CENTRAL OHIO TECHNICAL COLLEGE
Newark, Ohio

FINANCIAL STATEMENTS
June 30, 2015 and 2014

Board of Trustees
Central Ohio Technical College
1179 University Drive
Newark, Ohio 43055

We have reviewed the *Report of Independent Auditors* of the Central Ohio Technical College, Licking County, prepared by Crowe Horwath LLP, for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

January 20, 2016

CENTRAL OHIO TECHNICAL COLLEGE
Newark, Ohio

FINANCIAL STATEMENTS
June 30, 2015 and 2014

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Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

The President and Board of Trustees
Central Ohio Technical College and
David Yost, Auditor of State

Report on the Financial Statements

We have audited the accompanying financial statements of Central Ohio Technical College (the "College"), as of June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Ohio Technical College as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Emphasis of Matters

As discussed in Note 2 to the financial statements, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, P*ension Transition for Contributions Made Subsequent to the Measurement Date* were effective for the College's fiscal year ending June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 to 6, the Schedules of the College's Proportionate Share of the Net Pension Liability on page 43, and the Schedules of the College's Contributions on page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 an opinion on the College's basic financial statements as a whole. The Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the schedule of Licking County Appointed Officials are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards 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 other 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.

The accompanying schedule of Licking County Appointed Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

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

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
December 22, 2015

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of Central Ohio Technical College (COTC) for the year ended June 30, 2015, with comparative information for fiscal year 2014. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

About Central Ohio Technical College

Central Ohio Technical College offers an aggressive approach to technical education providing state-of-the-art training in the areas of allied health and public service, nursing, business and engineering. Chartered in 1971 to meet the region's growing need for technical training and education, COTC is the primary link between the region's businesses and the training and retraining of the workforce, a partnership that directly impacts the economic growth of the area.

Central Ohio Technical College is governed by a board of nine trustees who are responsible for the oversight of academic programs, budgets and general administration. The Governor of Ohio appoints three members and the Newark School Board appoints six members.

Using the Annual Report

This annual report consists of a series of financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* (GASB 35).

During 2015, the College adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. 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 the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

(Continued)

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

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

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

As a result of implementing GASB 68, the College is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

The **Statement of Net Position** reflects the total assets, liabilities and net position of COTC as of June 30, 2015, with comparative information as of June 30, 2014. Liabilities due within one year, and assets available to pay those liabilities, are classified as current. Other assets and liabilities are classified as non-current. Investment assets are carried at market value. Capital assets, which include the buildings, improvements, and equipment, are shown net of accumulated depreciation. Net position is grouped in the following categories:

- Net investment in capital assets
- Restricted – Nonexpendable (endowments funds)
- Restricted – Expendable (quasi-endowment funds)
- Unrestricted

The **Statement of Revenues, Expenses and Changes in Net Position** details how net position has increased during fiscal year 2015, with comparative information for fiscal year 2014. Government accounting standards require state appropriations to be classified as non-operating revenues; so, generally, state-supported Colleges and universities will reflect an operating loss until non-operating items are included.

(Continued)

The **Statement of Cash Flows** details how cash has increased (or decreased) during the fiscal year 2015. It breaks out the sources and uses of COTC cash into the following categories:

- Operating activities
- Noncapital financing activities
- Capital financing activities
- Investing activities

The **Notes to the Financial Statements** provide additional details on the numbers in the financial statements. In addition to the Summary of Significant Accounting Policies, the report includes notes on capital assets, long-term debt, and operating expenses by natural classification.

Financial Highlights

Statement of Net Position

The College's financial statements for the fiscal year report net position of $27.8 million at June 30, 2015. This represents a significant change from the previous fiscal year and is related to the implementation of GASB 68. Below is a condensed version of the Statement of Net Position followed by a discussion of the changes:

	June 30, 2015	June 30, 2014	June 30, 2013
ASSETS			
Current Assets	$ 20,092,907	$ 19,729,703	$ 17,278,008
Capital Assets, Net	31,212,440	31,718,726	32,452,360
Defered Outflows	1,716,770	0	
Other Non-current	2,881,730	2,858,584	2,571,590
Total Assets	$ 55,903,847	$ 54,307,013	$ 52,301,958
LIABILITIES			
Current Liabilities	$ 2,842,808	$ 3,001,890	$ 2,996,419
Non Current Liabilities	249,335	298,961	350,858
Deferred Inflows	3,272,300		
Net Pension Liability	21,765,116		-
Total Liabilities	$ 28,129,559	$ 3,300,851	$ 3,347,277
NET POSITION			
Net Invested in Capital Assets	$ 31,193,763	$ 31,673,851	$ 32,382,434
Restricted			
Nonexpendable	1,767,581	1,727,386	1,542,572
Expendable	1,421,650	1,435,700	1,331,005
Unrestricted	(6,608,706)	16,169,225	13,698,670
Total Net Position	$ 27,774,288	$ 51,006,162	$ 48,954,681

(Continued)

Assets As of June 30, 2015, the College's total assets, before deferred outflows, are $54.2 million, a decrease of $120,000 from fiscal year 2014. Overall, this decrease is a result of the normal operations of the College throughout the fiscal year. Increases in Accounts Receivable were offset by decreases in Capital Assets due to recording equipment disposals during 2015.

Deferred outflows are a new item on the College's statements and represent both OPERS and STRS pension amounts totaling $1,716,770.

Liabilities At June 30, 2015, the College's routine liabilities totaled $3 million, remaining virtually unchanged from the previous year. As discussed earlier, per GASB 68, the College's statements will now include our proportional share of the Net Pension Liability for OPERS and STRS; for 2015 that amount is $21,765,116.

Deferred inflows are a new item on the College's statements and represent both OPERS and STRS pension amounts totaling $3,272,300.

Net Position Net Position at June 30, 2015 totaled approximately $27.8 million. The significant decrease of $23.2 million from 2014 is a result of implementing GASB 68.

