

# Terra State Community College



## Basic Financial Statements

June 30, 2019

**PLATTENBURG**  
Certified Public Accountants



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Trustees  
Terra State Community College  
2830 Napoleon Road  
Fremont, Ohio 43420

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

November 7, 2019

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**TERRA STATE COMMUNITY COLLEGE  
SANDUSKY COUNTY, OHIO**

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Terra State Community College, Sandusky County, Ohio

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Terra State Community College (the College), a component unit of the State of Ohio, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.

Cincinnati, Ohio

October 15, 2019



TERRA STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019 and 2018  
(UNAUDITED)

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of Terra State Community College's financial statements provides an overview of the College's financial activities for the year ended June 30, 2019 with selected comparative information for the years ending June 30, 2018 and 2017. Responsibility for the completeness and fairness of this information rests with the College and should be read in conjunction with the accompanying financial statements and notes.

**Using the Annual Report**

The following activities are included in the financial statements:

Primary Institution (College) - Most of the programs and services generally associated with a college fall into this category, including instruction, public service and support services.

Component Unit (Foundation) - The Terra College Foundation is a separate legal entity. Although legally separate, this "component unit" is important because the Primary Institution is financially accountable for it.

Management's discussion and analysis is focused on the Primary Institution. The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus of the Statements of Net Position is designed to present the College's financial position as of a point in time. This statement combines current financial resources (short-term spendable resources) with capital assets and other long-term resources. The Statement of Revenues, Expenses, and Changes in Net Position focus on the change in net position over the year to indicate whether there has been improvement or erosion of the College's financial health.

**Financial Highlights**

When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as Terra State Community College's operating results.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

TERRA STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019 and 2018  
(UNAUDITED)

**Condensed Financial Information**

Statement of Net Position

(in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Assets</b>			
Current assets	\$ 4,270	\$ 4,125	\$ 4,253
Capital assets, net	29,371	29,601	29,971
Other noncurrent assets	<u>848</u>	<u>649</u>	<u>1,046</u>
Total assets	<u>34,489</u>	<u>34,375</u>	<u>35,270</u>
Deferred outflows of resources	<u>3,472</u>	<u>4,309</u>	<u>4,720</u>
Total assets & defer outflows	<u>\$ 37,961</u>	<u>\$ 38,684</u>	<u>\$ 39,990</u>
<b>Liabilities</b>			
Current liabilities	1,417	1,413	1,264
Noncurrent liabilities	<u>22,994</u>	<u>26,290</u>	<u>29,345</u>
Total liabilities	<u>24,411</u>	<u>27,703</u>	<u>30,609</u>
Deferred inflows of resources	<u>5,003</u>	<u>4,774</u>	<u>2,526</u>
Total liabilities & defer inflows	<u>29,414</u>	<u>32,477</u>	<u>33,135</u>
<b>Net position</b>			
Net investment in capital assets	23,889	24,016	24,585
Restricted			
Expendable	162	96	99
Unrestricted	<u>(15,504)</u>	<u>(17,905)</u>	<u>(17,830)</u>
Total net position	<u>\$ 8,547</u>	<u>\$ 6,207</u>	<u>\$ 6,854</u>

**Assets:** As of June 30, 2019 the College's total assets and deferred outflows of resources amounted to approximately \$38 million. Capital assets, net of depreciation, represented the College's largest asset, totaling \$29.4 million or 77 percent of total assets and deferred outflows of resources. Account and Loan Receivables, totaling \$3.0 million or 7.9 percent of total assets and deferred outflows of resources, were the College's next largest asset. Cash and investments decreased by approximately \$411 thousand in 2019.

As of June 30, 2018 the College's total assets and deferred outflows of resources amounted to approximately \$39 million. Capital assets, net of depreciation, represented the College's largest asset, totaling \$29.6 million or 77 percent of total assets and deferred outflows of resources. Account and Loan Receivables, totaling \$2.7 million or 7.0 percent of total assets and deferred outflows of resources, were the College's next largest asset. Cash and investments decreased by approximately \$303 thousand in 2018.

**Liabilities:** At June 30, 2019 the College's liabilities and deferred inflows of resources totaled approximately \$29 million. Net pension liabilities represented approximately \$17.6 million, or 60 percent, of total liabilities and deferred inflows of resources. Total liabilities and deferred inflows of resources decreased \$3.1 million during the year ended June 30, 2019. This was primarily a result of lower net pension liabilities.

