland County

*Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2023 and 2022*

Ohio Public Employees Retirement System (OPERS)

Changes in Benefit Terms:

2014-2023: There were no changes in benefit terms for this period.

Changes in Assumptions:

2023: There were no changes in assumptions from the amounts reported for this period.

2022: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- (1) Reduced the investment rate of return assumption from 7.20% to 6.90%,
- (2) Reduced the Wage Inflation from 3.25% to 2.75%, and
- (3) Changing the future salary increases from a range of 3.25%-10.05% to 2.75%-10.75%.

2020-2021: There were no changes in assumptions from the amounts reported for this period.

2019: The investment rate of return decreased from 7.5 percent to 7.2 percent.

2018: There were no changes in assumptions since the prior measurement date.

2017: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- (1) Reduction in the actuarially assumed rate of return from 8.00% down to 7.50%,
- (2) For defined benefit investments, decreasing the wage inflation from 3.75% to 3.25%, and
- (3) Changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%.

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for

Note 2 - Net OPEB (Asset)/Liability

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2023: Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based. Healthcare trends were updated to reflect emerging claims and recoveries experience.

2022: The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

2021: There was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

Southern State Community College

Highland County

*Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2023 and 2022*

2020: There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.10% to 1.90% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in Assumptions:

2023: The discount rate remained unchanged at 7.00% for the June 30, 2022 valuation.

2022: There were changes in assumptions since the prior measurement date, which the discount rate was adjusted to 7.00% from 7.45%.

2021: There were changes in assumptions during the measurement year, which decreased the total OPEB liability by approximately \$0.26 billion. The assumption changes included changes in healthcare costs and trends.

2020: There were changes in assumptions during the measurement year, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

2018: The discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Southern State Community College

Highland County

*Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2023 and 2022*

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

Ohio Public Employees Retirement System (OPERS)

Changes in Benefit Terms:

2021-2023: There were no changes in benefit terms for this period.

2020: On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees.

2018-2019: There were no changes in benefit terms for the period.

Changes in Assumptions:

2023: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate increased from 6.00 percent to 5.22 percent, and
- The municipal bond rate decreased from 1.84 percent to 4.05 percent.

2022: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- Wage inflation changed from 3.25 percent to 2.75 percent,
- Projected salary changed from 3.25 percent-10.75 percent to 2.75 percent-10.75 percent,
- The municipal bond rate decreased from 2.00 percent to 1.84 percent, and
- The initial health care cost trend rate decreased from 8.5 percent to 5.5 percent.

2021: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate increased from 3.16 percent to 6.00 percent,
- The municipal bond rate decreased from 2.75 percent to 2.00 percent, and
- The initial health care cost trend rate decreased from 10.5 percent to 8.5 percent.

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate decreased from 3.96 percent to 3.16 percent,
- The municipal bond rate decreased from 3.71 percent to 2.75 percent, and
- The initial health care cost trend rate increased from 10.0 percent to 10.5 percent.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate increased from 3.85 percent to 3.96 percent,
- The investment rate of return decreased from 6.5 percent to 6 percent,
- The municipal bond rate increased from 3.31 percent to 3.71 percent, and
- The initial health care cost trend rate increased from 7.5 percent to 10 percent.

2018: The single discount rate changed from 4.23 percent to 3.85 percent.

Southern State Community College

Highland County

*Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2023 and 2022*

Note 1 - Net Pension Liability

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2019-2023: There were no changes in benefit terms from the amounts reported for these fiscal years.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2023: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table:
 - a. Adjusted 110.0% for males, projected forward generationally using mortality improvement scale MP-2020
- (2) Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table:
 - a. Adjusted 95.0% for females, projected forward generationally using mortality improvement scale MP-2020
- (3) Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table:
 - a. Projected forward generationally using mortality improvement scale MP-2020
- (4) Projected salary increases changed from 2.50% to 12.50% to 2.50% to 8.50%

2022: There were changes in assumptions since the prior measurement date, which the discount rate was adjusted to 7.00% from 7.45%.