Statement of Revenues, Expenses and Changes in Net Position

Total operating and non-operating revenues are down in total, however, expenses have been managed to provide a surplus for the year. Below are the Statement of Revenues, Expenses and Changes in Net Position followed by a discussion of the major variances:

(Continued)

	June 30, 2015	June 30, 2014	June 30, 2013
OPERATING REVENUES			
Tuition and Fees, Net	$ 7,508,989	$ 9,304,550	$ 12,265,884
Other Operating Revenues	1,454,152	1,726,237	1,467,452
Total Operating Revenues	$ 8,963,141	$ 11,030,787	$ 13,733,336
OPERATING EXPENSES			
Education and General	$ 26,626,733	$ 27,652,276	$ 28,791,069
Depreciation Expense	1,456,656	1,432,589	1,539,007
Auxiliary Enterprises	5,011	5,217	5,443
Total Operating Expenses	28,088,400	29,090,082	30,335,519
Operating Loss	$ (19,125,259)	$ (18,059,295)	$ (16,602,183)
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	$ 11,574,876	$ 10,739,549	$ 10,146,214
Federal Grants and Contracts	7,858,952	8,948,849	8,628,129
Other Revenue (Expenses)	75,658	347,431	328,507
Net Non-operating Revenues	19,509,486	20,035,829	19,102,850
Capital Appropriation and Gifts and Grants	62,500	74,947	26,871
Increase (Decrease) in Net Position	446,727	2,051,481	2,527,538
Net Position-Beginning of Year	51,006,162	48,954,681	46,427,143
Cummulative Effect of GASB 68 & 71 Implementation	(23,678,601)		
Net Position-Beginning of Year, As Restated	27,327,561		
Net Position-End of Year	$ 27,774,288	$ 51,006,162	$ 48,954,681

(Continued)

Operating revenues Overall, net tuition and fees decreased approximately $1.8 million from the previous year. The College's full-time equivalency (FTE) for the year was 6.5% below FTE in the previous year. COTC's gross tuition and fee revenue was approximately $1.5 million lower than the previous fiscal year, but required tuition discounting impacts the net reported revenue. For fiscal year 2014, the College had $5.4 million for its calculated tuition discounts compared to $5.7 million in fiscal year 2015. In effect, more scholarship and grant dollars were applied in fiscal year 2015 to student tuition than the prior year.

Operating expenses for the campus decreased approximately $1 million from the previous year. While the College was able to provide salary increases to faculty and staff in fiscal year 2015, close monitoring of overall budgets, course sections offered, and vacancies all combined to keep costs restrained and in line with the enrollment experienced during fiscal year 2015. Additionally, the increase in the scholarship allowance referenced above led to a decrease in the amount recognized as an expense based on the reduced amount of refunds to students.

Items to note in the **Non-Operating Revenue (Expenses)** section include a decreases in Federal Grants (PELL) of $1 million which was offset by an increase in State Appropriations due to a change in the funding formula.

Statement of Cash Flows

COTC's Statement of Cash Flows reflects stable cash flows for the fiscal years presented.

Cash Flow Summary

	June 30, 2015	June 30, 2014	June 30, 2013
Net cash used by operating activities	$ (19,649,804)	$ (16,048,513)	$ (16,081,329)
Net cash provided by noncapital financing activities	19,433,828	19,688,398	18,774,343
Net cash (used) provided by capital financing activities	(1,051,594)	(732,104)	(1,529,905)
Net cash provided by capital investing activities	200,081	154,005	148,075
Net increase in cash	$ (1,067,489)	$ 3,061,786	$ 1,311,184

The overall change in COTC's cash balances in 2015 is due to the normal operations of the College.

Summary

Central Ohio Technical College has continued a pattern of fiscal stability in its operations following the enrollment declines felt during this fiscal year. Conservative spending made up for a loss in overall revenues allowing a surplus for the year, prior to recording the College's Net Pension Liability per GASB 68 and 71. On the positive side, the new state funding formula has served the college well and has provided additional funding for operations.

CENTRAL OHIO TECHNICAL COLLEGE
STATEMENTS OF NET POSITION
June 30, 2015 and 2014

	2015	2014
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 17,105,071	$ 18,172,560
Accounts Receivable		
Students, Net of Allowance of $896,206 and $886,625 in 2015 and 2014, respectively	507,285	479,987
Ohio State University	249,778	210,077
Intergovernmental Grants	1,108,444	491,790
Pledges	17,833	62,540
Other Receivable	917,754	214,674
Other Assets	186,742	98,075
Total Current Assets	20,092,907	19,729,703
Noncurrent Assets		
Endowment Investments	2,847,811	2,813,366
Pledges	33,919	45,218
Capital Assets, Net	31,212,440	31,718,726
Total Noncurrent Assets	34,094,170	34,577,310
Total Assets	54,187,077	54,307,013
Deferred Outflows of Resources		
Pension OPERS	528,505	-
Pension STRS	1,188,265	-
Total Deferred Outflows of Resources	1,716,770	-
LIABILITIES		
Current Liabilities		
Accounts Payable	202,374	321,795
Accrued Liabilities	1,186,981	1,183,520
Unearned Revenue	1,436,637	1,470,377
Current Portion of Capital Leases	16,816	26,198
Total Current Liabilities	2,842,808	3,001,890
Noncurrent Liabilities		
Accrued Liabilities	247,473	280,283
Capital Leases	1,862	18,678
Net pension liability	21,765,116	-
Total Noncurrent Liabilities	22,014,451	298,961
Total Liabilities	24,857,259	3,300,851
Deferred Inflows of Resources		
Pension OPERS	83,173	-
Pension STRS	3,189,127	-
Total Deferred Resources of Inflows	3,272,300	-
NET POSITION		
Net Investment in Capital Assets	31,193,763	31,673,851
Restricted		
Nonexpendable		
Scholarships, Fellowships, and Research	1,767,581	1,727,386
Expendable		
Scholarships, Fellowships, and Research	1,138,294	1,153,703
Capital Uses	283,356	281,997
Unrestricted	(6,608,706)	16,169,225
Total Net Position	$ 27,774,288	$ 51,006,162

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

CENTRAL OHIO TECHNICAL COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the years ended June 30, 2015 and 2014

	2015	2014
Revenues		
Operating Revenues		
Tuition and Fees (net of scholarship allowances of $5,741,530 and $5,440,262 in 2015 and 2014, respectively)	$ 7,508,989	$ 9,304,550
Federal Grants and Contracts	354,904	385,626
Private, State, and Local Gifts, Contracts and Grants	770,739	888,558
Sales and Services of Educational Departments	174,025	220,276
Auxiliary Enterprises	47,451	45,864
Other Operating Revenues	107,033	185,913
Total Operating Revenues	8,963,141	11,030,787
Expenses		
Operating Expenses		
Instructional	10,323,036	10,258,793
Public Service	117,815	72,308
Academic Support	1,704,757	1,836,098
Student Services	3,780,474	3,753,365
Institutional Support	4,809,110	4,801,018
Operation and Maintenance of Plant	2,943,725	2,736,059
Depreciation Expense	1,456,656	1,432,589
Student Scholarship and Financial Aid	2,947,816	4,194,635
Auxiliary Enterprise	5,011	5,217
Total Operating Expenses	28,088,400	29,090,082
Operating Loss	(19,125,259)	(18,059,295)
Nonoperating Revenues (Expenses)		
State Appropriations	11,574,876	10,739,549
Federal Grants and Contracts	7,858,952	8,948,849
Investment Income	84,160	376,029
Interest on Indebtedness	(1,474)	(2,620)
Loss on Disposal of Capital Assets	(7,028)	(25,978)
Net Nonoperating Revenues	19,509,486	20,035,829
Income before Other Revenues, Expenses, Gains, or Losses	384,227	1,976,534
Capital Grants and Gifts	21,411	64,239
Additions to Permanent Endowments	41,089	10,708
Total Other Revenues	62,500	74,947
Increase in Net Position	446,727	2,051,481
Net position		
Net Position at Beginning of the Year	51,006,162	48,954,681
Cumulative Effect of GASBs 68 and 71 Implementation	(23,678,601)	-
Net Position at Beginning of the Year, As Restated	27,327,561	-
Net Position at End of the Year	$ 27,774,288	$ 51,006,162