TERRA STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019 and 2018  
(UNAUDITED)

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At June 30, 2018 the College's liabilities and deferred inflows of resources totaled approximately \$32 million. Net pension liabilities represented approximately \$20.4 million, or 63 percent, of total liabilities and deferred inflows of resources. Total liabilities and deferred inflows of resources decreased \$658 thousand during the year ended June 30, 2018. This was primarily a result of lower net pension liabilities.

**Net Position:** Net position at June 30, 2019 totaled approximately \$8.5 million or 23 percent of total assets and deferred outflows of resources. Net investment in capital assets totaled \$24.0 million or 280 percent, of total net position. Restricted and unrestricted net position represented 2 percent and (181) percent of total net position, respectively. Total net position increased by \$2.3 million during the year ended June 30, 2019.

Net position at June 30, 2018 totaled approximately \$6.2 million or 16 percent of total assets and deferred outflows of resources. Net investment in capital assets totaled \$24.0 million or 387 percent, of total net position. Restricted and unrestricted net position represented 2 percent and (289) percent of total net position, respectively. Total net position increased by \$5.4 million during the year ended June 30, 2018. A prior period adjustment of (\$6.0 million) for the implementation of GASB 75 resulted in a final net position of \$6.2 million.

TERRA STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019 and 2018  
(UNAUDITED)

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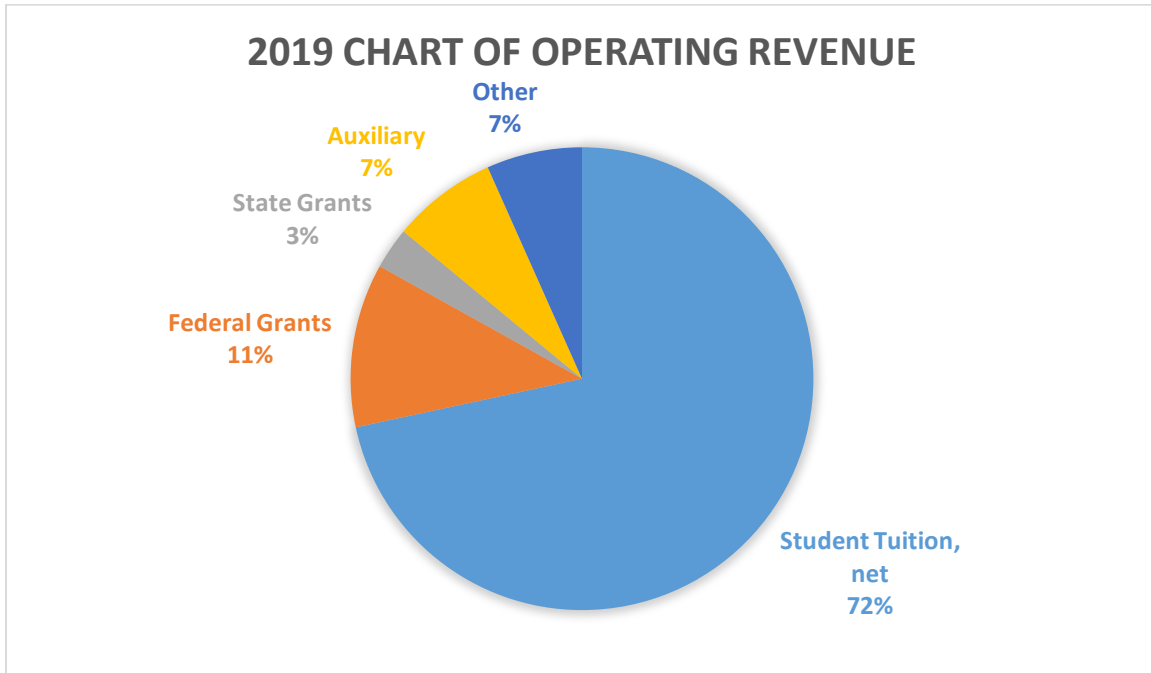
*Statement of Revenues, Expenses and Changes in Net Position*