2019-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (5) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (6) The inflation assumption was lowered from 2.75% to 2.50%,
- (7) The payroll growth assumption was lowered to 3.00%,
- (8) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
- (9) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (10) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

Southern State Community College

Highland County

*Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2023 and 2022*

Ohio Public Employees Retirement System (OPERS)

Changes in Benefit Terms:

2014-2023: There were no changes in benefit terms for this period.

Changes in Assumptions:

2023: There were no changes in assumptions from the amounts reported for this period.

2022: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- (1) Reduced the investment rate of return assumption from 7.20% to 6.90%,
- (2) Reduced the Wage Inflation from 3.25% to 2.75%, and
- (3) Changing the future salary increases from a range of 3.25%-10.05% to 2.75%-10.75%.

2020-2021: There were no changes in assumptions from the amounts reported for this period.

2019: The investment rate of return decreased from 7.5 percent to 7.2 percent.

2018: There were no changes in assumptions since the prior measurement date.

2017: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- (1) Reduction in the actuarially assumed rate of return from 8.00% down to 7.50%,
- (2) For defined benefit investments, decreasing the wage inflation from 3.75% to 3.25%, and
- (3) Changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%.

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for

Note 2 - Net OPEB (Asset)/Liability

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2023: Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based. Healthcare trends were updated to reflect emerging claims and recoveries experience.

2022: The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

2021: There was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare

Southern State Community College

Highland County

*Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2023 and 2022*

Part B monthly reimbursement elimination date was postponed indefinitely.

2020: There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.10% to 1.90% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in Assumptions:

2023: The discount rate remained unchanged at 7.00% for the June 30, 2022 valuation.

2022: There were changes in assumptions since the prior measurement date, which the discount rate was adjusted to 7.00% from 7.45%.

2021: There were changes in assumptions during the measurement year, which decreased the total OPEB liability by approximately \$0.26 billion. The assumption changes included changes in healthcare costs and trends.

2020: There were changes in assumptions during the measurement year, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

2018: The discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future

Southern State Community College

Highland County

*Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2023 and 2022*

retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

Ohio Public Employees Retirement System (OPERS)

Changes in Benefit Terms:

2021-2023: There were no changes in benefit terms for this period.

2020: On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees.

2018-2019: There were no changes in benefit terms for the period.

Changes in Assumptions:

2023: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate increased from 6.00 percent to 5.22 percent, and
- The municipal bond rate decreased from 1.84 percent to 4.05 percent.

2022: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- Wage inflation changed from 3.25 percent to 2.75 percent,
- Projected salary changed from 3.25 percent-10.75 percent to 2.75 percent-10.75 percent,
- The municipal bond rate decreased from 2.00 percent to 1.84 percent, and
- The initial health care cost trend rate decreased from 8.5 percent to 5.5 percent.

2021: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate increased from 3.16 percent to 6.00 percent,
- The municipal bond rate decreased from 2.75 percent to 2.00 percent, and
- The initial health care cost trend rate decreased from 10.5 percent to 8.5 percent.

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate decreased from 3.96 percent to 3.16 percent,
- The municipal bond rate decreased from 3.71 percent to 2.75 percent, and
- The initial health care cost trend rate increased from 10.0 percent to 10.5 percent.

Southern State Community College

Highland County

Notes to the Required Supplementary Information

For The Fiscal Year Ended June 30, 2023 and 2022

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate increased from 3.85 percent to 3.96 percent,
- The investment rate of return decreased from 6.5 percent to 6 percent,
- The municipal bond rate increased from 3.31 percent to 3.71 percent, and
- The initial health care cost trend rate increased from 7.5 percent to 10 percent.

2018: The single discount rate changed from 4.23 percent to 3.85 percent.