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

CENTRAL OHIO TECHNICAL COLLEGE
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Tuition and Fees	$ 6,676,855	$ 9,733,794
Grants and Contracts	732,594	1,501,083
Payments to Suppliers	(5,792,421)	(5,324,848)
Payments for Utilities	(637,215)	(609,298)
Payments to Employees	(13,570,462)	(13,148,761)
Payments for Benefits	(4,221,369)	(4,127,906)
Payments for Scholarships	(3,013,439)	(4,502,818)
Auxiliary Enterprise Receipts	47,451	45,864
Sales and Services	128,202	384,377
Net Cash Used in Operating Activities	(19,649,804)	(16,048,513)
Cash Flows from Noncapital Financing Activities		
State Appropriations	11,574,876	10,739,549
Gifts and Grants Other than Capital	7,858,952	8,948,849
Net Cash from Noncapital Financing Activities	19,433,828	19,688,398
Cash Flows from Capital Financing Activities		
Purchase of Capital Assets	(1,027,135)	(730,074)
Principal Paid on Capital Related Debt	(26,197)	(25,051)
Proceeds from Sale of Capital Assets	-	22,000
Interest on Capital Related Debt	(1,474)	(2,620)
Capital Grants and Gifts	3,212	3,641
Net Cash Used in Capital Financing Activities	(1,051,594)	(732,104)
Cash Flows from Investing Activities		
Investment Income	200,081	154,005
Net Cash Provided from Investing Activities	200,081	154,005
Net Increase in Cash	(1,067,489)	3,061,786
Cash and Cash Equivalents, beginning of year	18,172,560	15,110,774
Cash and Cash Equivalents, end of year	$ 17,105,071	$ 18,172,560
Reconciliation of Net Operating Loss to Net Cash Provided from Operating Activities		
Operating Loss	$ (19,125,259)	$ (18,059,295)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Depreciation Expense	1,456,656	1,432,589
Changes in Assets and Liabilities		
Receivables, Net	(1,386,733)	319,103
Prepaids	(54,003)	280,465
Accounts Payable	(119,421)	(117,675)
Accrued Liabilities	(29,349)	49,411
Unearned Revenue	(33,740)	46,889
Pension Expense	(357,955)	-
Net Cash Used in Operating Activities	$ (19,649,804)	$ (16,048,513)
Non Cash Transactions		
Contribution for OBR and Donated Asset	$ -	$ 46,570

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

NOTE 1 - NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

Central Ohio Technical College (COTC) was established in 1971 and currently serves over 4,300 students annually. The College operates campuses in Newark, Coshocton, Knox, and Pataskala, and serves an increasing number of students via online classes. Currently, the College offers more than 40 associate degrees and certificates within: Arts and Sciences; Engineering, Industrial and Business Technologies; Health and Human Services; and Public Safety Technologies. At COTC, students enjoy a competitive tuition rate, a wide range of campus activities and organizations, and strong academic support services.

COTC shares its Newark campus with The Ohio State University at Newark, which results in a diverse campus setting that includes 135 acres of green space. For more information, please visit www.cotc.edu.

COTC is accredited by The Higher Learning Commission and is a member of the North Central Association.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying 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). GASB Statement No. 35, *Basic Financial Statements — and Management's Discussion and Analysis —for Public Colleges and Universities* and subsequent pronouncements establish standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

- Net Investment in Capital Assets: The College's investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to the acquisition, construction, or improvement of those assets

- Restricted Nonexpendable: Resources subject to externally imposed stipulations that the College maintain them permanently. Such assets include the College's permanent endowment funds.

  Restricted Expendable: Resources whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

- Unrestricted: The unrestricted component of net position represents resources not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Accrual Basis: The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The College reports as a Business Type Activity (BTA) as defined by GASB 35. BTAs are those activities that are financed in whole or part by fees charged to external parties for goods and services.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: This classification appears on the Statement of Net Position and the Statement of Cash Flows and includes petty cash, cash of deposit with private bank accounts and savings accounts. For purposes of the statement of cash flows and for presentation of the statement of net position, investments with original maturities of three months or less at the time they are purchased by the College are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments: Investments are stated at fair value. Purchases and sales of investments are accounted for on the trade date basis. Realized and unrealized gains and losses are reported as investment income or loss.

Accounts Receivable: Accounts receivable represents the balance of unpaid student tuition charges, federal and state grants receivable, and other receivables owed to the College. The allowance for doubtful accounts related to student receivables is based on historical collection rates and management's analysis. Management reviews the accounts receivable annually and adjusts the allowance to correspond with the collection rates.

Allowance for Doubtful Accounts: The allowance for doubtful accounts is determined by management based on the College's historical losses, specific student circumstances, and general economic conditions. Periodically, management reviews accounts receivable and records an allowance for specific students based on current circumstances and charges off the receivable against the allowance when all attempts to collect the receivable have failed.

Pledges Receivable: The College has The Next Generation Challenge and Premier Faculty/Staff Scholarship as part of pledge receivables. These will provide funding for future scholarships. The Knox Capital Campaign funds the renovation of Ariel Hall in Mount Vernon and will be complete in the fiscal year 2016.

Capital Assets: Capital assets are stated at cost at date of acquisition or, in the case of gifts, at fair market value at date of gift. Equipment, furniture, and library books with a unit cost of $2,500 or more and having an estimated useful life of greater than one year are capitalized. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the respective assets, generally 20 years for land improvements, 40 years for buildings, 5 - 10 years for fixed equipment, furniture, and library books. Depreciable leasehold improvements are depreciated over the lesser of the useful life or the lease term. Depreciation starts the month of purchase.

Cost Sharing Between Related Parties: The College shares campus facilities and staff, including senior administration with The Ohio State University at Newark. Jointly incurred costs are allocated between institutions based on student enrollment and utilization factors. Additionally, each institution may purchase certain services from each other.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue: Unearned revenue consists primarily of summer school fees. The College received amounts for tuition and fees prior to June 30, 2015 and 2014 but relate to the subsequent accounting period. The College recognizes summer tuition revenue prorated on the basis of class dates within each fiscal year.

Noncurrent Liabilities: Noncurrent liabilities include compensated absences that will not be paid within the next fiscal year.

Vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the employees earn the benefits if both of these conditions are met:

- The employee's right to receive compensation is attributable to services already rendered.

- It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For vacation leave the College posts a liability for 100% of accumulated vacation time up to the maximum allowed accrued benefit.