(in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenue			
Tuition and fees	\$ 4,462	\$ 3,787	\$ 4,724
Government grants	894	708	905
Auxiliary services	458	483	902
Other operating revenue	<u>416</u>	<u>237</u>	<u>267</u>
Total operating revenue	<u>6,230</u>	<u>5,215</u>	<u>6,798</u>
Operating expenses			
Educational and general	11,940	7,714	14,482
Auxiliary expenses	463	539	1,207
Depreciation	<u>1,563</u>	<u>1,305</u>	<u>1,337</u>
Total operating expenses	<u>13,966</u>	<u>9,558</u>	<u>17,026</u>
Operating loss	(7,736)	(4,343)	(10,228)
Non-operating revenue (expenses)			
State appropriations	6,225	6,429	6,452
Federal grants	2,701	2,730	2,251
Gifts and grants	163	221	188
Investment income	23	(4)	10
Other non-operating	<u>(900)</u>	<u>(726)</u>	<u>(186)</u>
Total non-operating revenue	<u>8,212</u>	<u>8,650</u>	<u>8,715</u>
Capital appropriations	<u>1,864</u>	<u>1,058</u>	<u>0</u>
Change in net position during year	<u>\$ 2,340</u>	<u>\$ 5,365</u>	<u>\$ (1,513)</u>
Beginning Net Position	<u>6,207</u>	<u>842</u>	<u>N/A</u>
Ending Net Position	<u>\$ 8,547</u>	<u>\$ 6,207</u>	<u>\$ 6,854</u>

TERRA STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019 and 2018  
(UNAUDITED)

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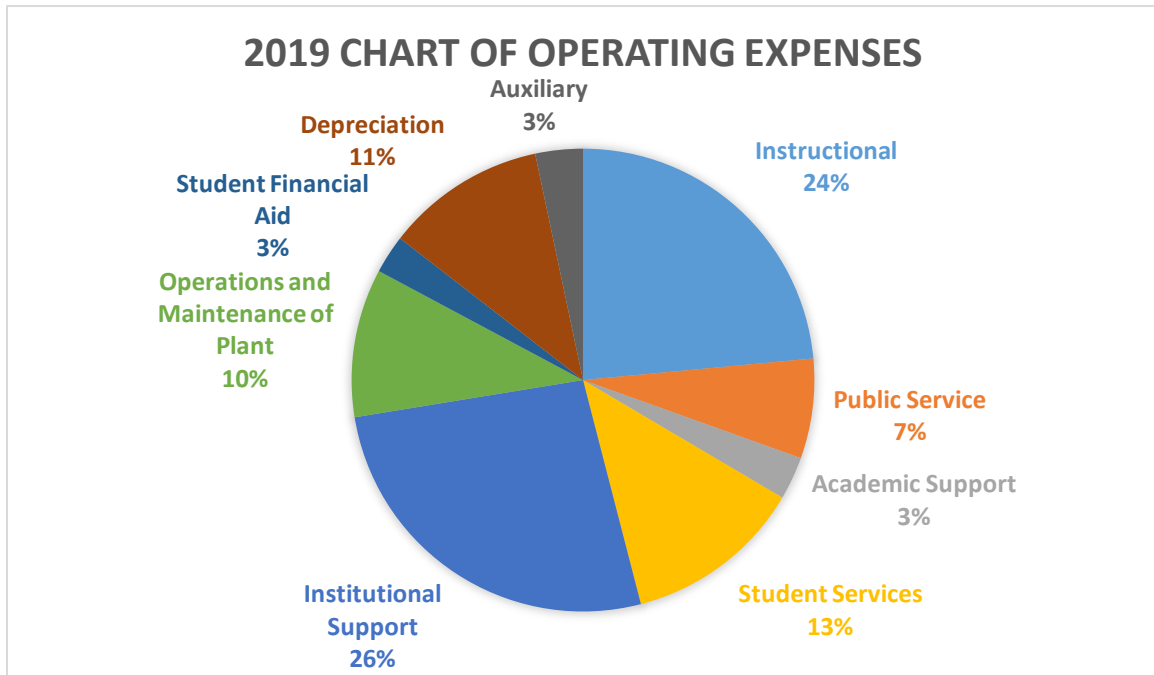
Total operating revenues were \$6.2 million for the year ended June 30, 2019, \$5.2 million for 2018. The most significant sources of operating revenue for the College are net student tuition and fees (71.6 percent for 2019 and 72.6 percent for 2018), auxiliary enterprise revenue (7.3 percent for 2019 and 9.3 percent for 2018), and federal grants and contracts (11.5 percent for 2019 and 11.6 percent for 2018).

Tuition and fees continued to be the largest source of operating revenues for the College. Gross tuition revenue increased 9.8% for 2019 and decreased 6.6% for 2018 primarily from fluctuations in enrollment and an increase in College Credit Plus students. The College's full time equivalent (FTE) students for fiscal year 2019 were 1,249 while in fiscal year 2018 the total was 1,218 and for fiscal year 2017 the total was 1,277. Over the past five years, the annual FTE average has been approximately 1,308. Auxiliary enterprises revenue from the College bookstore decreased 26.9% from 2018 corresponding with the agreement commission guarantee decrease. In 2019 state grant revenue increased to approximately 2.9% of operating revenues.

