Cincinnati State Technical and Community College

Financial Statements

June 30, 2019 and 2018

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAs & Advisors

OHIO AUDITOR OF STATE
KEITH FABER

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Board of Trustees
Cincinnati State Technical and Community College
3520 Central Parkway
Cincinnati, Ohio 45223

We have reviewed the *Independent Auditors' Report* of the Cincinnati State Technical and Community College, Hamilton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2018 through June 30, 2019. 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 Cincinnati State Technical and Community College is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

November 8, 2019

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Cincinnati State Technical and Community College

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Cincinnati State Technical and Community College
Cincinnati, Ohio

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Cincinnati State Technical and Community College (the "College"), a component unit of the State of Ohio, as of and for the year ended June 30, 2019, 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.

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the College, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements
The financial statements of the College as of June 30, 2018, were audited by other auditors whose report dated October 12, 2018, expressed unmodified opinions on those statements.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of the College's pension and OPEB amounts and contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 14, 2019

Introduction, Mission and Governance

Our discussion and analysis of Cincinnati State Technical and Community College's (the "College") financial performance provides an overview of the College's financial activities for the year ended June 30, 2019, with selected comparative information for the fiscal years ended June 30, 2018 and 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto which follow this section.

The College is a public, two-year Community College operating under the authority of Ohio Revised Code Chapter 3358 (and other sections of the Ohio Revised Code as applicable) and the Ohio Department of Higher Education. As stipulated by the Ohio Revised Code, the College is governed by a Board of Trustees consisting of up to nine members appointed by the Governor of the State of Ohio. Board Members serve staggered 6 year terms and the College presently has a full nine member board. Additional information about the Board of Trustees may found on the College's public website.

The President and the Board of Trustees establish the Mission of the College, which is to provide student-focused, accessible, quality technical and general education, academic transfer, experiential and co-operative education and workforce development. The President and the Board of Trustees also establishes the College's Strategic Plan. The College has commenced the process to update its Strategic Plan, and expects the Board of Trustees, upon the recommendation of the President, to approve an updated Strategic Plan during fiscal year 2020. The current Strategic Plan, affirmed by the Board of Trustees, is organized around four key goals:

- Increase Student Success
- Expand Our Reach
- Build Community
- Strengthen Fiscal Sustainability

The President and Board of Trustees set the following fiscal priorities for the College for fiscal year 2019:

- Support the Mission and Student Success through support of educational programs; and
- Increase cash and cash equivalent reserves, positive annual net surplus, and increased Senate Bill 6 score.

The College's fiscal year 2019 results achieved the priorities of the President and the Board of Trustees.

The College is fully accredited by both the Higher Learning Commission and the Ohio Department of Higher Education and the College holds numerous programmatic accreditations. The Higher Learning Commission completed a Comprehensive Quality Review site visit in the spring of 2019 resulting in the affirmation of the College's accreditation.

The College furthers its mission by offering more than 100 associate degree programs and certificates in Business Technologies, Health and Public Safety, Engineering and Information Technologies, and Humanities and Sciences. The College offers the community both "transfer" associate degrees and "career technical" associate degrees. "Transfer" associate degrees provide students an affordable, convenient pathway toward a baccalaureate degree in a wide variety of disciplines. "Career technical" degrees provide students in the community with the skills and knowledge necessary for high tech, in demand jobs in our region. The career technical degrees provides students with co-operative education in partnership with industry stakeholders. Cincinnati State has one of the largest co-op education programs in the country.

The College also provides the community with continuing education opportunities through flexibly scheduled courses, seminars, and on-site training for area businesses and industries through its Workforce Development Center. The College has proposed its first two baccalaureate degrees programs (Culinary Food Science and Land Surveying) which have received initial approval from the Ohio Department of Higher Education and are actively being reviewed by the Higher Learning Commission for accreditation. The College is optimistic that both baccalaureate programs will receive approval to be offered no later than Fall 2021.

The College is committed to providing the community with college pathways that are accessible. In furtherance of this commitment, the College's tuition cost is substantially less than other colleges or universities in the region. Moreover, admission is open access, with a majority of incoming students utilizing tutoring, remedial courses, and other academic support services provided by the College.

Ohio Department of Higher Education has designated Butler County and Hamilton County as the College "service areas". The College draws students from other counties as well, specifically four Ohio counties in the metropolitan Cincinnati area and counties in Northern Kentucky and Eastern Indiana.

The College offers multiple online learning courses and degrees that enroll students from both inside and outside the geographic region described above. The College also offers dual education credit (referred to in Ohio as "College Credit Plus") to high school students on its campuses and in high schools.

Financial Summary

The College's financial report consists of three financial statements: the statement of net position; the statement of revenue, expenses, and changes in net position; and the statement of cash flows. These statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles. The College has adopted GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by additional GASB statements. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements focus on the College as a whole, with resources classified for accounting and reporting purposes into three net position categories.

Under the provision of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the Cincinnati State Technical and Community College Foundation (the "Foundation") has been determined to be a component unit of the College. Accordingly, the Foundation will be discretely presented in the College's financial statements. The discretely presented component unit has been excluded from the management's discussion and analysis.

During fiscal year 2015, the College implemented GASB Statement No. 68, *Accounting and Reporting for Pensions*, an amendment to GASB Statement No. 27 and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. During fiscal year 2018, the College implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The College is now recognizing both its unfunded pension benefit obligation and its unfunded postemployment benefit plans (OPEB) obligation as liabilities on the statement of net position. The statements also enhance accountability and transparency through revised note disclosures and required supplementary information.

Statement of Net Position

The statement of net position presents the financial position of the College at the end of the fiscal year. Net position represents the difference between total assets and deferred outflows and total liabilities and deferred inflows. Net position indicates the overall financial condition of the College, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summarized comparison of the College's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at June 30 follows (*in thousands*):

	2019	2018	2017
Assets and Deferred Outflows of Resources			
Cash, cash equivalents, and investments	$ 20,769	$ 16,833	$ 17,069
Accounts receivable – Net	6,586	12,000	11,951
Other assets	763	604	312
Other long-term assets	2,952	-	-
Capital assets – Net	75,170	75,322	81,132
Total assets	106,240	104,759	110,464
Deferred outflows of resources	17,187	24,427	21,051
Total assets and deferred outflows of resources	**$ 123,427**	**$ 129,186**	**$ 131,515**
Liabilities and Deferred Inflows of Resources			
Accounts payable and accrued expenses	$ 8,591	$ 9,557	$ 9,930
Deferred revenue	3,941	3,213	3,885
Long-term liabilities	105,830	134,774	144,566
Total liabilities	118,362	147,544	158,381
Deferred inflows of resources	23,884	14,697	11,170
Total liabilities and deferred inflows of resources	142,246	162,241	169,551
Net Position			
Net investment in capital assets	44,995	42,251	45,118
Restricted	1,022	1,525	1,019
Unrestricted	(64,836)	(76,831)	(84,173)
Total net position	(18,819)	(33,055)	(38,036)
Total liabilities, deferred inflows of resources, and net position	**$ 123,427**	**$ 129,186**	**$ 131,515**

Assets and Deferred Outflows of Resources

Cash, cash equivalents, and investments make up 16.8 percent, 13.0 percent and 13.0 percent of total assets and deferred outflows at June 30, 2019, 2018, and 2017, respectively. Cash, cash equivalents, and investments include bank deposits, cash on hand, U.S. government agency securities, and Treasury notes. Cash and cash equivalents were up, $3.9 million, at June 30, 2019 from June 30, 2018.

Accounts receivable make up 5.3 percent, 9.3 percent, and 9.1 percent of the total assets and deferred outflows a June 30, 2019, 2018, and 2017, respectively. The net decrease in accounts receivable in fiscal year 2019 was attributable to decreases in overall tuition and fees due to decreasing enrollment and adjustment to allowance for doubtful accounts to reflect actual collections. The slight increase in net accounts receivable in fiscal year 2018 was attributable primarily to the increase student accounts receivable and collaboration agreement receivable. Accounts receivable at June 30 include (in thousands):

Accounts Receivable

	2019	2018	2017
Tuition and fees	$ 14,028	$ 15,351	$ 15,626
Collaboration agreement	1,499	1,694	493
Grants and other	1,214	1,421	1,017
Leases	130	317	1,086
Allowance for doubtful accounts	(10,285)	(6,783)	(6,271)
Total net accounts receivable	**$ 6,586**	**$ 12,000**	**$ 11,951**

Capital assets, net of depreciation, make up 60.9 percent, 58.3 percent, and 61.7 percent of the total assets and deferred outflows at June 30, 2019, 2018, and 2017, respectively. The decrease in the capital assets percentage in fiscal years 2018 and 2019 is due primarily to depreciation of the capital assets offset by additions. In fiscal year 2018, a portion of the decrease in capital assets is also due to an adjustment to decrease value of a vacant building owned by the College in Middletown, Ohio in the amount of approximately $1.9 million. This impairment is discussed more in more detail in Note 6 to the Financial Statements. Other assets include prepaid expenses, bond escrow payments, and cafeteria, restaurant, and other College inventories.

Liabilities and Deferred Inflows of Resources

The $20.0 million decrease in total liabilities and deferred inflows of resources was primarily due to the decreases in debt obligations, including capital leases ($3.3 million), net pension liability ($15.7 million), net OPEB liability ($10.0 million), and accrued expenses ($1.0 million) with corresponding increases in deferred inflows of resources ($9.2 million). In fiscal year 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and recognized an increase in the net OPEB liability of $21.0 million and an increase in OPEB related deferred outflows of resources of $1.7 million and deferred inflows of resources of $2.3 million. Liabilities for long-term debt, including capital leases, were reduced in fiscal year 2019 by the amount of scheduled principal payments made by the College. Long-term debt is discussed in more detail in Note 7 to the Financial Statements. The other activity in this area relates to the net pension and OPEB liabilities and related deferred outflows of resources, which are included in Notes 16 and 17 of the Financial Statements.

Net Position

Total net position increased $14.2 million compared to June 30, 2018. The increase in net position was impacted by the change in net pension and OPEB assets and liabilities. Restricted net position is subject to externally imposed stipulations that they either be maintained permanently (unexpendable) or that they can be fulfilled by actions of the College pursuant to those stipulations (expendable). All of the College's restricted net position is expendable and includes reserves for debt service and deferred maintenance. Unrestricted net position is not subject to externally imposed stipulations and may be designated for specific purposes by action of management or the board of trustees. Substantially all unrestricted net position is allocated for academic programs, general operations, deferred maintenance, and initiatives.

Statement of Revenue, Expenses, and Changes in Net Position

The statement of revenue, expenses, and changes in net position presents both the operating results and the nonoperating revenue and expenses of the College. State appropriations, while budgeted for operations, are considered nonoperating revenue. Statements of Revenue, Expenses and Changes in Net Position are presented including and excluding the GASB 68 and GASB 75. A summarized comparison for the years ended June 30 follows (in thousands):

Statement of Revenue, Expenses, and Changes in Net Position (including GASB 68/75 expense)

	2019	2018	2017
Revenues			
Tuition and fees – Net	$ 21,409	$ 23,638	$ 22,753
Grants and contracts	12,699	14,098	15,424
Sales and services	2,004	2,347	2,302
Auxiliary services	2,446	3,053	3,150
Other operating revenue and gifts	1,789	1,564	1,316
State instructional appropriations	28,755	29,671	30,516
State capital appropriations	3,945	1,904	2,121
Total revenue	73,047	76,275	77,582
Expenses			
Instruction	19,418	10,794	29,308
Public support	2,183	2,191	3,980
Academic support	4,308	3,662	6,412
Student services	3,879	2,851	7,358
Institutional support	15,981	12,688	18,881
Operations and maintenance	4,779	5,971	5,581
Depreciation and amortization	3,736	4,064	4,236
Scholarships	988	864	1,032
Auxiliary services	2,464	3,229	3,351
Loss on disposal of capital assets	10	-	-
Interest on capital asset related debt	1,065	791	1,208
Total expenses	58,811	47,105	81,347
Increase (Decrease) in net position	$ 14,236	$ 29,170	$ (3,765)

Statement of Revenue, Expenses, and Changes in Net Position (excluding GASB 68/75 expense)

	2019	2018	2017
Revenues			
Tuition and fees – Net	$ 21,409	$ 23,638	$ 22,753
Grants and contracts	12,699	14,098	15,424
Sales and services	2,004	2,347	2,302
Auxiliary services	2,446	3,053	3,150
Other operating revenue and gifts	1,789	1,564	1,316
State instructional appropriations	28,755	29,671	30,516
State capital appropriations	3,945	1,904	2,121
Total revenue	73,047	76,275	77,582
Expenses			
Instruction	26,474	28,113	29,308
Public support	2,733	3,974	3,980
Academic support	5,600	6,687	6,412
Student services	4,942	5,752	7,358
Institutional support	17,848	16,896	18,380
Operations and maintenance	5,337	7,349	5,581
Depreciation and amortization	3,736	4,064	4,236
Scholarships	988	864	1,032
Auxiliary services	2,464	3,229	3,351
Loss on disposal of capital assets	10	-	-
Interest on capital asset related debt	1,065	791	1,208
Total expenses	71,197	77,719	80,846
Increase (Decrease) in net position	$ 1,850	$ (1,444)	$ (3,264)

Revenues

Revenue for fiscal year 2019 decreased by $3.2 million or 4.2 percent over fiscal year 2018 when including the impact of GASB 68/75. The change derives primarily from the following functional categories of revenue:

1. Student tuition and fees are reported net of scholarship allowance. Net instructional revenue for fiscal year 2019 decreased by $2.2 million, or 9.4 percent, from fiscal year 2018 primarily due to decreased enrollment net of tuition increases.