A liability for sick leave and other compensated absences with similar characteristics (hereinafter referred to as "sick leave") should be accrued using one of the following termination approaches:

- The sick leave liability generally would be an estimate based on governmental entity's past experience of making termination payments for sick leave, adjusted for the effects of changes in termination payment policy and other current factors. This approach is known as the termination payment method.

- The sick leave liability would be an accrual for those employees expected to become eligible in one year based on assumptions concerning the probability that individual employees, classes, or groups of employees will become eligible to receive termination benefits. This accumulation should be reduced to the maximum amount allowed as a termination benefit. This approach is known as the vesting method.

For sick leave liability, the College uses the vesting method. The College posts a liability for any employee with ten years of service in the retirement system. These accumulations are reduced to the maximum amount allowed as a termination payment.

Scholarship Allowances: Student tuition and fees revenue and certain other revenues from College charges are reported net of scholarship allowances in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship allowance is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship allowance discount.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources: Deferred outflows of resources represent the consumption of resources that are applicable to a future reporting period, but do not require further exchange of goods or services. Deferred inflows of resources represent the acquisition of resources that are applicable to a future resource period. Deferred outflows of resources in the College's financial statements consist of differences between projections and actual in the OPERS and STRS Ohio pension plans and contributions subsequent to the measurement dates of the plans. Deferred inflows of resources in the College's financial statements consist of differences between projections and actual for the OPERS and STRS Ohio pension plans.

Pensions: For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net positions of the Ohio Public Employees Retirement System (OPERS) and the State Teachers Retirement System of Ohio (STRS Ohio) and additions to/deductions from OPERS' and STRS Ohio's fiduciary net positions have been determined on the same basis as they are reported by these pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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

Restricted Asset Spending Policy: The College's policy is that restrictions on assets cannot be fulfilled by the expenditure of unrestricted funds for similar purposes. The determination on whether restricted or unrestricted funds are expended for a particular purpose is made on a case-by-case basis. Restricted funds remain restricted until spent for the intended purpose.

Operating Activities: The College defines operating activities, as reported on the statement of revenues, expenses, and changes in net position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for services and goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenues relied upon for operations, such as state appropriations, Pell, grants, contracts, and investment income, are recorded as non-operating revenues, in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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 expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements: In fiscal year 2015, the provisions of the following GASB Statements became effective:

- GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, issued June 2012. The provisions of this Statement are effective for periods beginning after June 15, 2014. This Statement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- GASB Statement No. 69, Government Combinations and Disposals of Government Operations, issued January 2013. The requirements of this Statement are effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

- GASB Statement No. 71, Pension Transition of Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68, issued November 2013. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

See adoption of accounting principle section below and Note 9 for more information on the effect of GASB Statements Nos. 68 and 71. GASB Statement 69 did not have any impact on the financial statements.

<u>Newly Issued Accounting Pronouncements</u>: As of the report date, the GASB issued the following statements not yet implemented by the College:

- GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements.

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, issued June 2015. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015 except those provisions that address employers and governmental nonemployer contribution entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. This objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued June 2015. The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB).

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued June 2015. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP).

- GASB Statement No. 77, *Tax Abatement Disclosures*, issued August 2015. The requirements of this Statement are effective for reporting periods beginning after December 31, 2015. This Statement is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues.

- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, issued August 2015. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. This Statement is intended to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions.*

The College has not yet determined the effect these Statements will have on the College's financial statements and disclosures.

<u>Adoption of Accounting Principle</u>: Due to the College's adoption of GASBs 68 and 71, net position was restated at July 1, 2014. Previously, pension expense was reported equal to the amount remitted as statutory contributions. Information describing the retirement plans, contribution rates and where to find information about the plans was included in the Notes to the Financial Statements. With the adoption of GASBs 68 and 71, the College is required to report a proportionate share of the retirement system's net pension liability (or unfunded liability) and other activity, including pension expense on the College's financial statements and also provide disclosures in the Notes to the Financial Statements (See Note 9 Retirement Plans). This standard only impacts financial reporting and does not affect the amount the College is required to fund under Ohio law. Under Ohio law, employers are not required to pay more than the current statutory contribution.

The effect of this change resulted in a net decrease in net position of the College at July 1, 2014 of $23,678,601. The College did not retroactively implement these statements as of July 1, 2013 because the defined benefit plans in which the College participates did not have the information readily available. Therefore, certain disclosures required under previous GASB statements are disclosed for fiscal year 2014.

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NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2015 and 2014 were temporarily restricted and due as follows:

	2015	2014
Within one year	$ 16,825	$ 65,873
One to five years	34,225	45,218
	51,050	111,091
Allowance	1,573	3,333
Total	$ 49,477	$ 107,758

NOTE 4 - DEPOSITS AND INVESTMENTS

The College invests in those instruments identified by state statue. Specifically, authorized investment instruments consist of obligations of the U.S. Treasury, agencies and instrumentalities of the U.S. Government, bonds and other obligations of the State of Ohio and its political subdivisions and the State Treasury Asset Reserve of Ohio ("STAR Ohio" & "STAR Plus"), which are managed by the State of Ohio.

Deposits

At June 30, 2015 and 2014, the carrying amount of deposits (book balances) were as follows:

	2015	2014
Petty cash	$ 3,978	$ 3,979
Demand deposits	10,046,574	11,128,118
STAR Ohio funds	16,700	16,691
STAR Plus funds	7,037,819	7,023,772
	$ 17,105,071	$ 18,172,560

Custodial credit risk: At June 30, 2015, the carrying amount of the College's deposits was $10,046.574 and the bank balance was $10,718,334. The difference in the carrying amount and bank balance results primarily from outstanding checks. Of the bank balance, $250,000 is covered by federal deposit insurance. STAR Ohio and STAR Plus investments were also covered by federal deposit insurance of $16,700 and $7,037,819 respectively. At June 30, 2014, the carrying amount of the College's deposits was $11,128,118 and the bank balance was $11,403,284. The difference in the carrying amount and bank balance results primarily from outstanding checks. Of the bank balance, $250,000 is covered by federal deposit insurance. STAR Ohio and STAR Plus investments were also covered by federal deposit insurance of $16,691 and $7,023,772, respectively. The remaining bank balance at June 30, 2015 and 2014 of $10,468,334 and $11,153,284, respectively, is uninsured but collateralized by U.S. Treasuries held by the Federal Reserve Bank in "book entry" form in the name of the respective bank, and internally designates the securities as assigned to the College.

Investments

All investments are stated at fair value. Investments received by gift are stated at fair value at the date of gift if a fair value is available, and otherwise at an appraised or nominal value.