State appropriations, which is considered non-operating revenue as defined by GASB 35, is a significant recurring source of revenue essential to the operation of the College. The College's state appropriation for the year ended June 30, 2019, amounted to \$6.2 million. This represents a decrease of \$204 thousand or 3.2% from the College's appropriation for the prior year. In 2018, the appropriation decreased \$23 thousand or 0.35% from the College's appropriation for the prior year.

TERRA STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019 and 2018  
(UNAUDITED)

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Operating expenses, including \$1.6 million of depreciation, totaled approximately \$14.0 million as compared to \$9.6 million in 2018 and \$17.0 million in 2017. The majority of the College's operating funds prior to GASB 68 and 75 adjustments are expended directly for the primary mission of the College - instruction (24 percent), institutional support (26 percent) and student services (13 percent). This combined 63 percent compares with 56 percent in 2018 and 69 percent in 2017.

Total operating expenses increased 46% from 2018 with instructional expenses increasing \$3.2 million due to a change in assumptions for the GASB 68 and GASB 75. Other operating expenses increased accordingly for 2019 as GASB adjustments were prorated. Student financial aid increased by \$316 thousand due the implementation of the Workforce Demand Scholarship.

For the year ended June 30, 2019, student financial aid related to tuition and fees totaled \$2.7 million, including scholarship allowance of \$2.6 million and student aid expense of \$375 thousand. In 2019 student financial aid decreased by 1.1% in total from the prior year. For the year ended 2018 student financial aid was \$2.7 million as compared to \$2.3 million in 2017.

TERRA STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019 and 2018  
(UNAUDITED)

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***Statement of Cash Flows***

(in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net cash provided (used) by:			
Operating activities	\$ (8,758)	\$ (9,294)	\$ (9,823)
Noncapital financing activities	9,089	9,381	8,891
Capital and related financing activities	(765)	(387)	(734)
Investing activities	<u>350</u>	<u>885</u>	<u>286</u>
Net increase/(decrease) in cash	(84)	585	(1,380)
Cash-beginning of year	<u>809</u>	<u>224</u>	<u>1,604</u>
Cash-end of year	<u>\$ 725</u>	<u>\$ 809</u>	<u>\$ 224</u>

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

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

Major sources of funds included in operating activities are student tuition and fees (\$4.5 million) and Auxiliary charges (\$458 thousand). The largest cash payments for operating activities were to employees, for wages and benefits, (\$9.5 million) and to suppliers (\$4.4 million).

The largest cash receipt in the noncapital financing activities group is the operating appropriation from the State of Ohio. Cash used by capital and related financing activities is primarily expended on the construction and acquisition of capital assets.

**Capital Assets**

Capital assets, net of accumulated depreciation, totaled approximately \$29.4 million at June 30, 2019, a net decrease of \$230 thousand over the prior year-end. Additions to capital assets during the year totaled \$1.3 million as a result of upgrades to parking lot lighting, water, and sewer infrastructure. Website upgrade and equipment made up the balance of additions. For more information on capital assets, see Note 4.

TERRA STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019 and 2018  
(UNAUDITED)

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**Long-Term Debt**

Long-term debt totaled approximately \$5.3 million at June 30, 2019, a decrease of \$441 thousand over the prior year-end. For more information on long-term debt, see Note 7.

**Factors impacting future periods**

The economic position of Terra State Community College is closely tied to that of the State. State Share of Instruction funding for fiscal year 2020 is projected at \$6.3 million which is approximately 1.0% higher than the funding received in fiscal year 2019.

Hourly tuition rates will increase \$5 per credit hour for the goal oriented tuition program effective spring 2015 which increased tuition for lower credit hours and developed a flat rate between 12 and 18 semester hours. Known expense increases for fiscal year 2019 include a 1.5% salary increase for union staff. Faculty union is still in negotiations and Non-Union staff will be contingent on fall numbers. Employee health insurance plans will continue with a fully funded consortium plan which was effective on October 1, 2016, with plan premiums increasing 3.25%.

The College experienced a 2.5% increase in full-time equivalent students from 1,218 FTE in 2018 to 1,249 in 2019. Enrollment for summer term is comparable to last year while fall is reflecting an increase of 6.9% over the prior year.