2. Grants and contracts decreased by $1.4 million, or 9.9 percent, compared to fiscal year 2018.

3. State instructional appropriations decreased by $0.9 million or 3.1 percent due to the impact on state funding primarily due to lower full-time equivalent enrollment. State instructional appropriations are based upon an allocation among all Ohio community colleges and trailing averages based on full time equivalent enrollment, degrees, certificates, transfers and other credit hour-based factors.

4. State capital appropriations increased by $2.0 million, or 107.2 percent, compared to fiscal year 2018, largely as a result of the timing in state capital projects from year to year.

5. Auxiliary services decreased by $0.6 million, or 19.9 percent, compared to fiscal year 2018, primarily due to changes in the operating model of MCI's retail food operations. The operating model change resulted in a positive impact to net position for Auxiliary services compared to 2018. Other Auxiliary services (such as parking) also experienced declines in revenue consistent with enrollment declines.

Revenue for fiscal year 2018 decreased by $1.3 million or 1.7 percent over fiscal year 2017 when including the impact of GASB 68/75. The change derives primarily from the following functional categories of revenue:

1. Student tuition and fees are reported net of scholarship allowance. Net instructional revenue for fiscal year 2018 increased slightly by $0.9 million, or 3.9 percent, from fiscal year 2017 primarily due to increases in College Credit Plus (dual enrollment programs) and additional student fees.

2. Grants and contracts decreased by $1.3 million, or 8.6 percent, compared to fiscal year 2017.

3. State instructional appropriations decreased by $0.8 million or 2.8 percent based on the impact on state funding primarily due to lower full-time equivalent enrollment in comparison to other Ohio community colleges. State instructional appropriations are based upon an allocation among all Ohio community colleges and trailing averages based on full time equivalent enrollment, degrees, certificates, transfers and other credit hour-based factors.

4. State capital appropriations decreased by $0.2 million, or 10.2 percent, compared to fiscal year 2017, largely as a result of the timing in state capital projects from year to year.

Expenses

Expenses for fiscal year 2019 increased by $11.7 million, or 24.9 percent, over fiscal year 2018 when including the impact of GASB 68/75. When excluding the impact of GASB 68/75, expenses decreased $6.5 million, or 8.4 percent over fiscal year 2018. The change derives primarily from the following functional categories of expense, but the decrease in each functional category of expense (excluding adjustments for GASB 68 and 75) is due to management of personnel and operating expenses relative to enrollment declines:

1. Instructional expenses decreased by $1.6 million or 5.8 percent, over fiscal year 2018.

2. Public support expenses decreased by $1.2 million or 31.2 percent, over fiscal year 2018.

3. Academic support expenses decreased by $1.1 million or 16.2 percent, over fiscal year 2018.

4. Operations and maintenance of plant expenses decreased by $2.0 million, or 27.4 percent, over fiscal year 2018.

Expenses for fiscal year 2018 decreased by $34.2 million, or 42.1 percent, over fiscal year 2017 when including the impact of GASB 68/75. When excluding the impact of GASB 68/75, expenses decreased $3.6 million, or 4.5 percent over fiscal year 2017. The change derives primarily from the following functional categories of expense:

1. Instructional expenses decreased by $1.2 million or 4.0 percent, over fiscal year 2017. This was the result of decreased spending for tenure track and adjunct faculty instructors due to reduced course section offerings and decreased in restricted grant fund support expenses.

2. Student services expenses decreased by $1.6 million or 21.8 percent, over fiscal year 2017, primarily due to reduction of student services personnel and support costs.

3. Operations and maintenance of plant expenses increased by $1.8 million, or 31.7 percent, over fiscal year 2017 primarily due to the adjustment to the value of the Middletown, Ohio vacant building.

4. Auxiliary services expenses decreased $0.1 million or 3.6 percent, over fiscal year 2017 due to lower enrollment and improved management and cost reductions.

Statement of Cash Flows

The statement of cash flows provides additional information about the College's financial results by reporting the major sources and uses of cash. A comparative summary of the statement of cash flows for the years ended June 30 follows (in thousands):

Statement of Cash Flows

	2019	2018	2017
Net cash used in operating activities	$ (30,033)	$ (36,178)	$ (39,999)
Net cash provided by non-capital financing activities	36,966	38,244	40,089
Net cash used in capital and related financing activities	(3,614)	(2,488)	(2,797)
Net cash (used in) provided by investing activities	(3,644)	(1,571)	865
Net (decrease) increase in cash and cash equivalents	(325)	(1,993)	(1,842)
Cash and cash equivalents – Beginning of year	2,979	4,972	6,814
Cash and cash equivalents – End of year	**$ 2,654**	**$ 2,979**	**$ 4,972**

The primary cash receipts from operating activities consist of tuition and fee revenue. Cash outlays for operating activities include payments of wages, benefits, supplies, utilities, and scholarships.

Cash, Cash Equivalents, and Investments

On the statement of net position, cash, cash equivalents, and investments are comprised of the following at June 30 (in thousands):

Cash, Cash Equivalents, and Investments

	2019	2018	2017
Cash and cash equivalents	$ 2,654	$ 2,979	$ 4,972
Investments	18,115	13,854	12,097
Total cash and cash equivalents	**$ 20,769**	**$ 16,833**	**$ 17,069**

Capital Assets

Capital assets, net of accumulated depreciation, totaled $75.2 million, $75.3 million, and $81.1 million at June 30, 2019, 2018, and 2017, respectively, a decrease of $.1 million and a decrease of $5.8 million in fiscal years 2019 and 2018, respectively. Changes in capital assets during fiscal years 2019, 2018 and 2017 included (in millions):

Capital Assets

	Balance June 30, 2017	Net Additions or (Reductions)	Balance June 30, 2018	Net Additions or (Reductions)	Balance June 30, 2019
Land	$ 2.3	$ -	$ 2.3	$ -	$ 2.3
Land improvements	2.7	-	2.7	-	2.7
Building and improvements	133.4	(1.7)	131.7	1.9	133.6
Equipment and furniture	8.2	-	8.2	0.4	8.6
Library books and audio visual	1.2	-	1.2	-	1.2
Construction in progress	-	-	-	1.3	1.3
Accumulated depreciation	(66.7)	(4.1)	(70.8)	(3.7)	(74.5)
Total	**$ 81.1**	**$ (5.8)**	**$ 75.3**	**$ (0.1)**	**$ 75.2**

Senate Bill 6

Ohio institutions of higher education are annually evaluated by the Ohio Department of Education based on a composite score of financial ratios established by Ohio law. The College's Senate Bill 6 score for fiscal year 2019 increased to 2.70, which is the first increase since fiscal year 2015. The increase is attributable to the College's positive net surplus for fiscal year 2019. The President and the Board of Trustees identified raising the Senate Bill 6 as a high priority for the College in fiscal year 2019 and for future years.

Instruction and Academics

Academic year 2019-2020 is a year of implementation of a wide-array of activities and resources strategically applied to increase the quality and effectiveness of student success and degree completion. The College is organized into four academic divisions, each lead by a Dean who reports to the Provost. The four divisions are Business Technologies, Health and Public Safety, Engineering and Information Technologies, and Humanities and Sciences. The College provides on-campus programming at a variety of locations:

The College provides on-campus programming at a variety of locations:

- Clifton (Main) Campus: All Degrees and Certificates (except Aviation Maintenance);
- Middletown Campus (Butler County): General Education & Designated Degrees and Certificates;
- Harrison Campus: Aviation Maintenance Applied Associate Degree;
- Evendale Campus: Workforce Development Center (Short Term Certificates and Customized Training); and
- Highland Heights, Kentucky Campus (EMT and Paramedic).

A core objective of the College, of course, is to help students achieve a credential (an associate degree or certificate) for an in-demand career and also position them to continue seamlessly on to a bachelor's degree or beyond should the choose.

The College's Student Success & Completion Plan is the central, organizing vehicle for, planning, implementing, and analyzing the effectiveness of efforts that support students throughout their academic journey. The 2019 Student Success & Completion Plan is focused on increasing student success and completion. The Plan focuses efforts in four institutional priorities:

- Ramp up all recruitment and retention efforts;
- Accelerate the redesign of advising and student support services;
- Confront and clear major institutional roadblocks to student success; and
- Enhance effective academic program analysis and institutional continual improvement efforts

Effectiveness of the 2019 Campus Student Success & Completion Plan will be measured against specific key performance indicators relevant to every Ohio Community College and based upon nationally normed data. The key performance indicators are (1) Average Credits Earned; (2) Credit Pass Rates; and (3) Term to Term Persistence Rates. Each department within the College (including Academic and Non-Academic Departments) are expected to develop specific, measurable objectives related to the four institutional priorities of the Campus Student Success & Completion Plan. During academic year 2018-2019 credit pass rates increased to 79.7% (Fall/Spring average) compared to prior years, and total graduates increased compared to academic year 2017-2018. Average credits attempted in Fall 2019 increased compared to Fall 2018.

The 2019 Plan will execute initiatives that have been studied and developed by the Completion Plan Steering Committee and are based on national best practices, including the following initiatives:

1. Guided Pathways, which clarifies and simplifies academic progress and timelines by revamping the student experience and processes.

2. Embedding "pre-admit" academic advisors into the academic divisions to improve the student early advising experience, provide a sense of trajectory even during developmental coursework, and increase opportunities to connect pre-admit students earlier to their chosen field of interest.

3. Eliminating the "pre-admit" status (which naturally silos students into developmental courses and poor course choices) in favor of "early pathways" curricula common to related associate degree programs (a "meta-majors" approach).

4. Creation of a career exploration course for each early pathway curriculum that provides student the benefit of time and guidance in refining their degree choice within their area of interest -- in contrast to the current practice of requiring students to choose a precise major at the time of admission which results in unnecessary changes of major, lost time, and lost momentum.

5. Academic Advising for new, first-time College students will move beyond "highly encouraged" to becoming a requirement. National data illustrate the efficacy of academic advising at the outset of a student's academic journey upon academic success, persistence and degree completion.

6. First Year Experience Course, which both internal data and national data has demonstrated has a significant impact upon student's success and persistence is being required for all new, incoming students.

Fiscal year 2019 also saw the completion of the Higher Learning Commission Comprehensive Quality Review site visit in the spring. The site visit resulted in the affirmation of the College's accreditation. The site visit was an important accreditation activity that provided a review of the effectiveness and maturity of each of our College systems, academic and non-academic. Preparation for the site visit centered on feedback received in 2018 from Higher Learning Commission on the College's Systems Portfolio, and represented an opportunity for the College to demonstrate to a review team the quality of the College's educational programs and support activities (academic and non-academic).

The Higher Learning Commission site visit was documented via a positive report from the Higher Learning Commission site visit team affirming the College's accreditation and setting the table for the College's next formal accreditation in 2022. Strengths noted in the Higher Learning Commission site visit report included: strong focus on mission; use of innovative ways in connecting services for student access; state of the art College facilities for teaching and learning; strong academic programs and support services; student clubs which offer numerous opportunities to engage students outside of the classroom; the scale and magnitude of the co-op/experiential learning degree opportunities; culture of collaborative spirit and shared governance; culture of improvement; and a strong sense that students truly love Cincinnati State.

The current strategic plan emphasizes building new markets and to enhance service to special populations. The College is building upon its agreement with Cincinnati Public Schools (CPS) and the Cincinnati Youth Collaborative through ongoing partnership engagement. There are a number of components to this partnership, the centerpiece of which is encouraging the 33,000 Cincinnati Public High School students to continue on to College with Cincinnati State offered as an optimal choice. Cincinnati State offers a "Be Great" grant to eligible CPS high school graduates should they choose the College for their post-secondary education. The Be Great grant program allows Pell eligible graduates of Cincinnati Public Schools up to $2,000.00 for tuition and books. The Be Great program also provides mentors for students as they transition from high school to College.

The work to increase enrollment at off-campus sites continued. Utilization of the Harrison campus, which houses the aviation maintenance program, has increased and is currently at capacity given the faculty, facility and equipment resources at that location.

Distance Education growth has continued year over year, with a current emphasis on development of online formats of math and language remedial education courses necessary for many students before beginning online degree programs. Use of "Quality Matters" and faculty professional development "Teaching Online for College" has improved student success in online courses. The College continues to work towards building new partnerships to support this work. Through a Joint Use Agreement with Butler Tech, the College is offering courses onsite at Butler Tech's West Chester location which will enhance its ongoing co-enrollment agreement. Enrollment and course completions of web-based courses ("on-line learning") have increased in the past year. To continue to support the quality and effectiveness of web-based courses, the College is doing a refresh of its "Quality Matters" professional support for the design and for the teaching of web-based courses. The College also renewed its membership in Midwestern SARA (State Authorization Reciprocity Agreement). SARA is the nationwide initiative to make distance education courses more accessible to students across state lines. The requirements include consistent processes for tracking online students and providing an array of support services for the students. The benefit is to be able operate online programs in other states without seeking independent authorization from those states, thus supporting expansion.