(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2015, the College had the following investments and maturities using the segmented time distribution method:

		Investment Maturities (in years)		
Investment Type	Fair Value	<1	1-5	6-10
Fixed Income	$ 765,034	$ 65,363	$ 699,671	$ -
Cash Equivalents	178,381	178,381	-	-
Equity Funds	1,904,396	1,904,396	-	-
STAR Ohio Funds	16,700	16,700	-	-
STAR Plus Funds	7,037,819	7,037,819	-	-
	$ 9,902,330	$ 9,202,659	$ 699,671	$ -

As of June 30, 2014, the College had the following investments and maturities using the segmented time distribution method:

		Investment Maturities (in years)		
Investment Type	Fair Value	<1	1-5	6-10
Fixed Income	$ 774,692	$ 50,087	$ 724,605	$ -
Cash Equivalents	103,104	103,104	-	-
Equity Funds	1,935,570	1,935,570	-	-
STAR Ohio Funds	16,691	16,691	-	-
STAR Plus Funds	7,023,772	7,023,772	-	-
	$ 9,853,829	$ 9,129,224	$ 724,605	$ -

Investments at June 30, 2015 and 2014 are shown in the statement of net position as current in the amount of $7,054,519 and $7,040,463, respectively, and as non-current in the amount of $2,847,811 and $2,813,366, respectively.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's Investment Policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's Investment Policy limits investments in fixed income securities to government and agency issues and corporate issues in the top four quality rating of recognized credit services. Investments below investment grade and derivatives are specifically prohibited.

(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2015 and 2014, the College had the following investments and quality ratings:

Investment Type	Rating	2015 Fair Value	2014 Fair Value
Cash Equivalents		$ 178,381	$ 103,104
STAR Ohio	AAA	16,700	16,691
STAR Plus		7,037,819	7,023,772
Fixed Income			
US Gov't Agency/Exempt State	AA+	199,514	498,262
Corporate Bonds and Notes	AA	24,869	74,842
	AA-	125,290	49,998
	A+	199,733	49,753
	A-	50,588	101,836
Marketable CD		150,266	-
Mutual Funds		14,774	-
Equity			
Common Stock		1,137,275	1,201,526
Mutual Funds		767,121	734,045
		$ 9,902,330	$ 9,853,829

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's Investment Policy limits investment in any single issue other than U.S. government securities to 10% of the total investment portfolio.

(Continued)

NOTE 5 - CAPITAL ASSETS, NET

Capital assets as of June 30, 2015 and 2014 are summarized below.

	July 1, 2014 Balance	Additions	Reductions	June 30, 2015 Balance
Assets:				
Land	$ 740,228	$ -	$ -	$ 740,228
Land Improvements	438,391	31,837	-	470,228
Buildings	39,681,600	157,790	-	39,839,390
Leasehold Improvements	271,770	-	-	271,770
Equipment, Furniture, and Library Books	6,649,653	428,036	834,174	6,243,515
Construction in Progress	1,311,760	535,486	137,135	1,710,111
	49,093,402	1,153,149	971,309	49,275,242
Accumulated Depreciation:				
Land Improvements	52,509	23,511	-	76,020
Buildings	11,643,117	995,986	-	12,639,103
Leasehold Improvements	198,010	14,630	-	212,640
Equipment, Furniture, and Library Books	5,481,040	481,147	827,148	5,135,039
	17,374,676	1,515,274	827,148	18,062,802
Capital Assets, Net	$ 31,718,726	$ (362,125)	$ 144,161	$ 31,212,440

	July 1, 2013 Balance	Additions	Reductions	June 30, 2014 Balance
Assets:				
Land	$ 740,228	$ -	$ -	$ 740,228
Land Improvements	274,555	163,836	-	438,391
Buildings	39,656,915	24,685	-	39,681,600
Leasehold Improvements	254,847	16,923	-	271,770
Equipment, Furniture, and Library Books	7,040,727	445,468	836,542	6,649,653
Construction in Progress	1,174,625	137,135	-	1,311,760
	49,141,897	788,047	836,542	49,093,402
Accumulated Depreciation:				
Land Improvements	30,589	21,920	-	52,509
Buildings	10,651,076	992,041	-	11,643,117
Leasehold Improvements	180,447	17,563	-	198,010
Equipment, Furniture, and Library Books	5,827,425	464,179	810,564	5,481,040
	16,689,537	1,495,703	810,564	17,374,676
Capital Assets, Net	$ 32,452,360	$ (707,656)	$ 25,978	$ 31,718,726

(Continued)

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable to vendors and contractors totaled $202,374 and $321,795 as of June 30, 2015 and 2014, respectively.

Accrued expense activity, which consists primarily of payroll and vacation leave, for the year ended June 30, 2015 and 2014, was as follows:

	2015				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued Liabilities	$ 1,463,803	$ 10,312,504	$ 10,341,853	$ 1,434,454	$ 1,186,981
Net Pension Liability	-	21,765,116	-	21,765,116	-

The additions column for net pension liability includes both the beginning restatement adjustment related to the implementation of GASBs 68 and 71 and the current year expense.

	2014				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued Liabilities	$ 1,414,392	$10,152,706	$ 10,103,295	$ 1,463,803	$ 1,183,520

NOTE 7 – CAPITAL LEASES

Capital assets acquired by lease have been capitalized in the Statement of Net Position in fiscal years 2015 and 2014 in the amount of $106,210. A corresponding long-term liability was recorded on the Statement of Net Position. Accumulated amortization in fiscal years 2015 and 2014 totaled $88,803 and $62,505, respectively.

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2015:

2016	$ 17,230
2017	1,872
2018	-
Total Minimum Lease Payments	19,102
Less: Amount representing interest	(424)
Present Value of Net Minimum Lease Payments	$ 18,678

Interest expense for the year ended June 30, 2015 and 2014 was $1,474 and $2,620, respectively.

(Continued)

NOTE 8 – OPERATING LEASE COMMITMENTS

The College leases certain office equipment, vehicles, and classroom space under operating leases. The following summarizes the approximate future minimum rental payments required under operating leases as of June 30, 2015:

2016	$ 89,163
2017	17,333
2018	15,480
2019	4,612
2020	-
	$ 126,588

Rent expense was $139,033 and $226,034 for the years ended June 30, 2015 and 2014, respectively.

The majority of the lease expense is part of the cost share calculation with The Ohio State University - Newark Campus (Note 1).

NOTE 9 - RETIREMENT PLANS

Net Pension Liability

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

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

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

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

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

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

Plan Descriptions: College faculty are provided with pensions through the State Teachers Retirement System of Ohio (STRS). Substantially all other College employees are provided with pensions through the Ohio Public Employees Retirement System (OPERS). Both OPERS and STRS are statewide cost-sharing multiple employer defined benefit pension plans. Authority to establish and amend benefits for OPERS and STRS are authorized [by Chapters 145 and 3307, respectively, of] the Ohio Revised Code. Both OPERS and STRS issue publicly available financial reports. The OPERS report can be obtained at https://www.opers.org/investments/cafr.shtml. The STRS report can be obtained at https://www.strsoh.org/publications/annualreports/cafrs.html.