Southern State Community College
Highland County
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2023

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Assistance Listing Number	Total Federal Expenditures
<u>United States Department of Education</u>			
<i>Direct from the Federal Agency</i>			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grants	N	84.007	\$106,600
Federal Direct Student Loans	N	84.268	1,997,772
Federal Work-Study Program	N	84.033	19,480
Federal Pell Grant Program	N	84.063	<u>1,982,514</u>
Total Student Financial Aid Cluster			4,106,366
COVID 19 Higher Education Emergency Relief Fund - American Rescue Plan - SSARP	N	84.425T	387,310
<i>Passed through the Ohio Department of Education</i>			
COVID 19 Higher Education Emergency Relief Fund - Governors Emergency Education Relief Fund	3HQ0	84.425C	<u>3,720</u>
Total Educational Stabilization Fund			391,030
<i>Passed through the Ohio Department of Education</i>			
Adult Education - Basic Grants to States	3120	84.002	<u>120,419</u>
Total United States Department of Education			<u>4,617,815</u>
<u>The Institute of Museum and Library Services</u>			
<i>Passed through the Ohio Department of Education</i>			
Grants to States	N/A	45.310	<u>1,014</u>
Total Institute of Museum and Library Services			<u>1,014</u>
Total Expenditures of Federal Awards			<u><u>\$4,618,829</u></u>

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

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

Southern State Community College
Highland County
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note 1 – Basis of Presentation

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

Note 2 - Significant Accounting Policies

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

Note 3 – Federal Direct Student Loan Program

The College participates in the Federal Direct Student Loan Program. The dollar amounts listed in the schedule of federal awards expenditures represents new loans advanced during the fiscal year ended June 30, 2023. The College is a direct lender for these loan funds; however, they are not responsible for collecting these loans in future periods.

Assistance Listing Number	Program Name	Amount
84.268	Federal Subsidized Loans	\$829,317
84.268	Federal Unsubsidized Loans	1,168,455
	Total Federal Direct Student Loans	<u>\$1,997,772</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees
Southern State Community College

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 discretely presented component unit of Southern State Community College, Highland County, Ohio, (the College) a component unit of the State of Ohio, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 30, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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
October 30, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Southern State Community College

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Southern State Community College (the College) compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the College's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 30, 2023

**SOUTHERN STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023**

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:

Education Stabilization Fund
HEERF- Supplemental support under the American Rescue Plan 84.425T
HEERF- Governors Emergency Education Relief Fund 84.425C

Student Financial Aid Cluster

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

Auditee qualified as low-risk auditee? Yes

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

**SOUTHERN STATE COMMUNITY COLLEGE
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023**

Southern State Community College had no prior audit findings or questioned costs.

Southern State Community College
Highland County
Statements of Net Position
As of June 30, 2023 and 2022