Outreach to special populations, high school students, Veterans, international, and Hispanic students continue. The College hosted its annual ENGAGE a two-day event for local and regional students, teachers, and families with hands-on demonstrations of College programs. New degree and certificate programs have been approved which will allow the College to meet the needs of new business markets across the region. The College is has been approved by the Ohio Department of Education to offer a Bachelor's Degree in two fields: Civil Engineering - Land Surveying and Culinary Food Science. The College is optimistic that it will receive approval to begin to offer the bachelor degrees no later than the Fall of 2020.

Finally, the College has completed mapping of College-wide outcomes (e.g. critical thinking, oral expression, etc.) of every course offered by the College. We are now implementing curriculum revisions where indicated by our mapping data.

The College's three U.S. Department of Education TRiO grants continued to serve at risk high school students, at risk Cincinnati State students and the region's underserved population in need of secondary school credentials and/or support towards post-secondary education goals.

Workforce Development

The College's Workforce Development Center (WDC), which operates from the College's Evendale, Ohio facility, holds an established position as a primary agent in the delivery of workforce training and in the influence of state and regional workforce policy. Growing demand within the market for collaborative, high-impact workforce training is being driven by a number of economic and demographic influences. A strong economic outlook is causing companies to add new jobs, while facing an aging workforce with a large proportion of incumbent workers approaching retirement age. At the same time, there remains a significant gap between the skills required for these positions and those skills possessed by the younger members of the regional workforce. Added to this fact is the increasing impact of disruptive technology on the marketplace, creating positions that simply did not exist even five years ago. The demand for short-term technical training is projected to grow steadily over the next five years, and the WDC is uniquely poised to meet this growing demand.

The WDC employs two primary strategies to accomplish the organization's mission and objectives. The primary commitment to develop and leverage industry partnerships in the generation of programs allows WDC to set its strategic direction. At the same time, WDC's strategy of establishing pathways continues to support the overall growth of the College by delivering stackable, credit-bearing credentials that provide students their first steps towards pursuing a College education. Each strategy brings unique opportunities for the College with its own positive outcomes.

Long-standing industry partnerships and new business participation are at the heart of the model that guides all WDC programing and consulting services. Technical Advisory Committees (TACs) comprised of industry and education experts enable the WDC to develop and deliver relevant training that makes a measurable impact on the regional workforce, and also drives bottom-line results for the Center's clients. This focus on industry partnerships and the WDC's agility in responding to emerging needs continues to be its primary competitive advantage in the marketplace.

This emphasis on industry-driven services is exemplified by the Apprenticeship Training Programs that the WDC has developed and delivered in the past three years. WDC apprenticeship programs for companies including General Electric Aviation, Ford Motor Company, and A.K. Steel signal a resurgence of companies' demand for advanced and effective workforce education and training. The execution of these innovative programs is central to the WDC's sustained growth and success.

Emerging technologies continue to drive the workforce marketplace, and the WDC continues to leverage its business partnerships to identify, develop, and deliver new cutting-edge training programs through these collaborations. Recent partnerships have allowed for the launch of a new Additive Manufacturing training initiative, in partnership with Lightweight Innovations for Tomorrow (LIFT), GE Additive, America Makes, and other national and regional firms. Through this collaboration, the WDC started its inaugural class to train individuals to become Additive Manufacturing Technicians that will deliver training for jobs in this explosive industry sector.

The WDC provides a unique, strategic opportunity for the College to deliver educational College-credit pathways to its students and the employees of its clients. Through the use of stackable credentials, successful programs such as the Child Development Associate (CDA) program allows students to complete industry training that leads to a professional certification, while also receiving College credit that is directly applicable to a degree program. Initiatives such as these allow for the College to meet the immediate workforce training needs of its students and clients, while providing a steady stream of new students to the College's numerous certificate and degree programs.

As the demand for high-impact, industry-relevant training continues to rise over the next several years, the WDC remains positioned as a regional leader in workforce development, and is uniquely poised to grow and expand with the anticipated industry demand. The WDC remains committed to the highest levels of customer service and ROI, innovative programming and consulting services, academic excellence, revenue generation, and community service. These ambitious and measurable goals continue to be the primary contributor to the success of the clients and students it serves.

Marketing, Enrollment and Retention

For fiscal year 2019, total credit hours and FTEs were down from fiscal year 2018. There were a number of factors contributing to this decline, including a decrease in the number of high school graduates nationwide, continued improvement in the regional employment picture, and a shift in student enrollment behavior, likely the result of the improved economy, which saw fulltime enrollment drop over the last five years from 70 percent to 30 percent enrolled fulltime (12 or more credit hours per semester). As noted above, the 2018 Campus Student Success & Completion Plan is focused on mitigating factors that impact enrollment. The College is also increasing targeted external marketing, with a balanced approach between digital and traditional media, and with increasing the number of College Recruiters.

For reasons of efficiency the College has aligned the processes of Admissions, Registrar, Financial Aid, Career Services and Marketing into one functional area. The desired result of placing these on-boarding components of the College together is to increase efficiencies and provide better coordination of work relating to recruitment and enrollment strategies. During the fall of 2018 they relocated to the ATLC building to further align processes and increase efficiencies. These efforts are targeted at reducing obstacles to student progress and enhancing the overall student experience in an effort to positively recruitment, enrollment, and retention efforts.

Administration of the College

During fiscal year 2019, the President's Executive Team remained stable consisting of the Provost, Vice President of Administration, Vice President of Finance (CFO), Vice President of Workforce Development, Senior Director of Student Success and Development Services and Chief Institutional Advancement Officer.

During fiscal year 2019 the College completed the Personnel Assessment for the College Environment (PACE) Survey. The College's overall score improved to 3.64 when compared to prior PACE Surveys completed in 2012 and 2015. In the subcategory of Institutional Structure, the College's score improved to 3.32 compared to 2.85 in 2012.

During Calendar Years 2018 and 2019, all six of the College's collective bargaining agreements were renewed without disruption in work. The College Administration and bargaining units have worked to improve and maintain a high level of communication and positive relations primarily through the inclusion of bargaining unit members on committees and regular labor/management meetings. All six of the contracts are two year terms with no base increase in compensation but with the opportunity for lump sum payments based on meeting specific institutional performance criteria related to student success and enrollment.

The key issues for all labor negotiations continued to be the financial challenges faced by the College due to enrollment declines. Administration spent considerable effort and time to provide detailed information and presentations to the entire college community related to budget constraints, and financial objectives as defined by the Board of Trustees.

The College has focused on improved relations with faculty and the College administration, in concert with the faculty, has instituted a number of transparency and shared governance structures, including:

1. Inclusion of the Faculty Senate President in weekly Deans Council meetings;

2. Establishment of the President Advisory Council - a cross-functional team that includes SEIU, AAUP, and administrators;

3. Establishment of Faculty President and Provost weekly Academic Matters meetings;

4. Increased meeting rhythm and substantive expectations of Budget Advisory Team that includes faculty and College administrators.

The Administration has been equally been focused on enhancing labor relations with all unions and initiated the following during fiscal year 2018:

1. Every other month Labor-Management meetings involving leadership from all 6 labor unions, the Vice President of Administration & HR, the Vice President of Finance and other administrators.

2. Convening of a Benefits Task Force with representatives of all 6 unions, HR, Finance, and the College's Benefit Broker. During fiscal year 2018, the Task Force review insurance utilization data, discussed plan options and made recommendations to administration related to modifications that both reflected market trends as well as support cost containment efforts of the self-funded health plan.

Facilities

Employee retirement and departmental reorganization during the fiscal year led to a more lean management structure for Facilities. However, the College continued to operate all of its physical plant assets in Fiscal Year 2019. The physical plant portfolio includes several assets that are over 50 years in age. The Board of Trustees restored a deferred maintenance line item for FY 19 of $250,000. Therefore, although enrollment and revenue continued to decline during the year, the Facilities budget did not contract.

During the fiscal year, several capital projects were commenced for which State of Ohio capital funds have been appropriated. In addition to the completion of the Welcome Center, Financial Aid/Registrar, Cashier's Office, and Career Center projects mentioned above, new projects initiated include a new boiler for the Main Building in Clifton; and renovation of Physics, Biology and Material Testing laboratories. The College anticipates kicking off new projects in Fiscal Year 2020 with a focus projects that will enhance enrollment or extend the life of existing buildings (see below for more details).

Information Technology Services

Top priorities for the Information Technology Services (ITS) Division are focused on encouraging innovation and improving services while supporting the College in providing cost-effective high quality education. ITS developed a new Master Plan in fiscal year 2019 that focuses on the four domains that impact learning: student, faculty, curricula, and remote use. During the year, based on feedback from students and the faculty-administrator Academic Technology Committee, state capital funds were allocated to the upgrade of wifi in all locations and buildings, except for the Main Building. The ITS department also undertook the analysis of options to modernize the College's ERP system, a central element of which will cease to be supported by the vendor in 2020-21. Faculty, administrators and the President's Executive Team have approved of the recommendation to utilize available capital appropriations to modernize the ERP to enhance enrollment and support administration, as well as to invest in Phase One of the purchase and replacement of computer equipment used by students in labs and classrooms.

The ITS Division continues to focus on compliance with Payment Card Industry (PCI) Security Council Standards. This effort is part of a larger, more inclusive Information Security Program that includes an Information Security Council, Information Security Awareness Program, information security policies, and standards and change management processes and procedures.

State Capital Funding

The State of Ohio appropriates funding for capital projects every two years. The College was appropriated $6,675,000 for fiscal years 2017-2018 and $6,637,000 for fiscal years 2019-2020 by the State of Ohio. The College completed capital projects related to its allocation from the State of Ohio for the fiscal year 2017-2018 biennium capital funding including a Welcome Center and associated student facing services in the ATLC building on the Clifton Campus. This involved construction of a new Welcome Center, Registrar's Office, Financial Aid Office, Career Services Center, Transfer Center and Cashiers office. The priority of this construction is consistent with the 2018 Campus Completion Plan to improve student services for the purpose of increasing completed credit hours. The College also used, and is using capital appropriations for general infrastructure improvements. 2017-2018 biennium capital funding is being used to replace its Main Building boilers (expected completion in early fiscal year 2020. 2015-2016 biennium capital funding was expended to renovate of STEM labs on the Clifton campus for Physics, Biology and Materials Testing.

Capital funding from the 2019-2020 biennium appropriations will be used for implementation of enterprise resource information technology initiatives, renovation of academic divisional offices and additional infrastructure improvements on the Clifton Campus.

Litigation

It is the College's policy not to comment on pending or on-going litigation; however, the Attorney General of the State of Ohio is representing the College on one matter of on-going litigation at the Court of Claims of the State of Ohio, and one employment related matter in the United States District Court for the Southern District of Ohio.

Fundraising

The Cincinnati State Technical and Community College Foundation, a not-for-profit organization, through its volunteers and programs, promotes and supports the programs, services, and capital improvement projects of the College. The College Foundation operates so as to solicit, receive, hold, administer, and apply funds or other property, raised through gifts, devices, bequests, endowments, grants or otherwise, or proceeds thereof, for the benefit of the College.

The Foundation and College's Institutional Advancement office is focused on building the College's Annual Fund operations, growing its endowment, cultivating major gift opportunities, and potentially launching a larger fundraising campaign. Student scholarships, and funding for capital projects are a key component of the College's Fundraising strategy. Data has shown the significant impact student scholarships have on retention and graduation, and in addition to the State Capital Funding described above, the College has identified significant opportunities for capital investment that are beyond the amount appropriated by the State of Ohio through fiscal year 2020.