OPERS and STRS Ohio each offer three separate retirement plans: a defined benefit plan, a defined contribution plan, and a combined plan.

OPERS and STRS Defined Benefit Plans pay service retirement benefits using a fixed formula based on age, years of service and salary. In addition to service retirement, participants are eligible for disability and survivor benefits.

OPERS Member-Directed Plan and STRS Defined Contribution Plan are optional alternative retirement plans available to new members. Participants allocate both member and employer contributions in investment choices provided by STRS Ohio. Benefits are based on the member's account value.

OPERS and STRS Combined Plans offer features of both a defined benefit plan and a member-directed or defined contribution plan. In the combined plans, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit along with disability and survivor benefits.

Benefits Provided: OPERS and STRS provide retirement, disability, annual cost-of-living adjustments, and survivor benefits for plan members and beneficiaries. The benefit provisions stated in the following paragraphs are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

OPERS Benefits

Under OPERS, retirement benefits are specific to each plan and members must meet the eligibility requirements based on their age and years of service within the plan. Retirement eligibility also varies by division and transition group.

Members who were eligible to retire under law in effect prior to SB 343 before January 7, 2023 are included in transition Groups A and B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

State and Local members in transition groups A and B are eligible for retirement benefits at age 60 with 5 years of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service.

NOTE 9 - RETIREMENT PLANS (Continued)

Under the Traditional Plan, for Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. Final average salary 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. Under the Combined Plan, the benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's final average salary for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's final average salary and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

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. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts.

The OPERS law enforcement program consists of two separate divisions: Law Enforcement and Public Safety. Both groups of members are eligible for special retirement options under the Traditional Pension Plan and are not eligible to participate in the Member-Directed or Combined plans. Public Safety Group members may file an application for full retirement benefits at age 48 or older with 25 or more years of credited service or 52 or older with 15 or more years of credited service for Groups A and B. Public Safety Group C is eligible for benefits at age 52 or older with 25 years or at age 56 or older with 15 years. Those members classified as Law Enforcement officers are eligible for full retirement at age 52 or older with 15 or more years of credited service for Group A. Law Enforcement Group B is eligible at age 48 or older with 25 years or at age 52 or older with 15 years of service. Law Enforcement Group C is eligible at age 48 or older with 25 years of service or at age 56 with 15 years of service. Annual benefits under both divisions are calculated by multiplying 2.5% of final average salary by the actual years of service for the first 25 years of service credit, and 2.1% of final average salary for each year of service over 25 years. In the Combined Plan, the benefit formula for the defined benefit component of the plan for state and local members in transition Groups A and B applies a factor of 1.0% to the member's FAS and the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. These options also permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members in the plan as of July 29, 1992, could elect coverage under either the original plan or the revised plan. All members who entered the System after July 29, 1992, are automatically covered under the revised plan. Under the original plan, a member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit. Benefits are funded by the employee and employer contributions and terminate if the member is able to return to work. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. The benefit is funded by reserves accumulated from employer contributions. Law Enforcement officers are immediately eligible for disability benefits if disabled by an on-duty illness or injury. Members participating in the Member-Directed Plan are not eligible for disability benefits.

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may qualify for survivor benefits if the deceased employee had at least one and a half years of service credit with the plan, and at least one quarter year of credit within the two and one-half years prior to the date of death. Law Enforcement and Public Safety personnel are eligible for survivor benefits immediately upon employment.

Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit. Members retiring under the Combined Plan receive a 3% cost-of-living adjustment on the defined benefit portion of their benefit.

STRS Benefits

Under the Defined Benefit Plan, on or before July 1, 2015, benefits are based on 2.2% of final average salary for the three highest years of earnings, multiplied by years of total Ohio service credit. The percentages increase if the member has 35 or more years of contributing service credit. Effective Aug. 1, 2015, benefits are based on an annual amount equal to 2.2% of final average salary for the five highest years of earnings, multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective Aug. 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 and five years of service on Aug. 1, 2026.

Under the Combined Plan, member contributions are allocated among investment choices by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular Defined Benefit Plan. Benefits are based on the balance in the member's defined contribution account plus an annual amount equal to 1% of final average salary for the three highest paid years multiplied by years of total Ohio service credit. Effective Aug. 1, 2015, final average salary will be average of the member's five highest salary years. 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 Combined Plan may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

The Defined Contribution Plan allows members to place all their member and 9.5% of employer contributions into an investment account. Investment allocation decisions are determined by the member. 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.

A Defined Benefit Plan or Combined Plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits. Disability benefits are determined in the same manner as retirement benefits. Members in the Defined Contribution Plan who become disabled are entitled only to their account balance. If a member of the Defined Contribution Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Under the Defined Benefit Plan, members will receive a 2% annual cost of living adjustment beginning on the fifth anniversary of retirement. Under the Combined Plan, a cost of living adjustment is not available on the service retirement benefit. For disability and survivor benefits, the basic benefit is increased each year by 2% of the original base benefit.

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

Contributions

OPERS Contributions

Employer and member contribution rates are established by the OPERS Board subject to limits per Chapter 145 of the Ohio Revised Code. Under the OPERS plans, the employee contribution rate for the years ended June 30, 2015 and 2014 is 10% for all employees with the exception of law enforcement. The law enforcement contribution rate was 12.6% through December 31, 2013 and increased to 13% effective January 1, 2014. The employer contribution rate is 14% for all employees with the exception of law enforcement whose rate is 18.1%. For Member-Directed Plans, for the years ended June 30, 2014 and 2013, 13.23% was paid into the member's member-directed account and the remaining .77% was paid to OPERS, as required by state legislation, to cover unfunded liabilities.

The College's contributions to OPERS were $678,568, $670,686, $675,858 and $762,230 for the fiscal years ended June 30, 2015, 2014, 2013 and 2012, respectively, whereas the College's contributions to the ARP totaled 72,389, $65,320, $68,696 and $80,787. The College's contributions were equal to the required contributions for each year as set by state statute.

STRS Contributions

Employer and member contribution rates are established by the STRS Board and limited by Chapter 3307 of the Ohio Revised Code. Under the STRS plans, the employee contribution rate is 12% and 11%, for years ended June 30, 2015 and 2014, respectively. Under the Combined Plan, 1% of the employee contribution is to fund the defined benefit. The member contribution rate is scheduled to increase to 13% of salary effective July 1, 2015 and to 14% of salary effective July 1, 2016. The employer contribution rate is 14%. Under the Defined Contribution Plan, 4.5 percent of the employer contribution is used to amortize the unfunded actuarial accrued liability of the defined benefit plan.

The College's contributions to STRS for the years ended June 30, 2015, 2014, 2013 and 2012, respectively, were $1,022,310, $1,005,494, $1,029,488 and $1,174,827, whereas the College's contributions to the ARP totaled $48,492, $32,375, $18,104 and $20,492. The College's contributions were equal to the required contributions as set by state statute.