	2023		2022	
	College	Foundation	College	Foundation
Assets:				
Current assets:				
Cash	\$0	\$0	\$0	\$0
Cash equivalents	8,964,804	384,031	8,123,656	396,848
Accounts receivable, net	3,434,059	0	3,930,641	0
Pledges receivable	0	3,458	0	4,326
Prepaid expenses	488,415	0	491,711	0
Inventories	9,254	0	9,451	0
Other assets	174,164	1,855	271,818	1,855
Total current assets	13,070,696	389,344	12,827,277	403,029
Noncurrent assets:				
Restricted cash equivalents	783,692	0	839,238	0
Restricted investments	0	2,983,683	0	2,752,041
Net Pension Assets	0	0	0	0
Net OPEB assets, net	825,060	0	1,367,919	0
Capital assets, net	21,760,076	0	26,495,207	0
Total noncurrent assets	23,368,828	2,983,683	28,702,364	2,752,041
Total assets	36,439,524	3,373,027	41,529,641	3,155,070
Deferred outflows of resources:				
Pension plans	3,877,768	0	2,416,203	0
OPEB plans	462,505	0	67,882	0
Total deferred outflows of resources	4,340,273	0	2,484,085	0
Liabilities:				
Current liabilities:				
Accounts payable	0	0	0	0
Accrued liabilities	242,766	0	246,030	0
Accrued pension expense	0	0	0	0
Held in custody for others	1,214,807	0	1,229,473	0
Bonds payable, current portion	795,000	0	1,115,000	0
Capital lease obligation, current portion	0	0	0	0
Total current liabilities	2,252,573	0	2,590,503	0
Noncurrent liabilities:				
Bonds payable, long-term portion	7,360,000	0	9,275,000	0
Capital lease obligation, long-term portion	0	0	0	0
Compensated absences	372,224	0	384,875	0
Net pension liability	12,943,524	0	5,926,216	0
Net OPEB liability	135,227	0	0	0
Total noncurrent liabilities	20,810,975	0	15,586,091	0
Total liabilities	23,063,548	0	18,176,594	0
Deferred inflows of resources:				
Grants and contracts	42,195	0	477,941	0
Pension plans	1,961,713	0	7,518,707	0
OPEB liability	793,671	0	1,516,709	0
Total deferred inflows of resources	2,797,579	0	9,513,357	0
Net position:				
Net investment in capital assets	13,605,075	0	16,105,207	0
Restricted for:				
Nonexpendable:				
Endowments	12,318	3,004,631	12,318	2,861,571
Expendable:				
Loans	17,696	0	17,696	0
Scholarships and fellowships	0	322,896	0	244,097
Capital Improvements	0	0	0	0
Pension plans	0	0	0	0
Other	0	0	0	0
Unrestricted (deficit)	1,283,581	45,500	188,554	49,402
Total net position	\$14,918,670	\$3,373,027	\$16,323,775	\$3,155,070

Southern State Community College
Highland County
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2023 and 2022

	2023		2022	
	College	Foundation	College	Foundation
Revenues:				
Operating revenues:				
Student tuition and fees (net of scholarship allowance)	\$4,733,588	\$0	\$4,720,532	\$0
Federal grants and contracts	0	0	0	0
State grants and contracts	3,149,593	0	2,377,725	0
Local grants and contracts	1,047	0	8,136	0
Private grants and contracts	124,212	191,069	110,477	256,136
Auxiliary services	1,255,879	0	1,421,465	0
Other operating revenue	387,850	0	593,883	0
Total operating revenue	9,652,169	191,069	9,232,218	256,136
Expenses:				
Operating expenses:				
Instructional	5,046,475	0	7,824,068	0
Research	0	0	0	0
Community service	3,027,139	0	2,036,993	0
Academic support	2,216,384	0	1,494,056	0
Student services	1,708,496	196,628	2,577,980	179,097
Institutional support	2,407,070	0	1,461,973	0
Plant operations	1,276,050	0	1,242,290	0
Depreciation	950,028	0	918,440	0
Scholarships	1,991,777	0	1,427,675	0
Auxiliary activities	1,263,997	0	1,050,129	0
Total operating expenses	19,887,416	196,628	20,033,604	179,097
Operating gain (loss)	(10,235,247)	(5,559)	(10,801,386)	77,039
Nonoperating revenues (expenses):				
Federal grants and contracts	2,683,779	0	9,923,829	0
State appropriations	7,592,522	0	8,343,066	0
Investment income (net of investment expense)	307,759	223,515	68,598	(269,819)
Interest on capital asset-related debt	(322,822)	0	(392,659)	0
Other nonoperating revenues (expenses)	0	0	0	0
Total nonoperating revenues (expense)	10,261,238	223,515	17,942,834	(269,819)
Income (loss) before other revenues, expenses:	25,991	217,956	7,141,448	(192,780)
Capital appropriations	631,218	0	980,274	0
Gain on sale of real estate	(2,062,314)	0	(1,074,574)	0
Additions to (return of) permanent endow	0	0	0	0
Return of permanent endowments	0	0	0	0
Restatement for Pension Liability	0	0	0	0
Change in net position	(1,405,105)	217,956	7,047,148	(192,780)
Net position - beginning of year	16,323,775	3,155,070	9,276,627	3,347,850
Net position - end of year	\$14,918,670	\$3,373,026	\$16,323,775	\$3,155,070
Significant changes from previous year				
1. Net capital assets decreased \$4.7 million, primarily from the sale of the Fayette campus with its booked assets. This line item should now stabilize in future years.				
2. Bonds payable (future bond principal payments) continue to decrease according to amortization schedules. This line item improved again in FY23 from the redemption of Fayette campus bonds.				
3. After decreasing \$6.0 million in FY22, the Net pension liability increased \$7.0 million due to actuarially-determined Net Pension from the state pension plans (STRS and OPERS).				
4. After increasing \$4.5 million in FY22, the Deferred inflows from Pension plans decreased \$5.6 million from the actuarially-determined information provided by the state pension systems (STRS and OPERS).				
5. The Total Net Position decreased \$1.4 million due to the above differences (#1 - #5): -\$4.7 million for decreased net capital assets plus +\$2.2 million for debt reduction plus -\$3.9 million for other net pension and net OPEB changes.				
6. "Operating expense decreases primarily reflect decreases in pension and OPEB expenses, associated with these balances were lower than the prior year, based on actuarially-determined information, allocated among various functions" (Single Audit, 2023, p. 8). This figure fluctuates greatly due to the pension and OPEB payments.				
7. Federal grants and contracts decreased significantly in FY23 due to the HEERF federal Covid-19 funds expiring in FY22.				