Cincinnati State Technical and Community College

Statements of Net Position
June 30, 2019 and 2018

	Cincinnati State Technical and Community College		Cincinnati State Technical and Community College Foundation	
	2019	2018	2019	2018
Assets				
Current Assets				
Cash and cash equivalents	$ 20,315	$ 347,849	$ 908,631	$ 1,581,658
Restricted cash	2,634,035	2,630,335	-	-
Accounts receivable - Net	6,519,269	11,870,086	-	-
Pledges receivable - Net	-	-	301,420	667,536
Investments	14,116,488	9,101,144	10,433,115	9,248,284
Assets held in remainder unitrust	-	-	273,650	-
Inventory	115,184	142,668	-	-
Prepaid and other assets	648,213	460,618	11,412	20,855
Total current assets	24,053,504	24,552,700	11,928,228	11,518,333
Noncurrent Assets				
Capital assets - Net	75,170,304	75,321,699	-	-
Investments	3,997,973	4,754,558	-	-
Long-term lease receivable	66,340	130,154	-	-
Net OPEB asset	2,951,749	-	-	-
Total noncurrent assets	82,186,366	80,206,411	-	-
Total assets	106,239,870	104,759,111	11,928,228	11,518,333
Deferred Outflows of Resources				
Deferred gain on advance refunding of bonds	820,033	996,090	-	-
Pension activity	15,333,721	21,775,628	-	-
OPEB activity	1,033,533	1,655,151	-	-
Total deferred outflows of resources	17,187,287	24,426,869	-	-
Liabilities				
Current Liabilities				
Accounts payable	1,297,283	970,888	125,773	229,683
Accrued liabilities and other	5,451,764	6,484,074	-	-
Charitable remainder unitrust obligation	-	-	102,446	-
Unearned revenue	3,940,845	3,212,860	-	-
Current portion of capital leases	230,215	510,910	-	-
Compensated absences	1,842,430	2,101,942	-	-
Current portion of long-term debt	2,799,881	2,748,582	-	-
Total current liabilities	15,562,418	16,029,256	228,219	229,683
Noncurrent Liabilities				
Long-term capital leases	246,789	477,004	-	-
Long-term debt	27,848,306	30,648,185	-	-
Net pension liability	63,766,119	79,435,269	-	-
Net OPEB liability	10,939,128	20,954,087	-	-
Total noncurrent liabilities	102,800,342	131,514,545	-	-
Total liabilities	118,362,760	147,543,801	228,219	229,683
Deferred Inflows of Resources				
Pension activity	15,845,323	12,450,594	-	-
OPEB activity	8,038,479	2,246,937	-	-
Total deferred inflows of resources	23,883,802	14,697,531	-	-
Net Position				
Net investment in capital assets	44,995,300	42,250,418	-	-
Restricted:				
Restricted expendable	1,021,665	1,525,349	4,462,409	3,818,303
Restricted nonexpendable	-	-	6,895,911	6,845,076
Unrestricted	(64,836,370)	(76,831,119)	341,689	625,271
Total net position	**$ (18,819,405)**	**$ (33,055,352)**	**$ 11,700,009**	**$ 11,288,650**

See notes to the financial statements.

Cincinnati State Technical and Community College

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2019 and 2018

	Cincinnati State Technical and Community College		Cincinnati State Technical and Community College Foundation	
	2019	2018	2019	2018
Operating revenues:				
Student tuition and fees:				
Student tuition and fees	$ 30,434,940	$ 32,897,704	$ -	$ -
Less scholarship allowance	(9,026,071)	(9,259,764)	-	-
	21,408,869	23,637,940	-	-
Federal grants and contributions	2,716,796	3,545,560	-	-
State grants and contributions	400,208	569,162	-	-
Contributions	-	-	1,660,615	2,806,594
Private gifts, grants, and donations	1,371,140	1,409,616	-	-
Departmental and other educational activities	2,003,883	2,346,783	-	-
Auxiliary enterprises	2,445,863	3,052,731	-	-
Other operating revenue	1,153,151	1,376,731	420,017	343,861
Total operating revenues	31,499,910	35,938,523	2,080,632	3,150,455
Operating Expenses				
Instruction	19,418,484	10,794,089	870,395	865,449
Public service	2,182,606	2,190,359	-	-
Academic support	4,307,910	3,662,136	-	-
Student services	3,878,675	2,850,660	-	-
Scholarships and student aid	988,082	863,773	-	-
Auxiliary enterprises	2,463,642	3,229,037	-	-
Institutional support	15,981,482	12,687,417	-	-
Operation and maintenance	4,779,234	5,970,435	-	-
Depreciation and amortization	3,735,961	4,064,284	-	-
Other	-	-	1,080,782	1,039,156
Total operating expenses	57,736,076	46,312,190	1,951,177	1,904,605
Operating (Loss) Income	(26,236,166)	(10,373,667)	129,455	1,245,850
Nonoperating Revenues (Expenses)				
Federal Pell grants	8,210,876	8,573,016	-	-
State appropriations	28,755,210	29,670,931	-	-
Investment income	615,421	187,438	281,904	236,750
Interest on capital asset related debt	(1,064,856)	(791,414)	-	-
Loss on disposal of capital assets	(9,823)	-		
Net nonoperating revenues (expenses)	36,506,828	37,639,971	281,904	236,750
Income - Before state capital appropriations and capital grants and gifts	10,270,662	27,266,304	411,359	1,482,600
Capital Appropriations from State	3,945,193	1,903,882	-	-
Capital Grants and Gifts	20,092	-	-	-
Change in Net Position	14,235,947	29,170,186	411,359	1,482,600
Net Position - Beginning of year	(33,055,352)	(62,225,538)	11,288,650	9,806,050
Net Position - End of year	**$ (18,819,405)**	**$ (33,055,352)**	**$ 11,700,009**	**$ 11,288,650**

See notes to the financial statements.

Cincinnati State Technical and Community College

Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Tuition and fees	$ 21,597,973	$ 23,998,321
Federal, state, and local grants and contracts	3,519,300	3,464,270
Payments to suppliers	(10,124,571)	(22,881,764)
Payments to employees	(33,871,431)	(41,458,003)
Payments for utilities	(1,434,728)	(1,500,840)
Payments for benefits	(13,459,293)	(711,982)
Payments for scholarships and student financial aid	(990,582)	(844,586)
Auxiliary enterprises revenue	2,445,863	3,052,731
Auxiliary enterprises expenses	(2,463,642)	(3,229,037)
Sales and services of educational activities	2,003,883	2,346,783
Other receipts	2,744,663	1,585,654
Net cash used in operating activities	(30,032,565)	(36,178,453)
Cash Flows from Noncapital Financing Activities		
State appropriations	28,755,210	29,670,931
Pell receipts and disbursements	8,210,876	8,573,016
Federal direct student loan program receipts	16,149,071	16,107,480
Federal direct student loan program disbursements	(16,149,071)	(16,107,480)
Net cash provided by noncapital financing activities	36,966,086	38,243,947
Cash Flows from Capital and Related Financing Activities		
Capital appropriations from the State	3,945,193	1,903,882
Principal payments on bonds	(2,572,523)	(2,491,053)
Principal payments on capital lease obligations	(510,910)	(725,319)
Proceeds from capital lease receivable	187,151	209,647
Interest payments on bonds and capital lease obligations	(1,088,631)	(1,158,008)
Capital grants and gifts received	20,092	-
Purchase of capital assets	(3,594,389)	(227,293)
Net cash used in capital and related financing activities	(3,614,017)	(2,488,144)
Cash Flows from Investing Activities		
Investment income	615,421	187,438
Purchases of investment securities	(13,810,502)	(17,155,131)
Proceeds from sale and maturities of investment securities	9,551,743	15,396,616
Net cash used in investing activities	(3,643,338)	(1,571,077)
Net Decrease in Cash and Cash Equivalents	(323,834)	(1,993,727)
Cash and Cash Equivalents - Beginning of year	2,978,184	4,971,911
Cash and Cash Equivalents - End of year	**$ 2,654,350**	**$ 2,978,184**
Classification of Cash and Cash Equivalents		
Cash and investments	20,315	347,849
Restricted cash	2,634,035	2,630,335
Total cash and cash equivalents	**$ 2,654,350**	**$ 2,978,184**

(continued)

See notes to the financial statements.

Statements of Cash Flows (Continued)
Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (26,236,166)	$ (10,373,667)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	3,735,961	4,064,284
Provisions for doubtful accounts	5,468,147	2,490,157
Impairment loss	-	1,972,820
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources which (used) provided cash:		
Accounts receivable	(240,667)	(2,749,255)
Inventory	27,484	(15,899)
Prepaid and other assets	(187,595)	(275,523)
Net OPEB asset	(2,951,749)	-
Deferred outflows of resources - Pension	6,441,907	(1,911,198)
Deferred outflows of resources - OPEB	621,618	(1,655,151)
Accounts payable and accrued expenses	(941,652)	(4,929)
Unearned revenue	727,985	(672,602)
Deferred inflows of resources - Pension	3,394,729	1,280,494
Deferred inflows of resources - OPEB	5,791,542	2,246,937
Net pension liability	(15,669,150)	(27,339,779)
Net OPEB liability	(10,014,959)	(3,235,142)
Net cash and cash equivalents used in operating activities	**$ (30,032,565)**	**$ (36,178,453)**

Note 1 – Nature of Business

Cincinnati State Technical and Community College (the "College") is a community college organized under the laws of the State of Ohio. The College is a two-year institution of higher education receiving assistance from the State of Ohio through enrollment-based subsidies. The subsidies are determined annually based upon a formula devised by the Ohio Department of Higher Education, adjusted to consider state resources available. The College offers associate degree programs and majors and certificate programs in a distinctive plan of cooperative education that prepares students for employment and/or career advancement upon graduation. Furthermore, among other things, community college status allows the College to offer university transfer degrees (e.g., Associate of Art and Associate of Science degrees). The College is a component unit of the State of Ohio.

The Governmental Accounting Standards Board (GASB) provides guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it requires reporting as a component unit an organization that raises and holds significant economic resources for the direct benefit of a government unit. The Cincinnati State Technical and Community College Foundation (the "Foundation") is being discretely presented as part of the College's reporting entity (although it is a legally separate entity and governed by its own board of directors) because its sole purpose is to provide support for the College. Furthermore, in accordance with GASB Statement No. 61, the Foundation is reported in separate columns on the College's financial statements to emphasize that it is legally separate from the College. Separate statements for the Foundation may be obtained through the State of Ohio auditor's website.

The Foundation is a private organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from those under GASB. No modifications have been made to the Foundation's financial information included in the College’s financial report to account for these differences.

The Foundation is an Ohio nonprofit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation was formed to receive contributions, which are to be used to support the educational undertakings of the College. The College provides certain administrative and payroll services for the Foundation.

Note 2 – 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 GASB.

In accordance with GASB Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*, and subsequent standards issued by GASB, the College reports as an entity engaged in business-type activities. GASB Statement No. 35 establishes 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 outstanding debt obligations and deferred gain on advance bond refunding related to the acquisition, construction, or improvement of those assets.

Note 2 – Significant Accounting Policies (continued)

- *Restricted - Expendable* - Resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

- *Restricted - Unexpendable* - Resources the College is legally or contractually obligated to retain in perpetuity.

- *Unrestricted* - The unrestricted component of net position represents assets, deferred outflows of resources, liabilities, and deferred inflows of resources whose use by the College is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the board.

The financial statement presentation required by GASB Statement No. 35 is intended to provide a comprehensive, entity-wide perspective of the College's business-type activities, including all assets, liabilities, net position, revenue, expenses, changes in net position, and cash flows.

Cash Equivalents

In accordance with the State of Ohio and college policy, the College is authorized to invest cash in United States government securities, federal agencies' securities, State of Ohio securities, and certificates of deposit, all of which are stated fair value. The College considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The restricted cash balance represents debt service amounts to be paid by the College each year (see Note 7). At June 30, 2019 and 2018, the College had restricted cash of $2,634,035 and $2,630,335, respectively.

Accounts Receivable

Accounts receivable are stated at net invoice amounts and consist of amounts due for tuition and fees, grants, collaboration agreement, leases, and state appropriations. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. During 2019, the College updated its methodology related to estimating the collectability of outstanding student receivables based on historical collection rates and an analysis of the collectability of individual accounts. The allowance for doubtful accounts on accounts receivable balances was $10,284,671 and $6,783,305 as of June 30, 2019 and 2018, respectively.

Investments

Investments are reported at fair value based on quoted market prices. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the statement of revenue, expenses, and changes in net position.

The College has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost.

Note 2 – Significant Accounting Policies (continued)

Prepaid Assets

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

Capital Assets

Capital assets are recorded at cost at date of acquisition or, in the case of gifts, acquisition value at date of donation. Additions greater than $5,000 are capitalized for furniture and fixtures and greater than $1,000 for all other assets. The cost of normal maintenance and repairs is not capitalized. Depreciation expense is calculated using the straight-line method over the estimated useful life of the asset:

Building and improvements	15 – 60
Equipment and furniture	3 – 20
Land improvements	20
Library books and audio visual	20

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports deferred outflows of resources for certain pension-related and OPEB related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Notes 16 and 17.

Deferred outflows also consist of deferred charges arising from the advance refunding of the 2002 bond issue as the difference between the reacquisition price and the net carrying amount of the old debt. The College recorded deferred outflows of $820,033 and $996,090 at June 30, 2019 and 2018, respectively, related to this transaction. See Note 7 for more information.

Unearned Revenue

Revenue received prior to year-end that relates to the next fiscal period is recorded as unearned revenue. Unearned revenue relates primarily to summer-term tuition received prior to June 30. The remaining amount included in unearned revenue relates to grant and award monies received in excess of costs incurred as of year-end for college programs financed by government agencies and other organizations.

Note 2 – Significant Accounting Policies (continued)

Compensated Absences

College employees earn vacation and sick leave benefits based, in part, on length of service. Accumulated unpaid vacation and sick leave benefits have been accrued in accordance with GASB Statement No. 16, *Accounting for Compensated Absences upon Separation from Service*; employees are paid their accumulated vacation and sick pay based upon the nature of the separation (termination, retirement, or death). Certain limits are placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding the limits are forfeited. The estimated and accrued liability is recorded at year end in the statement of net position, and the net change from the prior year is recorded as a component of operating expense in the statement of revenue, expenses, and changes in net position.

Pensions

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers Retirement System of Ohio (STRS) and School Employees Retirement System of Ohio Pension Plan (SERS) and additions to/deductions from STRS' and SERS' fiduciary net position have been determined on the same basis as they are reported by STRS and SERS. STRS and SERS use the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs

For the purpose of measuring the net other postemployment benefit (OPEB) asset/liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the STRS and SERS pension plan and additions to/deductions from STRS' and SERS' fiduciary net position have been determined on the same basis as they are reported by STRS and SERS. STRS and SERS use the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. For this purpose, STRS and SERS recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The government reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan's investments. More detail can be found in Notes 16 and 17.