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

OPERS Pension Costs

At June 30, 2015, the College reported a liability of $4,526,946 for its proportionate share of the OPERS net pension liability. The net pension liability was measured as of December 31, 2014, 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 OPERS relative to the total employer contributions received from all of OPERS' participating employers. At December 31, 2014, the College's proportion was .037627% for Traditional Plan and .029324% for the Combined Plan.

The net pension liability and asset for the Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2014, and the total pension liabilities were determined by an actuarial valuation as of that date.

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

For the year ended June 30, 2015, the College recognized pension expense of $497,956. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 83,173
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments	242,836	-
College contributions subsequent to the measurement date	285,669	-
Total	$ 528,505	$ 83,173

At June 30, 2015, the College reported $285,669 as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to OPERS pensions will be recognized in pension expense as follows:

2016	$ (23,509)
2017	(23,509)
2018	(54,151)
2019	(60,299)
2020	410
Thereafter	1,395

STRS Pension Costs

At June 30, 2015, the College reported a liability of $17,238,170 for its proportionate share of the STRS net pension liability. The net pension liability was measured as of July 1, 2014, 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 long-term share of contributions to the pension plan relative to the total employer contributions from all participating STRS employers. At June 30, 2014 the College's proportion was .07087%.

NOTE 9 - RETIREMENT PLANS (Continued)

For the year ended June 30, 2015, the College recognized pension expense of $724,272. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 165,955	$ -
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments	-	3,189,127
College contributions subsequent to the measurement date	1,022,310	-
Total	$ 1,188,265	$ 3,189,127

At June 30, 2015, the College reported $1,022,310 as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to STRS pensions will be recognized in pension expense as follows:

2016	$ 755,793
2017	755,793
2018	755,793
2019	755,793

Actuarial Assumptions

OPERS Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.75 percent
Salary increases	4.25 – 10.05 percent, average, including inflation
Investment rate of return	8.00 percent
Cost of living adjustment	3.00% simple

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

Mortality rates are the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disabled female mortality rates were used, set forward two years. For females, 100% of the disabled female mortality rates were used.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the five year period ended December 31, 2010.

The allocation of investment assets within the Defined Benefit portfolio is approved by the OPERS Board as outlined in the annual investment plan. 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. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class Return	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	23.00%	2.31%
Domestic equity	19.90	5.84
International equity	19.10	7.40
Real estate	10.00	4.25
Private equity	10.00	9.25
Other	18.00	4.59
Total	100%	

STRS Actuarial Assumptions

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

Inflation	2.75 percent
Salary increases	12.25% at age 20 to 2.75% at age 70
Investment rate of return	7.75 percent, net of pension plan investment expense
Cost-of-living adjustments	2% simple applied as follows: for members retiring before Aug. 1, 2013, 2% per year; for members retiring Aug. 1, 2013, or later, 2% COLA paid on fifth anniversary of retirement date

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

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

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

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

Asset Class Return	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	18.00%	3.75%
Domestic equity	31.00	8.00
International equity	26.00	7.85
Alternative investments	14.00	8.00
Real estate	10.00	6.75
Liquidity reserves	1.00	3.00
Total	100%	

Discount rate: The discount rate used to measure OPERS total pension liability was 8.0% as of December 31, 2014. The projection of cash flows used to determine the discount rates assumed that employee and College contributions will be made at the statutory contribution rates. Based on those assumptions, the pension plan's fiduciary net position were 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 both the Traditional Pension Plan and the Combined Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate: The following presents the College's proportionate share of the OPERS pension plans net pension liability calculated using the discount rate of 8.0%, 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 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
College's proportionate share of the net pension liability:			
Traditional Pension Plan	$ 8,349,055	$ 4,538,192	$ 1,328,609
Combined Plan	1,466	(11,143)	(21,407)

The following presents the College's proportionate share of the STRS pension plans net pension liability calculated using the discount rate of 8.0%, 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 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	$ 24,378,320	$ 17,238,171	$ 10,946,307

Pension plan fiduciary net position: Detailed information about OPERS and STRS fiduciary net position is available in the separately issued financial reports. Financial reports for OPERS may be obtained o at www.opers.org or by writing to Ohio Public Employees Retirement System, Director-Finance, 277 East Town Street, Columbus, Ohio 43215-4642. Financial reports for STRS may be obtained at strsoh.org or by writing to State Teachers Retirement System of Ohio, Attn: Chief Financial Officer, 275 E. Broad St., Columbus, OH 43215-3771.

NOTE 10 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS): OPERS provides access to post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Access to health care coverage for disability recipients and primary survivor recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB to its eligible members and beneficiaries. Authority to establish and amend benefits is provided per the Ohio Revised Code.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 2.0% during calendar years 2014. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 1.0% during calendar year 2013. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of the College's calendar year 2014, 2013, and 2012 contributions required and made to OPERS used to fund post-retirement benefits was $13,571, $47,887, and $193,093, respectively.

(Continued)

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

State Teachers Retirement System (STRS Ohio): STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, 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. Of the 14% employer contribution rate, 1% of the covered payroll was allocated to post-employment health care for the years ended June 30, 2014 and 2013. Effective July 1, 2014, 0% of covered payroll was allocated to post-employment health care. The portion of the College's fiscal years 2015, 2014, and 2013 contributions required and made to STRS Ohio used to fund post-employment benefits was $0, $100,549, and $102,949, respectively.

NOTE 11 - OPERATING EXPENSES BY NATURAL CLASSIFICATION

The College's operating expenses by natural classification were as follows for the year ended June 30, 2015 and 2014:

	2015	2014
Salaries and wages	$ 13,580,091	$ 13,257,601
Employee benefits	3,833,590	4,071,381
Supplies and materials	1,874,274	1,948,294
Services	3,693,136	3,546,482
Utilities	637,215	609,298
Depreciation	1,456,656	1,432,589
Student scholarships and financial aid	3,013,438	4,224,437
	$ 28,088,400	$ 29,090,082

NOTE 12 - RISK MANAGEMENT

Central Ohio Technical College is exposed to various risks of loss related to torts, theft of, damage to, and destructions of assets, errors, omissions, injuries to employees and natural disasters. The College contracts with Wright Specialty Insurance and United Educators for property and general liability insurance, including boiler and machinery coverage. General liability insurance is maintained in the amount of $1,000,000 for each occurrence and $3,000,000 in the aggregate. The College also carries a $10,000,000 excess liability policy that provides coverage beyond the general liability. There has been no significant change in coverage from the prior year.

Vehicles are covered by Wright Specialty Insurance and hold a $500 deductible. Automobile liability coverage has a $1,000,000 limit. Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years and there has been no significant reduction in coverage from the prior year.

(Continued)

NOTE 12 - RISK MANAGEMENT (Continued)

Central Ohio Technical College pays the State Worker's Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative cost.

Central Ohio Technical College provides life insurance to its employees through the Ohio State University.