OHIO DEPARTMENT of HIGHER EDUCATION SB 6 (Financial Accountability Measures)		FY23
Plant Debt		8,155,000
Expendable Net Assets w/o GASB68		11,970,079
Total Expendables & Man. Tranf.		20,786,291
Total Net Revenue		(564,488)
Total Revenue		20,221,803
VIABILITY		
Expendable Net Assets w/o GASB68		11,970,079
Plant Debt		8,155,000
Viability Ratio		1.468
If Viability Ratio >0.0, then 1 point		1
If Viability Ratio >0.3, then 1 point		1
If Viability Ratio >0.6, then 1 point		1
If Viability Ratio >1.0, then 1 point		1
If Viability Ratio >2.5, then 1 point		0
Score (total points)		4.00
Weight		0.30
Viability Ratio Score		1.20
PRIMARY RESERVE		
Expendable Fund Balances		11,970,079
Total Expendables & Man. Tranf.		20,786,291
Primary Reserve Ratio		0.576
If Primary Reserve Ratio >0.00, then 1 point		1
If Primary Reserve Ratio >0.05, then 1 point		1
If Primary Reserve Ratio >0.10, then 1 point		1
If Primary Reserve Ratio >0.25, then 1 point		1
If Primary Reserve Ratio >0.50, then 1 point		1
Score (total points)		5.00
Weight		0.50
Primary Reserve Ratio Score		2.50
NET INCOME RATIO		
Net Total Revenue		(564,488)
Total Revenue		20,221,803
Net Income Ratio		-0.028
If Net Income Ratio >-0.05, then 1 point		1
If Net Income Ratio >0.00, then 1 point		0
If Net Income Ratio >0.01, then 1 point		0
If Net Income Ratio >0.03, then 1 point		0
If Net Income Ratio >0.05, then 1 point		0
Score (total points)		1.00
Weight		0.20
Net Income Ratio Score		0.20
COMPOSITE 3.90		
SOUND (>2.50; maximum = 5.00) X		
MONITOR (1.75-2.49)		
ACTIVE ASSESSMENT (0.76-1.74)		
CONSERVATORSHIP (<0.76)		
Significant changes from previous year		
Viability Ratio score remained the same at 1.20.		
Primary Reserve Ratio increased from 2.00 to 2.50.		
Net Income Ratio score decreased from 1.00 to 0.20. The net total revenue decreased primarily due to not receiving HEERF federal Covid-19 funds in FY23.		
Total SB6 score decreased from 4.20 to 3.90.		