Income Taxes

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

Note 2 – Significant Accounting Policies (continued)

Self-insurance

The College is self-insured for certain employee health programs. A liability for unpaid claim costs, including estimates of costs related to incurred but not reported claims, is recorded.

Grant and Scholarships

Student tuition and fees are presented net of scholarships and student financial aid applied directly to student accounts. Scholarships and student financial aid consist primarily of awards to students from certain government programs. Payments made directly to students from scholarships and student financial aid are presented as student aid expense.

Operating and Nonoperating Revenue and Expenses

All revenue and expenses from programmatic sources are considered to be operating revenue and expenses. Included in nonoperating revenue and expenses are state appropriations, investment income and gifts, and interest expense.

In addition, in accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, and related implementation guidance, Pell Grants and certain other grants are considered nonexchange transactions and are recorded as nonoperating revenue.

Release of Restricted Funds

When expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the College's policy to apply restricted resources first, then unrestricted resources as needed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenditures during the reporting period. Disclosure of contingent assets and liabilities at the date of the financial statements may also be affected. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements

For the fiscal year ended June 30, 2019, the College implemented GASB Statements No. 83, *Certain Asset Retirement Obligations* and No. 88, *Certain Disclosures Related Debt, Including Direct Borrowings and Direct Placements*.

GASB Statement No. 83 establishes uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs), including obligations that may not have been previously reported, including certain required disclosures related to AROs. GASB Statement No. 83 did not impact the College's financial statements since the College does have any asset retirement obligations that meet the criteria of this statement.

Note 2 – Significant Accounting Policies (continued)

GASB Statement No. 88 improves financial reporting by enhancing the disclosures in the notes to the financial statements related to debt obligations, including direct borrowings and direct placements. The Standard also establishes uniform guidance in determining debt obligations for disclosure purposes. The College implemented the applicable requirements of GASB Statement No. 88 in fiscal year 2019 with no significant impact to the financial statements.

Upcoming Accounting Pronouncements

GASB Statement No. 87, *Leases*, was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of GASB Statement No. 87 are effective for fiscal year 2021. The College is currently evaluating the impact GASB Statement No. 87 may have on its financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* was issued to enhance the relevance and comparability of information about capital assets and the costs of borrowing for a period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of GASB Statement No. 89 are effective for fiscal year 2021. The College is currently evaluating the impact GASB Statement No. 89 may have on its financial statements.

GASB Statement No. 90, *Majority Equity Interests—an Amendment of GASB Statement No.14 and No.61*, was issued to improve the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of GASB Statement No. 90 are effective for fiscal year 2020. The College is currently evaluating the impact GASB Statement No. 90 may have on its financial statements.

Note 3 – Cash, Cash Equivalents, and Investments

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. By Ohio law, financial institutions must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). Eligible securities must be pledged to the College and deposited with a qualified trustee as security for repayment whose market value at all time shall be at least 105% of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value to be 102% of the deposits being secured or a rate set by the Treasurer of State.

At June 30, 2019, the carrying amount of the College's deposits (which consist of cash, excluding cash on hand of $15,500, deposits held by trustee, and investments) was $4,815 and the bank balance was $1,503,108. The difference between the carrying amount and the depository bank balance is due principally to outstanding checks and deposits-in-transit. Of the bank balance, $250,000 is covered by the Federal Deposit Insurance Corporation. At June 30, 2018, the carrying amount of the College's deposits (which consist of cash, excluding cash on hand of $15,500, deposits held by trustee, and investments) was $332,349 and the bank balance was $1,635,390.

Note 3 – Cash, Cash Equivalents, and Investments (continued)

The College also has investment management agreements with U.S. Bank, as permitted by state statute. The agreements allow (within state limits) investment in both debt and equity instruments. Investments at June 30 were as follows:

	2019	2018
U.S. Treasury/Agency Securities	$ 8,427,687	$ 7,757,497
Money market funds	85,527	460,117
STAR Ohio funds	9,601,247	5,638,088
	$ 18,114,461	$ 13,855,702

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates and in accordance with state statutes, the College's investment policy limits portfolio maturities to five years or less.

As of June 30, 2019, the College's investment maturities were as follows:

	Fair Value	Less than 1 year	1-5 Years	Percent of Total Portfolio	Credit Rating
Federal National Mortgage Association	$ 797,975	$ 797,975	$ -	4.4%	AA+
Federal Home Loan Bank	1,705,365	1,705,365	-	9.4%	AA+
U.S. Treasury Notes	5,924,347	1,926,375	3,997,972	32.7%	N/A
Money market funds	85,527	85,527	-	0.5%	AAAm
STAR Ohio funds	9,601,247	9,601,247	-	53.0%	AAAm
	$ 18,114,461	$ 14,116,489	$ 3,997,972		

As of June 30, 2018, the College's investment maturities were as follows*:*

	Fair Value	Less than 1 year	1-5 Years	Percent of Total Portfolio	Credit Rating
Federal National Mortgage Association	$ 742,330	$ 349,220	$ 393,110	5.4%	AA+
U.S. Treasury Notes	7,015,167	2,653,719	4,361,448	50.6%	N/A
Money market funds	460,117	460,117	-	3.3%	AAAm
STAR Ohio funds	5,638,088	5,638,088	-	40.7%	AAAm
	$ 13,855,702	$ 9,101,144	$ 4,754,558		

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 contains provisions to manage credit risk. Credit quality, as commonly expressed in terms of credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings, provides a current depiction of the potential variable cash flows and credit risk.

Note 3 – Cash, Cash Equivalents, and Investments (continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The College's investment policy limits investments, at cost, to no more than 10 percent in any single issuer, except the investments of U.S. government securities.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. As of June 30, 2019 and 2018, the College had no exposure to foreign currency risk.

Note 4 – Fair Value Measurements

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

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

The College has the following recurring fair value measurements as of June 30, 2019:

	Assets Measured at Fair Value on a Recurring Basis			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Debt securities:				
U.S. Treasury Notes	$ -	$ 5,924,347	$ -	$ 5,924,347
U.S. Agency Securities	-	2,503,340	-	2,503,340
Total assets	$ -	$ 8,427,687	$ -	$ 8,427,687

Note 4 – Fair Value Measurements (continued)

The College has the following recurring fair value measurements as of June 30, 2018:

	Assets Measured at Fair Value on a Recurring Basis			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Debt securities:				
U.S. Treasury Notes	$ -	$ 7,015,167	$ -	$ 7,015,167
U.S Agency Securities	-	742,330	-	742,330
Total assets	$ -	$ 7,757,497	$ -	$ 7,757,497

The fair value of debt securities classified as Level 2 is valued using other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Short-term investment and investments on the statement of net position at June 30, 2019 and 2018 include money market investments of $85,527 and $460,117, respectively, and investments in STAR Ohio of $9,601,247 and $5,638,088, respectively. The money market investments and investments in STAR Ohio are measured at amortized costs or NAV; therefore, they are not included in the tables above.

The investments in STAR Ohio are measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transactions to $100 million, requiring excess amounts to be transacted the following business day(s), but only to the $100 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

Note 5 – Accounts Receivable

Accounts receivable, net of allowance for doubtful accounts, as of June 30 were as follows:

	2019	2018
Tuition and fees	$ 14,027,827	$ 15,351,258
Collaboration agreement	1,498,734	1,693,558
Grant and other	1,213,565	1,421,424
Leases	130,154	317,305
Less allowance for doubtful accounts	(10,284,671)	(6,783,305)
Total accounts receivable	6,585,609	12,000,240
Less long-term lease receivable	(66,340)	(130,154)
Total accounts receivable	$ 6,519,269	$ 11,870,086

Collaboration agreement accounts receivable are related to a public/private collaboration agreement (the "Agreement") entered into in 2012 with Higher Education Partners, LLC (HEP) of New Bedford, Massachusetts. The Agreement governs the operations of the College's campus in Middletown, Ohio, which initially opened for fall semester 2012. The agreement term, as amended in 2014, is 30 years.

Under the terms of the Agreement, revenue from courses on the Middletown campus and certain online courses is allocated first the College in the amount of 105 percent of the College's direct costs. HEP is obligated to reimburse the College if revenue is less than 105 percent of the College's direct costs, protecting the College from loss. Following the allocation of revenue to the College, HEP receives 105 of its direct costs, plus a 15 percent service fee. Finally, revenue in excess of amounts due HEP is retained by the College.

Reconciliations are calculated based upon the College's fiscal year. During fiscal year 2019, the College's revenue exceeded direct costs related to the Agreement, primarily due to cost containment and expense reduction measures at the Middletown Campus. Therefore, accounts receivable related to the Agreement decreased.

The College does not own the Middletown campus building; HEP leases the property from a third party. Under the Collaboration Agreement, HEP is responsible for direct costs related to management, repair, and operation of the facility. The College is responsible for direct costs of academic programs covered by the Agreement. Under the Collaboration Agreement, the College collects all revenue related to the Agreement. Under the Agreement, the net advance to HEP at June 30, 2019 and 2018 was $1,498,734 and $1,693,558, respectively.

Note 5 – Accounts Receivable (continued)

HEP also agreed to reimburse the College for lease payments related to certain equipment, improvements, and other assets located in the Middletown campus. Such assets were financed via the College's capital leases. Accounts receivable related to leases include amounts due through the maturity of all applicable leases in fiscal year 2021. Annual principal and interest payments under these leases for the years ending June 30 are as follows:

Years Ending	Principal	Interest	Total
2020	$ 63,814	$ 3,862	$ 67,676
2021	66,340	1,337	67,677
Total	130,154	5,199	135,353
Less current portion	(63,814)	(3,862)	(67,676)
Long-term lease receivable	$ 66,340	$ 1,337	$ 67,677

Note 6 – Capital Assets

Capital asset activity for the years ended June 30 was as follows:

	Balance July 1, 2018	Additions	Transfers and Disposals	Balance at June 30, 2019
Nondepreciable assets:				
Land	$ 2,272,609	$ -	$ -	$ 2,272,609
Construction in progress	-	1,303,786	-	1,303,786
Total nondepreciable assets	2,272,609	1,303,786	-	3,576,395
Depreciable assets:				
Building and improvements	131,685,110	1,881,399	-	133,566,509
Equipment and furniture	8,223,578	389,113	(11,995)	8,600,696
Land improvements	2,675,389	-	-	2,675,389
Library books and audio visual	1,256,110	20,091	-	1,276,201
Total depreciable assets	143,840,187	2,290,603	(11,995)	146,118,795
Accumulated depreciation:				
Building and improvements	61,278,401	3,165,967	-	64,444,368
Equipment and furniture	6,882,729	332,098	(2,172)	7,212,655
Land improvements	1,998,305	96,022	-	2,094,327
Library books and audio visual	631,662	141,874	-	773,536
Total accumulated depreciation	70,791,097	3,735,961	(2,172)	74,524,886
Net capital assets, depreciable	73,049,090	(1,445,358)	(9,823)	71,593,909
Net capital assets	$ 75,321,699	$ (141,572)	$ (9,823)	$ 75,170,304

Note 6 – Capital Assets (continued)

	Balance July 1, 2017	Additions	Transfers and Disposals	Balance at June 30, 2018
Nondepreciable assets:				
Land	$ 2,321,359	$ -	$ (48,750)	$ 2,272,609
Depreciable assets:				
Building and improvements	133,414,180	-	(1,729,070)	131,685,110
Equipment and furniture	8,224,668	193,910	(195,000)	8,223,578
Land improvements	2,675,389	-	-	2,675,389
Library books and audio visual	1,222,727	33,383	-	1,256,110
Total depreciable assets	145,536,964	227,293	(1,924,070)	143,840,187
Accumulated depreciation:				
Building and improvements	57,813,883	3,464,518	-	61,278,401
Equipment and furniture	6,446,287	436,442	-	6,882,729
Land improvements	1,898,205	100,100	-	1,998,305
Library books and audio visual	568,438	63,224	-	631,662
Total accumulated depreciation	66,726,813	4,064,284	-	70,791,097
Net capital assets, depreciable	78,810,151	(3,836,991)	(1,924,070)	73,049,090
Net capital assets	$ 81,131,510	$ (3,836,991)	$ (1,972,820)	$ 75,321,699

Equipment and improvements recorded under capital leases amounts to $4,032,597 at June 30, 2019 and 2018. Accumulated depreciation and amortization related to these assets amounted to $2,913,773 and $2,891,870 for the years ended June 30, 2019 and 2018, respectively.

In 2018, the College recorded an impairment loss of $1,972,820 on a building that was donated to the College in 2014. The impairment was recorded due to deterioration of the property and the College could not find a willing buyer. The College sold the building for $2 on August 7, 2018. The impairment loss is included in operation and maintenance expense on the statement of revenue, expenses, and changes in net position for 2018.