Central Ohio Technical College obtains hospitalization coverage for its employee through the Ohio State University. The carrier for the hospitalization coverage is NGS American, Inc., Delta Dental for dental insurance, and Vision Service Plan for vision insurance. The College pays a composite rate per employee and the employees co-pay based on their insurance plan and level of coverage. Premiums are paid from the same funds that pay the employees' salaries.

Central Ohio Technical College is involved from time to time in routine litigation. Management does not believe that the ultimate resolution of this litigation will be material to its financial condition or results of operation.

The College receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs, generally requires compliance with terms and conditions specified in the grant and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the unrestricted or restricted educational and general funds or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial statements of the College at June 30, 2015.

SUPPLEMENTAL INFORMATION

CENTRAL OHIO TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2015

	Federal CFDA Number	Pass-Through Entity Number	Expenditures
United States Department of Education			
Direct Award			
Student Financial Aid Cluster:			
Federal Direct Student Loans	84.268		$ 10,490,330
Federal Pell Grant	84.063		7,858,952
Federal Supplemental Education Opportunity Grant (SEOG)	84.007		146,157
Federal Work Study	84.033		91,619
Total Student Financial Aid Cluster			18,587,058
Passed through State Department of Education			
Career and Technical Education - Perkins Grant:			
Disability Services	84.048	06507820-C2	125,698
Total U.S. Department of Education			18,712,756
United States Department of Veterans Affairs			
Direct Award			
Post-9/11 Veterans Educational Assistance	64-027		1,138
Total Expenditures of Federal Awards			$ 18,713,894

See accompanying Notes to the Schedule of Expenditures of Federal Awards

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule can differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – OUTSTANDING LOANS

The College originates but does not make Federal Direct Student Loans (FDLs). For the fiscal year 2015, the College certified need for $10,490,330 in Guaranteed Student Loan and Supplemental Loans. The amount presented represents the value of new FDLs awarded during the fiscal year as follows:

Federal Subsidized Loans	$ 5,846,575
Federal Unsubsidized Loans	4,613,275
Plus Loans	30,480
Total FDL	$ 10,490,330

Crowe Horwath LLP
Independent Member Crowe Horwath International

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

To the President and Board of Trustees
Central Ohio Technical College and
David Yost, Auditor of State
Newark, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central Ohio Technical College as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Central Ohio Technical College's financial statements, and have issued our report thereon dated December 22, 2015.

Internal Control Over Financial Reporting

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

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting 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.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
December 22, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

To the President and Board of Trustees
Central Ohio Technical College and
David Yost, Auditor of State
Newark, Ohio

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

(Continued)

Report on Internal Control Over Compliance

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

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

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

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

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
December 22, 2015

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiencies identified not considered to be material weaknesses?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiencies identified not considered to be material weakness(es)?		Yes	X	None reported
Type of auditors' report issued on compliance for major programs	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))?		Yes	X	No

(Continued)

PART I: SUMMARY OF AUDITORS' RESULTS (Continued)

Name of Major Program Identified	CFDA Number(s)
U.S. Department of Education	
Student Financial Aid Cluster:	
Federal Pell Grant Program	84.063
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity Grants	84.007
Federal Direct Student Loans	84.268

Dollar threshold used to distinguish between Type A and Type B programs $300,000

Auditee qualified as low-risk auditee? ______X______ Yes ______________ No

PART II: FINANCIAL STATEMENT FINDINGS SECTION

There were no findings.

PART III: MAJOR FEDERAL AWARD AUDIT FINDINGS AND QUESTIONED COSTS SECTION

There were no findings.

PART IV: SUMMARY OF PRIOR YEAR FINDINGS

There were no findings.

CENTRAL OHIO TECHNICAL COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the year ended June 30, 2015

OPERS		2015
College's proportion of the collective net pension liability (asset) – Traditional Plan		0.037627%
College's proportion of the collective net pension liability (asset) – Combined Plan		0.029324%
College's proportionate share of the collective net pension liability (asset)	$	4,526,946
College's covered-employee payroll	$	4,846,915
College's proportionate share of the collective net pension liability as a percentage of the employer's covered-employee payroll		107.07%
Plan fiduciary net position as a percentage of the total pension liability		84.00%
STRS Ohio		
College's proportion of the collective net pension liability (asset)		0.07087%
College's proportionate share of the collective net pension liability (asset)	$	17,238,170
College's covered-employee payroll	$	7,302,216
College's proportionate share of the collective net pension liability as a percentage of the employer's covered-employee payroll		42.36%
Plan fiduciary net position as a percentage of the total pension liability		74.70%

NOTE: Years prior to 2015 are not available.

CENTRAL OHIO TECHNICAL COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
For the year ended June 30, 2015

OPERS		2015
Statutorily required contribution	$	678,568
Contributions in relation to the statutorily required contribution	$	678,568
Annual contribution deficiency	$	-
College's covered-employee payroll	$	4,846,915
Contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered employee payroll		14%
STRS Ohio		
Statutorily required contribution	$	1,022,310
Contributions in relation to the statutorily required contribution	$	1,022,310
Annual contribution deficiency	$	-
College's covered-employee payroll	$	7,302,216
Contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered employee payroll		14%

Board of Trustees:

Title/Name	Term Expires	Surety	Amount of Coverage
Cheryl L. Snyder (1)	2018	(2)	$ 1,000,000
Chairperson			
John F. Hinderer (1)	2017	(2)	1,000,000
Members			
Billie J. Zimmers	2016	(2)	1,000,000
Steven A. Cohen	2015	(2)	1,000,000
Marion M. Sutton (1)	2018	(2)	1,000,000
Mark R. Ramser (1)	2016	(2)	1,000,000
Barry M. Riley (1)	2016	(2)	1,000,000
Sarah R. Wallace (1)	2017	(2)	1,000,000
Vice-Chairperson			
Robert A. Montagnese	2017	(2)	1,000,000

(1) School Board Caucus
(2) Marsh USA, Wright Specialty Insurance, Uniondale, New York. The College also has a $10 million umbrella insurance policy with United Educators. Chevy Chase, Maryland.

(Continued)

Name	Title	Surety	Amount of Coverage
Dr. Bonnie L. Coe	President	(1)	$ 1,000,000
Dr. Lauri White	Vice President for Academic Affairs	(1)	1,000,000
Mr. David Brillhart	Vice President for Business and Finance	(1)	1,000,000
Ms. Teri Holder	Vice President for Extended Campuses and Gateway	(1)	1,000,000
Ms. Jacqueline Parrill	Vice President for Institutional Planning and Human Resource Development	(1)	1,000,000

(1) Marsh USA, Wright Specialty Insurance, Uniondale, New York. The College also has a $10 million umbrella insurance policy with United Educators. Chevy Chase, Maryland.

CENTRAL OHIO TECHNICAL COLLEGE

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 2, 2016

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