HIGHER LEARNING COMMISSION Financial Indicators and Data Worksheet for Public Institutions 2024 Annual Institution Data Report (based on FY23)					
Financial Ratios					
Primary Reserve Ratio Calculation	Data	Strength	Weight	CFI	
Institution unrestricted net assets	+ 11,970,079				
Institution expendable restricted net assets	+ 17,696				
C.U. unrestricted net assets	+ 45,500				
C.U. temporary restricted net assets	+ 322,896				
C.U. net investment in plant	- 0				
Numerator Total	12,356,171				
Institution operating expenses	+ 20,463,469				
Institution non-operating expenses	+ 322,822				
Elimination of inter-entity amounts	+ 0				
C.U. total expenses	+ 196,628				
Denominator Total	20,982,919				
Primary Reserve Ratio =	0.589	4.428	0.35	1.55	
Net Operating Revenue Ratio Calculation					
Institution operating income (loss)	+ (10,811,300)				
Institution net non-operating revenues	+ 10,584,060				
C.U. change in unrestricted net assets	+ 217,956				
Elimination of inter-entity amounts	+ 0				
Numerator Total	(9,284)				
Institution operating revenues	+ 9,652,169				
Institution non-operating revenues	+ 10,584,060				
C.U. total unrestricted revenues	+ 387,697				
Elimination of inter-entity amounts	+ 0				
Denominator Total	20,623,926				
Net Operating Revenue Ratio =	0.000	-0.035	0.10	0.00	
Return on Net Assets Ratio Calculation					
Change in net assets + C.U. change in net assets	(1,763,202)				
Elimination of inter-entity amounts	+ 0				
Total net assets + C.U. total net assets (beginning of year)	28,960,499				
Return on Net Assets Ratio =	-0.061	-3.044	0.20	-0.61	
Viability Ratio Calculation					
Expendable net assets (from Primary Reserve Numerator)	12,356,171				
Institution long-term debt (total project related debt)	+ 7,360,000				
C.U. long-term debt (total project related debt)	+ 0				
Denominator Total =	7,360,000				
Viability Ratio =	1.679	4.026	0.35	1.41	
COMPOSITE FINANCIAL INDICATOR SCORE (CFI) 2.35					
(no follow-up required; >1.1; maximum = 10.0) ABOVE THE ZONE X					
(first year: HLC letter; subsequent years: HLC reporting required; 0.0-1.1) IN THE ZONE					
(HLC peer-reviewed reports; <0.0) BELOW THE ZONE					
Differences from SB6:					
HLC-defined category descriptions/actions					
* adds foundation					
Assess viability of institution's survival (-1 to +1)					
* ignores short-term plant debt					
Reengineer the institution (1-3) X					
* includes return on net assets					
Direct resources toward transformation (3-5)					
* underweights primary reserve by 15 points (50% v 35%)					
Focus resources to compete (5-7)					
* overweights viability by 5 points (30% v 35%)					
Experiment with new initiatives (7-8)					
* overweights net income by 10 points (20% v 30%)					
Deploy resources to achieve a robust mission					
* CFI increases if interest on capital debt is not included					
Significant changes from previous year					
Primary Reserve Ratio	increased from 1.30 to 1.55	0.87	1.30	1.55	0.25
Decreased GASB68 pension expense helped improve this ratio.					
Net Operating Revenue Ratio	decreased from 1.00 to 0.00	0.83	1.00	0.00	-1.00
Total nonoperating revenues decreased due to HEERF federal Covid-19. This may be a new "normal" figure for SSCC.					
Return on Net Assets Ratio	decreased from 1.27 to -0.61	1.86	1.27	-0.61	-1.88
The change in Net Assets is a large calculation in this ratio. Now that the sale of campuses is complete, this ratio should improve.					
Viability Ratio	increased from 1.05 to 1.41	0.50	1.05	1.41	0.36
As the long-term debt continues to decrease, this ratio will increase.					
Total CFI score		4.06	4.62	2.35	-2.27
Interestingly, the two ratios that improved the most are the two ratios with the highest weights.					