Note 7 – Long-term Debt

Long-term debt activity for the years ended June 30, 2019 and 2018 can be summarized as follows:

	2019				
	Balance July 1, 2018	Additions	Reductions	Balance at June 30, 2019	Due Within One Year
Bonds payable:					
General receipts bonds	$ 32,485,000	$ -	$ (2,590,000)	$ 29,895,000	$ 2,655,000
Bond premium	911,767	-	(158,580)	753,187	144,881
Total bonds payable	33,396,767	-	(2,748,580)	30,648,187	2,799,881
Capital lease obligation	987,914	-	(510,910)	477,004	230,215
Total	$ 34,384,681	$ -	$ (3,259,490)	$ 31,125,191	$ 3,030,096

	2018				
	Balance July 1, 2017	Additions	Reductions	Balance at June 30, 2018	Due Within One Year
Bonds payable:					
General receipts bonds	$ 34,995,000	$ -	$ (2,510,000)	$ 32,485,000	$ 2,590,000
Bond premium	1,083,693	-	(171,926)	911,767	158,580
Total bonds payable	36,078,693	-	(2,681,926)	33,396,767	2,748,580
Capital lease obligation	1,713,233	-	(725,319)	987,914	510,910
Total	$ 37,791,926	$ -	$ (3,407,245)	$ 34,384,681	$ 3,259,490

During the year ended June 30, 2003, the College issued General Receipts Bonds, Series 2002 for $47,580,000 that bore interest rates between 2.25 percent and 5.25 percent and mature in 2029. Proceeds were used for paying costs of capital facilities. The bonds were collateralized by a pledge of general receipts of the College. The bond agreement includes certain covenants and guidelines related to the College’s indebtedness.

On February 23, 2012, the College issued $38,775,000 in General Receipts Refunding Bonds, Series 2012 with an average effective interest rate of 3.33 percent that mature in 2029 to advance refund $36,815,000 of the outstanding Series 2002 bonds. The net proceeds of $40,470,000 (after payment of $440,000 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on these 2002 Series bonds. As a result, these 2002 Series bonds are considered to be defeased, and the liability for those bonds has been removed from the statement of net position. The defeased 2002 Series Bonds were paid in full in 2013 from the proceeds placed in the trust described above. The Series 2012 bond agreement also includes certain covenants and guidelines related to the College's indebtedness.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2,370,000. This difference, reported as a deferred outflow on the statement of net position, is being charged to operations through the year 2029 using the effective-interest method.

Note 7 – Long-term Debt (continued)

The annual debt service requirements to maturity for the above bonds and note obligations for the years ending June 30 are as follows:

Years Ending	Principal	Interest	Total
2020	$ 2,655,000	983,713	$ 3,638,713
2021	2,715,000	910,025	3,625,025
2022	2,800,000	818,000	3,618,000
2023	2,900,000	718,856	3,618,856
2024	3,025,000	588,975	3,613,975
2025-2029	15,800,000	1,231,375	17,031,375
Total	$ 29,895,000	$ 5,250,944	$ 35,145,944

Future minimum lease payments under capital lease obligations for the years ending June 30 were as follows:

Years Ending	Principal	Interest	Total
2020	$ 230,215	$ 15,491	$ 245,706
2021	165,970	7,612	173,582
2022	64,275	2,687	66,962
2023	16,544	197	16,741
Total	$ 477,004	$ 25,987	$ 502,991

Note 8 – Employee Benefit Plans

All employees of the College are members of a pension plan. College employees holding a position for which the Ohio Department of Teacher Education and Certification does not require a certificate are members of the School Employees Retirement System (SERS) and college employees holding a position that requires a certificate are members of the State Teachers Retirement System of Ohio (STRS). See Notes 16 and 17 for further information.

Effective March 31, 1999, the board of trustees of the College approved the Chapter 3305 Alternative Retirement Plan in accordance with the provisions of Chapter 3305 of the Ohio Revised Code, which requires Ohio public universities and colleges to offer defined contribution plans to employees as an alternative to participation in the state-mandated defined benefit plans. Under the new plan, employees have participant-directed accounts with participant-selected companies designated by the State that have entered into provider agreements with the College to administer the plan in accordance with plan provisions as adopted by the College. The College contributed $237,970 and $254,489 to the Alternative Retirement Plan for the years ended June 30, 2019 and 2018, respectively.

Note 9 – Compensated Absences

All full-time nonunion and union (SEIU) employees earn 15 days (or 120 hours) of personal and/or sick leave each year. All remaining full-time employees earn 13 days (or 104 hours) of personal and/or sick leave each year. Part-time SEIU employees have sick leave prorated according to their normal work schedule.

Leave days may be accumulated and are absorbed by time off due to illness or injury, or, within certain limitations, paid to the employee upon retirement or termination. The amount paid to an employee upon retirement or termination is limited to one-third of the accumulated leave days up to a maximum payout of 65 days. Full-time employees who are not in the College's American Association of University Professors bargaining unit and were hired on or after March 1, 1990 are entitled to a maximum payout of 30 days. The College has accrued a liability for all sick leave for which payment is deemed probable. This liability is in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*.

At June 30, 2019 and 2018, the liability for personal and/or sick leave was approximately $561,000 and $688,000, respectively.

Contract employees earn 20 days of vacation leave each year. Noncontract employees earn 10 days of vacation leave after one full year of service, 15 days after five years, and 20 days after 10 years. Upon retirement or termination, an employee is entitled to payment for all accrued vacation days up to a maximum of three times the annual vacation leave earned. The College has accrued a vacation liability for all employees equal to amounts earned but not taken up to the maximum. At June 30, 2019 and 2018, the liability for vacation was approximately $1,281,000 and $1,414,000, respectively.

Note 10 – Grants and Contracts

The College receives grants and contracts from certain federal, state, and local agencies. The costs, both direct and indirect, that have been charged to the grant or contract are subject to examination and approval by the granting agency. It is the opinion of the College administration that any disallowance or adjustment of such costs would not have a material effect on the accompanying financial statements.

Note 11 – Auxiliary Enterprises

Revenue and expenses of the College's auxiliary enterprises for the year ended June 30, 2019 consist of the following:

	Parking	Food Services	Airport	Childcare Center	MCI	CIT Studios	Total
Revenue	$ 762,577	$ 705,689	$ 289,649	$ 451,681	$ 236,267	$ -	$ 2,445,863
Expenses	(530,698)	(792,886)	(231,354)	(437,010)	(471,694)	-	(2,463,642)
Excess (deficiency) of revenue over expenses	$ 231,879	$ (87,197)	$ 58,295	$ 14,671	$ (235,427)	$ -	$ (17,779)

Note 11 – Auxiliary Enterprises (continued)

Revenue and expenses of the College's auxiliary enterprises for the year ended June 30, 2018 consist of the following:

	Parking	Food Services	Airport	Childcare Center	MCI	CIT Studios	Total
Revenue	$ 930,202	$ 812,849	$ 292,741	$ 486,331	$ 489,138	$ 41,470	$ 3,052,731
Expenses	(817,777)	(823,710)	(233,934)	(490,564)	(845,584)	(17,468)	(3,229,037)
Excess (deficiency) of revenue over expenses	$ 112,425	$ (10,861)	$ 58,807	$ (4,233)	$ (356,446)	$ 24,002	$ (176,306)

Note 12 – Restricted Net Position

The balances in restricted net position that are expendable for use of the debt service facility fee for the years ended June 30, 2019 and 2018 are $1,021,665 and $1,525,349, respectively.

Note 13 – Risk Management

The College is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, injuries to employees, employee health claims, unemployment compensation claims, and environmental damage. The College has purchased commercial insurance to cover losses. There has been no reduction in insurance coverage. Insurance settlements for claims resulting from risks covered by commercial insurance have not exceeded the insurance coverage in any of the past three years.

The College is self-insured for health claims and estimates the liability for health claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. The liability is recorded within other accrued liabilities in the statement of net position. Changes in the estimated liability for fiscal years ended June 30, 2019, 2018 and 2017 were as follows:

	Health Claims		
	2019	2018	2017
Unpaid claims - beginning of year	$ 536,359	$ 447,184	$ 364,998
Incurred claims, including claims incurred but not reported	5,724,270	5,161,983	5,726,205
Claim payments	(5,244,270)	(5,072,808)	(5,644,019)
Total	$ 1,016,359	$ 536,359	$ 447,184

Note 14 – Pending Litigation

The College is named a party to a number of lawsuits in the normal course of business. The College is unable to reasonably estimate the value or assess the probability of any outcomes and, therefore, did not record an accrual at June 30, 2019 or 2018. It is possible that these lawsuits could have a material adverse effect on the College's financial position or results of operations.

Note 15 – Component Unit

The College is the sole beneficiary of the Cincinnati State Technical and Community College Foundation (the "Foundation"), a separate not-for-profit entity governed by a separate board of trustees, organized for the purpose of promoting educational activities. Amounts received by the College from the Foundation in the form of private gifts, grants, and contracts amounted to $1,145,562 and $1,022,068 for the years ended June 30, 2019 and 2018, respectively.

The following is a summary of the Foundation investments at June 30:

	2019	2018
Cash equivalents	$ 305,261	$ 365,711
Equity securities	7,071,842	6,247,928
Debt securities	2,637,327	2,583,643
Real estate investments	26,564	51,002
Alternative investments	392,121	-
Total	$ 10,433,115	$ 9,248,284

The Foundation has the following recurring fair value measurements as of June 30, 2019 and 2018:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	June 30, 2019
Investments:				
Equities - common stocks	$ 4,050,916	$ -	$ -	$ 4,050,916
Equities - mutual funds	3,005,813	-	-	3,005,813
Fixed income - preferred stock	15,114	-	-	15,114
Fixed income - mutual funds	2,455,021	-	-	2,455,021
Fixed income - corporate bonds	172,594	-	-	172,594
Fixed income - U.S. Government	9,711	-	-	9,711
Real estate mutual funds	26,564	-	-	26,564
Alternative mutual funds	392,121	-	-	392,121
Total assets	$ 10,127,854	$ -	$ -	$ 10,127,854

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	June 30, 2018
Investments:				
Equities - common stocks	$ 3,781,180	$ -	$ -	$ 3,781,180
Equities - mutual funds	2,466,745	-	-	2,466,745
Fixed income - preferred stock	15,024	-	-	15,024
Fixed income - mutual funds	2,480,192	-	-	2,480,192
Fixed income - corporate bonds	88,427	-	-	88,427
Real estate mutual funds	51,002	-	-	51,002
Total assets	$ 8,882,570	$ -	$ -	$ 8,882,570

Note 15 – Component Unit (continued)

Net assets with donor restrictions of the Foundation as of June 30 are available for the following purposes:

	2019	2018
Pledges receivable	$ 301,420	$ 667,536
Special purpose funds	3,588,531	2,660,791
Income on endowments	572,458	489,976
Endowment funds - perpetual portion	6,895,911	6,845,076
Total	$ 11,358,320	$ 10,663,379

Note 16 – Defined Benefit Pension Plans

Net Pension Liability

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

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 way pensions are financed; however, the College does receive the benefit of employees’ services in exchange for compensation including pension.

GASB Statement No. 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.

Note 16 – Defined Benefit Pension 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 accrued liabilities.

Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement were as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the College is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the 14% employer contribution rate was allocated to the Health Care Fund.

The College's contractually required contribution to SERS was $1,680,977 and $1,866,283 for fiscal years 2019 and 2018, respectively.

Note 16 – Defined Benefit Pension Plans (continued)

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 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 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14%-member rate goes to the DC Plan and 2% goes the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

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

Note 16 – Defined Benefit Pension Plans (continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, plan members were required to contribute 14% of their annual covered salary. The College was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS was $2,681,466 and $2,996,081 for fiscal years 2019 and 2018, respectively.

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

The net pension liability reported at June 30, 2019 and 2018 was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the projected contributions of all participating entities. The following is information related to the College's proportionate share, pension expense, and deferred inflows and outflows for fiscal years 2019 and 2018:

Fiscal Year 2019	SERS	STRS	Total
Proportionate Share of Net Pension Liability	$ 23,376,300	$ 40,389,819	$ 63,766,119
Proportion of Net Pension Liability	0.408163864%	0.183692330%	
Change in Proportion	-0.117637584%	-0.018451907%	
Pension Expense (Negative)	$ (1,506,388)	$ 36,317	$ (1,470,071)
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 1,282,043	$ 932,321	$ 2,214,364
Change in assumptions	527,887	7,157,838	7,685,725
Change in the College's proportionate share and difference in employer contributions	1,071,189	-	- 1,071,189
College contributions subsequent to the measurement date	1,680,977	2,681,466	4,362,443
	$ 4,562,096	$ 10,771,625	$ 15,333,721
Deferred Inflows of Resources			
Differences between expected and actual experience	$ -	$ (263,769)	$ (263,769)
Net difference between projected and actual earnings on pension plan investments	(647,686)	(2,449,195)	(3,096,881)
Change in the College's proportionate share and difference in employer contributions	(4,299,023)	(8,185,650)	(12,484,673)
	$ (4,946,709)	$ (10,898,614)	$ (15,845,323)

Note 16 – Defined Benefit Pension Plans (continued)

Fiscal Year 2018	SERS	STRS	Total
Proportionate Share of Net Pension Liability	$ 31,415,472	$ 48,019,797	$ 79,435,269
Proportion of Net Pension Liability	0.525801448%	0.202144237%	
Change in Proportion	0.031266848%	-0.008711223%	
Pension Expense (Negative)	$ (4,082,680)	$ (21,489,183)	$ (25,571,863)
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 1,348,773	$ 1,854,299	$ 3,203,072
Change in assumptions	1,527,916	10,502,457	12,030,373
Change in the College's proportionate share and difference in employer contributions	1,679,819	-	1,679,819
College contributions subsequent to the measurement date	1,866,283	2,996,081	4,862,364
	$ 6,422,791	$ 15,352,837	$ 21,775,628
Deferred Inflows of Resources			
Differences between expected and actual experience	$ -	$ (387,021)	$ (387,021)
Net difference between projected and actual earnings on pension plan investments	(354,338)	(1,584,709)	(1,939,047)
Change in the College's proportionate share and difference in employer contributions	(1,601,260)	(8,523,267)	(10,124,527)
	$ (1,955,598)	$ (10,494,997)	$ (12,450,595)

$4,362,443 reported as deferred outflows of resources at June 30, 2019 related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense in future years as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ (641,113)	$ (301,508)	$ (942,621)
2021	(458,691)	(364,959)	(823,650)
2022	(767,147)	(945,440)	(1,712,587)
2023	(198,639)	(1,196,548)	(1,395,187)
	$ (2,065,590)	$ (2,808,455)	$ (4,874,045)

Note 16 – Defined Benefit Pension Plans (continued)

Actuarial Assumptions – SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuations, prepared as of June 30, 2018 and 2017, are presented below:

Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%
COLA or Ad Hoc COLA	2.50% on and after April 1, 2018, COLA's for future retirees will be delayed for three years following retirement
Investment Rate of Return	7.50% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females for active members. Mortality among service retired members and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

Note 16 – Defined Benefit Pension Plans (continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class for fiscal years 2019 and 2018 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
U.S. Stocks	22.50	4.75
Non-U.S. Stock	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate – Total pension liability was calculated using the discount rate of 7.5% for fiscal years 2019 and 2018. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.5%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%), or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Fiscal Year 2019			
College's proportionate share of the net pension liability	$ 32,927,282	$ 23,376,300	$ 15,368,442
Fiscal Year 2018			
College's proportionate share of the net pension liability	$ 43,596,511	$ 31,415,472	$ 21,211,367

Note 16 – Defined Benefit Pension Plans (continued)

Actuarial Assumptions – STRS

The total pension liability in the July 1, 2018 and 2017 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Investment rate of return	7.45%, net of investment expenses, including inflation
Discount rate of return	7.45%
Cost-of-living adjustments (COLA)	0%

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disability mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions were based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class for fiscal years 2019 and 2018 are summarized as follows:

Asset Class	Target Allocation		Long Term Expected Real Rate of Return*	
Domestic Equity	28.00	%	7.35	%
International Equity	23.00		7.55	
Alternatives	17.00		7.09	
Fixed Income	21.00		3.00	
Real Estate	10.00		6.00	
Liquidity Reserves	1.00		2.25	
Total	100.00	%		

* 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Note 16 – Defined Benefit Pension Plans (continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018 and 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018 and 2017.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the College's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Discount Rate (7.45%)	1% Increase (8.45%)
Fiscal Year 2019			
College's proportionate share of the net pension liability	$ 58,984,014	$ 40,389,819	$ 24,652,356
Fiscal Year 2018			
College's proportionate share of the net pension liability	$ 68,834,746	$ 48,019,797	$ 30,486,324

Note 17 – Postemployment Benefits Other than Pensions (OPEB)

Net OPEB Liability (Asset)

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

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

Note 17 – Postemployment Benefits Other than Pensions (OPEB) (continued)

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability (asset). Resulting adjustments to the net OPEB liability (asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* or fully-funded benefits as a long-term *net OPEB asset* on the accrual basis of accounting. Any liability for contractually-required OPEB contributions outstanding at the end of the fiscal year is included in accrued liabilities.

Plan Description - School Employees Retirement System

Health Care Plan

The College contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal years 2019 and 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned.

Note 17 – Postemployment Benefits Other than Pensions (OPEB) (continued)

For fiscal years 2019 and 2018, the minimum compensation amount was $21,600 and $23,500, respectively. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal years 2019 and 2018, the College's surcharge obligation was $103,677 and $125,193, respectively.

The surcharge added to the 0.5% allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The College's contractually required contribution to SERS was $165,935 and $660,000 for fiscal years 2019 and 2018, respectively.

Plan Description - State Teachers Retirement System

Health Care Plan

The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, 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, currently 14% of covered payroll. For the fiscal years ended June 30, 2019 and 2018, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability was measured as of June 30, 2018 and 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability was based on the College's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Note 17 – Postemployment Benefits Other than Pensions (OPEB) (continued)

Following is information related to the proportionate share and OPEB expense:

Fiscal Year 2019	SERS	STRS	Total
Proportionate Share of Net OPEB Liability (Asset)	$ 10,939,128	$ (2,951,749)	$ 7,987,379
Proportion of Net OPEB Liability (Asset)	0.394306511%	0.183692330%	
Change in Proportion	-0.092595289%	-0.018451907%	
OPEB Expense (Negative)	$ 124,248	$ (6,511,861)	$ (6,387,613)
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 178,563	$ 344,770	$ 523,333
Change in the College's proportionate share and difference in employer contributions	344,265	-	344,265
College contributions subsequent to the measurement date	165,935	-	165,935
	$ 688,763	$ 344,770	$ 1,033,533
Deferred Inflows of Resources			
Differences between expected and actual experience	$ -	$ (171,978)	$ (171,978)
Net difference between projected and actual earnings on OPEB plan investments	(16,413)	(337,212)	(353,625)
Change in assumptions	(982,797)	(4,021,993)	(5,004,790)
Change in the College's proportionate share and difference in employer contributions	(1,850,547)	(657,539)	(2,508,086)
	$ (2,849,757)	$ (5,188,722)	$ (8,038,479)

Note 17 – Postemployment Benefits Other than Pensions (OPEB) (continued)

Fiscal Year 2018	SERS	STRS	Total
Proportionate Share of Net OPEB Liability	$ 13,067,165	$ 7,886,922	$ 20,954,087
Proportion of Net OPEB Liability	0.486901800%	0.202144237%	
Change in Proportion	-0.007632800%	-0.008711200%	
OPEB Expense (Negative)	$ (236,693)	$ (2,406,663)	$ (2,643,356)
Deferred Outflows of Resources			
Differences between expected and actual experience	$ -	$ 455,281	$ 455,281
Change in the College's proportionate share and difference in employer contributions	539,870	-	539,870
College contributions subsequent to the measurement date	660,000	-	660,000
	$ 1,199,870	$ 455,281	$ 1,655,151
Deferred Inflows of Resources			
Net difference between projected and actual earnings on OPEB plan investments	$ (34,507)	$ (337,106)	$ (371,613)
Change in assumptions	(1,240,007)	(635,317)	(1,875,324)
	$ (1,274,514)	$ (972,423)	$ (2,246,937)

$165,935 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ (546,435)	$ (859,117)	$ (1,405,552)
2021	(506,059)	(859,117)	(1,365,176)
2022	(378,202)	(859,117)	(1,237,319)
2023	(371,215)	(782,533)	(1,153,748)
2024	(372,352)	(755,668)	(1,128,020)
2025	(152,666)	(728,400)	(881,066)
	$ (2,326,929)	$ (4,843,952)	$ (7,170,881)

Note 17 – Postemployment Benefits Other than Pensions (OPEB) (continued)

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuations, prepared as of June 30, 2018 and 2017, are presented below:

	June 30, 2018	June 30, 2017
Investment Rate of Return	7.50% net of investment expense, including inflation	7.50% net of investment expense, including inflation
Wage Inflation	3.00%	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%	3.50% to 18.20%
Municipal Bond Index Rate:		
Prior Measurement Date	3.56%	2.92%
Measurement Date	3.62%	3.56%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:		
Prior Measurement Date	3.63%	2.98%
Measurement Date	3.70%	3.63%
Medical Trend Assumption:		
Pre-Medicare	7.25% - 4.75%	7.50% - 5.00%
Medicare	5.375% - 4.75%	5.50% - 5.00%

Note 17 – Postemployment Benefits Other than Pensions (OPEB) (continued)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. PR-2000 Disabled Mortality Table with 90% for males rate and 100% for female rates set back five years.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized in the following table:

Asset Class	Target Allocation		Long Term Expected Real Rate of Return	
Cash	1.00	%	0.50	%
U.S. Stocks	22.50		4.75	
Non-U.S. Stock	22.50		7.00	
Fixed Income	19.00		1.50	
Private Equity	10.00		8.00	
Real Estate	15.00		5.00	
Multi-Asset Strategies	10.00		3.00	
Total	100.00	%		

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62% as of June 30, 2018 (i.e., municipal bond rate) was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Note 17 – Postemployment Benefits Other than Pensions (OPEB) (continued)

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Healthcare Cost Trend Rates – The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability for fiscal years 2019 and 2018, calculated using the discount rate of 3.70% and 3.63%, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70% and 2.63%) and one percentage point higher (4.70% and 4.63%) than the current rate, all respectively.

Fiscal Year 2019	1% Decrease (2.70%)	Discount Rate (3.70%)	1% Increase (4.70%)
College's proportionate share of the net OPEB liability	$ 13,273,772	$ 10,939,128	$ 9,090,527

Fiscal Year 2018	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
College's proportionate share of the net OPEB liability	$ 15,780,266	$ 13,067,165	$ 10,917,697

The following table presents the net OPEB liability calculated using current health care cost trend rates, as well as what the College's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point and one percentage point higher than the current rates.

Fiscal Year 2019	1% Decrease (6.25% decreasing to 3.75%)	Trend Rate (7.25% decreasing (to 4.75%)	1% Increase (8.25% decreasing to 5.75%)
College's proportionate share of the net OPEB liability	$ 8,825,869	$ 10,939,128	$ 9,090,527

Fiscal Year 2018	1% Decrease (6.5% decreasing to 4.0%)	Trend Rate (7.5% decreasing (to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
College's proportionate share of the net OPEB liability	$ 15,780,266	$ 13,067,165	$ 10,917,697

Note 17 – Postemployment Benefits Other than Pensions (OPEB) (continued)

Actuarial Assumptions – STRS

The total OPEB asset in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Salary increases	12.50% at age 20 to 2.50% at age 65	
Payroll increases	3.00%	
Investment rate of return	7.45%, net of investment expenses, including inflation	
Discount rate of return	7.45%	
Health care cost trends	Initial	Ultimate
Medical		
Pre-Medicare	6.00%	4.00%
Medicare	5.00%	4.00%
Prescription Drug		
Pre-Medicare	8.00%	4.00%
Medicare	-5.23%	4.00%

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Blended discount rate of return	4.13%
Investment rate of return	7.45%, net of investment expenses, including inflation
Health care cost trends	6% - 11% initially, 4.50% ultimate
Cost-of-living adjustments	0% effective July 1, 2017

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018 and 2017 valuations are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 4.13% to 7.45% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB).* Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

Note 17 – Postemployment Benefits Other than Pensions (OPEB) (continued)

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

Asset Class	Target Allocation		Long Term Expected Real Rate of Return*	
Domestic Equity	28.00	%	7.35	%
International Equity	23.00		7.55	
Alternatives	17.00		7.09	
Fixed Income	21.00		3.00	
Real Estate	10.00		6.00	
Liquidity Reserves	1.00		2.25	
Total	100.00	%		

* 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, but does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate – The discount rate used to measure the total OPEB liability (asset) was 7.45% and 4.13% as of June 30, 2018 and 2017, respectively. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan assets of 7.45% was used to measure the total OPEB asset as of June 30, 2018. A blended discount rate of 4.13%, which represents a long-term expected rate of return of 7.45% for the funded benefit payments and a Bond Buyer 20-year municipal bond rate of 3.58% for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

Note 17 – Postemployment Benefits Other than Pensions (OPEB) (continued)

Sensitivity of the College's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate and the Health Care Cost Trend Rates –The following table presents the College's proportionate share of the net OPEB liability (asset) for fiscal years 2019 and 2018, calculated using the current period discount rate assumption of 7.45% and 4.13%, as well as what the College's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.45% and 3.13%) and one percentage point higher (8.45% and 5.13%) than the current rate, all respectively. Also shown is the net OPEB liability (asset) as if it were calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates:

Fiscal Year 2019	1% Decrease (6.45%)	Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of the net OPEB asset	$ 2,529,925	$ 2,951,749	$ 3,306,271

Fiscal Year 2018	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
College's proportionate share of the net OPEB liability	$ 10,588,067	$ 7,886,922	$ 5,752,136

Fiscal Year 2019	In Trend Rates	Trend Rate	In Trend Rates
College's proportionate share of the net OPEB asset	$ 3,286,258	$ 2,951,749	$ 2,612,028
Fiscal Year 2018			
College's proportionate share of the net OPEB liability	$ 10,588,067	$ 7,886,922	$ 5,752,136

Required Supplementary Information

Cincinnati State Technical and Community College
Required Supplementary Information
Schedule of College's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Six Fiscal Years (1) (2)

	College's Proportion of the Net Pension Liability	College's Proportionate Share of the Net Pension Liability	College's Covered Payroll	College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.552480%	$ 32,863,825	$ 13,568,331	242.21%	65.52%
2015	0.552480%	27,960,496	16,190,556	172.70%	71.70%
2016	0.531580%	30,332,704	17,016,821	178.25%	69.16%
2017	0.494530%	36,195,370	16,946,914	213.58%	62.98%
2018	0.525801%	31,415,472	15,613,571	201.21%	69.50%
2019	0.408164%	23,376,300	13,824,319	169.10%	71.36%

(1) Information prior to 2014 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the College's measurement date, which is the prior fiscal year-end.

Notes to Schedule:

Change in assumptions. In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction of the discount rate from 7.75% to 7.50%, a reduction in the wage inflation rate from 3.25% to 3.00%, a reduction in the payroll growth assumption used from 4.00% to 3.50%, reduction in the assumed real wage growth rate from 0.75% to 0.50%, update of the rates of withdrawal, retirement and disability to reflect recent experience, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables for active members and service retired members and beneficiaries.

Changes of benefit and funding terms. In measurement year 2018, post-retirement increases in benefits included the following changes:

1. Members, or their survivors, retiring prior to January 1, 2018, receive a COLA increase of 3% of their base benefit on the anniversary of their initial date of retirement.
2. Members, or their survivors, retiring on and after January 1, 2018, receive a COLA increase on each anniversary of their initial date of retirement equal to the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0%, nor greater than 2.5%. COLAs are suspended for calendar years 2018, 2019, and 2020.
3. Members, or their survivors, retiring on and after April 1, 2018, will have their COLA delayed for three years following their initial date of retirement.

Cincinnati State Technical and Community College
Required Supplementary Information
Schedule of College's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Six Fiscal Years (1) (2)

	College's Proportion of the Net Pension Liability	College's Proportionate Share of the Net Pension Liability	College's Covered Payroll	College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.255070%	$ 73,704,017	$ 27,967,369	263.54%	69.30%
2015	0.255070%	62,041,175	27,964,615	221.86%	74.70%
2016	0.236330%	65,314,417	24,256,614	269.26%	72.10%
2017	0.210860%	70,579,678	23,318,900	302.67%	66.80%
2018	0.202144%	48,019,797	22,633,264	212.16%	75.30%
2019	0.183692%	40,389,819	21,400,579	188.73%	77.30%

(1) Information prior to 2014 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the College's measurement date, which is the prior fiscal year-end.

Notes to Schedule:

Change in assumptions. In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0/25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Change in benefit terms. Effective July 1, 2017, the COLA was reduced to zero.

Cincinnati State Technical and Community College
Required Supplementary Information
Schedule of College Pension Contributions
School Employees Retirement System of Ohio
Last Seven Fiscal Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	$ 1,877,857	$ (1,877,857)	$ -	$ 13,568,331	13.84%
2014	2,244,011	(2,244,011)	-	16,190,556	13.86%
2015	2,242,817	(2,242,817)	-	17,016,821	13.18%
2016	2,372,568	(2,372,568)	-	16,946,914	14.00%
2017	2,185,900	(2,185,900)	-	15,613,571	14.00%
2018	1,866,283	(1,866,283)	-	13,824,319	13.50%
2019	1,680,977	(1,680,977)	-	12,451,681	13.50%

(1) Information prior to 2013 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

Cincinnati State Technical and Community College
Required Supplementary Information
Schedule of College Pension Contributions
State Teachers Retirement System of Ohio
Last Seven Fiscal Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	$ 3,635,758	$ (3,635,758)	$ -	$ 27,967,369	13.00%
2014	3,635,400	(3,635,400)	-	27,964,615	13.00%
2015	3,395,926	(3,395,926)	-	24,256,614	14.00%
2016	3,264,646	(3,264,646)	-	23,318,900	14.00%
2017	3,168,657	(3,168,657)	-	22,633,264	14.00%
2018	2,996,081	(2,996,081)	-	21,400,579	14.00%
2019	2,681,466	(2,681,466)	-	19,153,329	14.00%

(1) Information prior to 2013 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

Cincinnati State Technical and Community College
Required Supplementary Information
Schedule of College's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Three Fiscal Years (1) (2)

	College's Proportion of the Net OPEB Liability	College's Proportionate Share of the Net OPEB Liability	College's Covered Payroll	College's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.494535%	$ 13,878,502	$ 16,946,914	81.89%	11.49%
2018	0.486902%	13,067,165	15,613,571	83.69%	12.46%
2019	0.394307%	10,939,128	13,824,319	79.13%	13.57%

(1) Information prior to 2017 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the College's measurement date, which is the prior fiscal year-end.

Notes to Schedule:

Change in assumptions. In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction in the rate of inflation from 3.25% to 3.00%, a reduction in the payroll growth assumption from 4.00% to 3.50%, a reduction in assumed real wage growth from 0.75% to 0.50%, an update in rates of withdrawal, retirement and disability, and transitioning to the following mortality tables: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set back for both active male and female members; RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB (120% of male rates, and 110% of female rates) for service retired members and beneficiaries; and RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement among disabled members.

In measurement year 2018, medical trend rates have been adjusted to reflect premium decreases.

Change in benefit and funding terms. In measurement year 2018, SERS' funding policy allowed a 2.0% health care contribution rate to be allocated to the Health Care fund. The 2.0% is a combination of 0.5% employer contributions and 1.5% surcharge.

Cincinnati State Technical and Community College
Required Supplementary Information
Schedule of College's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1) (2)

	College's Proportion of the Net OPEB Liability (Asset)	College's Proportionate Share of the Net OPEB Liability (Asset)	College's Covered Payroll	College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
2017	0.210716%	$ 11,269,138	$ 23,318,900	48.33%	37.30%
2018	0.202144%	7,886,922	22,633,264	34.85%	47.11%
2019	0.183692%	(2,951,749)	21,400,579	(13.79%)	176.00%

(1) Information prior to 2017 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the College's measurement date, which is the prior fiscal year-end.

Notes to Schedule:

Change in assumption. For measurement year 2017, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* , and the long-term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For measurement year 2018, the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74. Valuation year per capital health care costs were updated.

Change in benefit terms. For measurement year 2017, the subsidy multiplier for non-Medicare benefit recipient was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

For measurement year 2018, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

Cincinnati State Technical and Community College
Required Supplementary Information
Schedule of College OPEB Contributions
School Employees Retirement System of Ohio
Last Four Fiscal Years (1)

	Contractually Required Contributions (2)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	$ 87,873	$ (87,873)	$ -	$ 16,946,914	0.52%
2017	80,959	(80,959)	-	15,613,571	0.52%
2018	785,193	(785,193)	-	13,824,319	5.68%
2019	165,935	(165,935)	-	12,451,681	1.33%

(1) The College elected not to present information prior to 2016. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) Includes Surcharge

Cincinnati State Technical and Community College
Required Supplementary Information
Schedule of College OPEB Contributions
State Teachers Retirement System of Ohio
Last Four Fiscal Years (1)

	Contractually Required Contributions (2)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	$ -	$ -	$ -	$ 23,318,900	0.00%
2017	-	-	-	22,633,264	0.00%
2018	-	-	-	21,400,579	0.00%
2019	-	-	-	19,153,329	0.00%

(1) The College elected not to present information prior to 2016. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) STRS allocated the entire 14% employer contribution rate toward pension benefits.

Supplemental Information

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

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

Board of Trustees
Cincinnati State Technical and Community College
Cincinnati, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Cincinnati State Technical and Community College (the "College"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 14, 2019.

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

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

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

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 14, 2019

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Cincinnati State Technical and Community College
Cincinnati, Ohio

Report on Compliance for Each Major Federal Program
We have audited Cincinnati State Technical and Community College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2019. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

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

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

Opinion on Each Major Federal Program
In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 14, 2019

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grant or Pass Through Number	Expenditures
U.S. Department of Education			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grant	84.007	N/A	$ 694,908
Federal Work-Study Program	84.033	N/A	240,514
Federal Pell Grant Program	84.063	N/A	8,210,876
Federal Direct Student Loans	84.268	N/A	16,149,071
Total Student Financial Aid Cluster			25,295,369
TRIO Cluster:			
TRIO - Student Support Services	84.042A	N/A	291,899
TRIO - Upward Bound	84.047A	N/A	272,423
TRIO - Educational Opportunity Centers	84.066	N/A	227,311
Total TRIO Cluster			791,633
Passed through the Ohio Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A180035	257,850
Passed through the State of Ohio Board of Regents			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	3,700
Child Care Access Means Parents in School	84.335	N/A	43,693
Total U.S. Department of Education			26,392,245
U.S. Department of Agriculture			
Passed through the Ohio Department of Education			
Child and Adult Care Food Program	10.558	N/A	36,317
Total U.S. Department of Agriculture			36,317
U.S. Department of Commerce			
Passed through the American Lightweight Materials Manufacturing Innovation Institute			
Manufacturing Extension Partnership	11.611	N00014-14-2-0002	239,812
Total U.S. Department of Commerce			239,812
U.S. Department of Labor			
Passed through the Lorain County Community College			
Trade Adjustment Assistance Community College and Career Training Grants	17.282	TC-26435-14-60-A-39	2,955
Trade Adjustment Assistance Community College and Career Training Grants	17.282	N/A	240,317
Total U.S. Department of Labor			243,272
U.S. Department of Transportation			
Airport Improvement Program	20.106	N/A	167,127
Total U.S. Department of Transportation			167,127

(continued)

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

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grant or Pass Through Number	Expenditures
National Aeronautical and Space Administration			
Passed through the Ohio Aerospace Institute			
Education - Ohio Space Grant	43.008	NNX14AR49A	3,000
Total National Aeronautical and Space Administration			3,000
National Science Foundation			
Passed through The Ohio State University			
Education and Human Resources - Louis Stokes Alliance for Minority Participation	47.076	60042097-CSTCC	9,096
Passed through the Indian Hills Community College			
Education and Human Resources - Midwest Photonics Education Center	47.076	20-3-9557-44	2,212
Passed through the University of Cincinnati			
Education and Human Resources - Robert Noyce Scholarship Program	47.076	010186-003	9,636
Total National Science Foundation			20,944
U.S. Department of Health and Human Services			
Chafee Education and Training Vouchers Program (ETV)	93.599	N/A	9,084
Total U.S. Department of Health and Human Services			9,084
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 27,111,801

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

Notes to Schedule of Expenditures of Federal Awards
Year End June 30, 2019

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Cincinnati State Technical and Community College (the "College") under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, *Cost Principles for Educational Institutions*, or the cost principles contained in Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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

Note 3 – Federal Work-Study and Federal SEOG Waiver

For the year ended June 30, 2019, the College received a waiver from the Department of Education for the Institutional Share Requirement under the Federal Work-study and Federal Supplemental Educational Opportunity Grant programs.

Note 4 – Loan Programs

The College originates but does not provide funding under the Direct Loan Program. The amount presented represents the value of new Direct Loans awarded by the Department of Education during the year.

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Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major program:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors' report issued on compliance for major federal program:	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	None noted

Identification of major program:

Student Financial Aid Cluster:
CFDA# 84.007 – Supplemental Educational Opportunity Grant
CFDA# 84.033 – College Work Study
CFDA# 84.063 – Pell Grant
CFDA# 84.268 – Federal Direct Student Loans

TRIO Cluster:
CFDA# 84.042A – TRIO - Student Support Services
CFDA# 84.047A – TRIO - Upward Bound
CFDA# 84.066 – TRIO - Educational Opportunity Centers

Dollar threshold to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None noted

Section III – Federal Awards Findings and Questioned Costs

None noted

Cincinnati State

TECHNICAL AND COMMUNITY COLLEGE

Cincinnati State Technical and Community College
Summary Schedule of Prior Audit Findings
June 30, 2019

<u>Finding 2018-001:</u> Material weakness

Condition: The College did not have appropriate processes and controls to ensure all obligations of the College are recorded at year end.

Recommendation: The College should implement a process that identifies and records all invoices due to a third party at year end.

Current Status: Corrected. No similar findings were noted in the 2019 audit.

<u>Finding 2018-002:</u> Significant deficiency

CFDA Number, Federal Agency and Program Name: Student Financial Assistance Cluster: Federal Pell Grant Program – CFDA #84.063

Condition: While the College has a process in place to identify the amount of Pell to disburse, the current process did not ensure accurate inputs were used in the calculation.

Recommendation: We recommend the College implement adequate review procedures to ensure proper inputs for the Pell calculation are used.

Current Status: Corrected. No similar findings were noted in the 2019 audit.

<u>Finding 2018-003:</u> Material weakness and material noncompliance with laws and regulations

CFDA Number, Federal Agency and Program Name: Trio Cluster: Upward Bound – CFDA #84.047V

Condition: The College submitted the annual performance report and service 60 percent low-income individuals who are potential first-generation participants. This is below the required two-thirds threshold. In addition, the submitted annual performance report noted the College only serve 44 participants, which is less than the program was funded to serve.

Recommendation: We recommend the College implement adequate review procedures to ensure that each TRIO program is compliant with the earmarking requirements and serves the appropriate number of participants.

Current Status: Corrected. No similar findings were noted in the 2019 audit.

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OHIO AUDITOR OF STATE
KEITH FABER

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

HAMILTON 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
NOVEMBER 21, 2019

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