Management is taking every step it can to ensure the College remains in a strong financial position and be a valued resource to the community.



**TERRA STATE COMMUNITY COLLEGE  
SANDUSKY COUNTY, OHIO  
STATEMENTS OF NET POSITION  
As of June 30, 2019 and 2018**

	2019		2018	
	Terra State	Component Unit	Terra State	Component Unit
	Community College	Terra College Foundation	Community College	Terra College Foundation
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 725,189	\$ 124,530	\$ 809,467	\$ 256,083
Short-term investments	467,072	0	476,767	0
Intergovernmental receivable	102,539	0	92,591	0
Due from State of Ohio	623,861	0	249,853	0
Loans receivable, net	66,549	0	66,424	0
Other receivables	2,200,419	70,294	2,322,562	70,534
Inventory	10,383	0	12,811	0
Other current assets	74,435	0	94,211	0
Total current assets	4,270,447	194,824	4,124,686	326,617
Noncurrent assets				
Investments	331,833	6,030,295	648,707	5,431,795
Other Assets	0	0	80	385
Net OPEB Asset	515,607	0	0	0
Capital assets, gross	59,014,370	0	57,681,225	0
Accumulated depreciation	(29,643,596)	0	(28,080,532)	0
Capital assets, net	29,370,774	0	29,600,693	0
Total noncurrent assets	30,218,214	6,030,295	30,249,480	5,432,180
Total assets	34,488,661	6,225,119	34,374,166	5,758,797
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Other postemployment benefits	250,914	0	160,340	0
Pension	3,221,288	0	4,149,100	0
Total deferred outflows of resources	3,472,202	0	4,309,440	0
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued liabilities	672,490	54,761	681,866	69,499
Unearned revenue	557,152	0	478,976	0
Long-term debt, current	138,750	0	196,189	0
Compensated absences, current	48,975	0	55,918	0
Total current liabilities	1,417,367	54,761	1,412,949	69,499
Noncurrent liabilities				
Long-term debt, noncurrent	5,126,250	0	5,509,757	0
Unearned revenue	1,086	0	2,538	0
Compensated absences, noncurrent	311,879	0	330,811	0
Net other postemployment benefits liability	3,423,155	0	4,649,938	0
Net pension liability	14,131,782	0	15,796,874	0
Total noncurrent liabilities	22,994,152	0	26,289,918	0
Total liabilities	24,411,519	54,761	27,702,867	69,499
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Other postemployment benefits	1,663,308	0	1,001,084	0
Pension	3,339,203	0	3,773,042	0
Total deferred inflows of resources	5,002,511	0	4,774,126	0
<b>NET POSITION</b>				
Net investment in capital assets	23,888,999	0	24,016,383	0
Restricted for				
Nonexpendable				
Scholarship and fellowships	0	2,829,097	0	2,765,476
Expendable				
Scholarships and Grants	0	1,693,016	0	1,686,337
Loans	0	132,266	0	134,666
Other	98,199	123,603	35,724	36,338
Capital projects	63,840	1,126,247	60,678	712,115
Unrestricted	(15,504,205)	266,129	(17,906,172)	354,366
Total net position	\$ 8,546,833	\$ 6,170,358	\$ 6,206,613	\$ 5,689,298

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

**TERRA STATE COMMUNITY COLLEGE  
SANDUSKY COUNTY, OHIO  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
For the Fiscal Years Ended June 30, 2019 and 2018**

	2019		2018	
	Terra State Community College	Component Unit Terra College Foundation	Terra State Community College	Component Unit Terra College Foundation
<b>REVENUES</b>				
Operating revenues				
Tuition and fees (net of scholarship allowances of \$2,642,782 in 2019 and \$2,682,853 in 2018)	\$ 4,462,427	\$ 0	\$ 3,787,142	\$ 0
Federal grants and contracts	713,356	287,916	606,012	0
State grants and contracts	180,847	0	102,258	0
Contributions and fund raising	0	915,757	0	435,922
Sales and services	0	0	0	0
Auxiliary enterprises	457,559	0	483,024	0
Other operating revenues	415,916	0	236,644	0
Total operating revenues	<u>6,230,105</u>	<u>1,203,673</u>	<u>5,215,080</u>	<u>435,922</u>
<b>OPERATING EXPENSES</b>				
Educational and general				
Instructional	3,283,808	355,115	40,889	124,911
Public service	972,858	0	526,835	0
Academic support	419,436	0	470,889	0
Student services	1,744,710	0	1,673,835	0
Institutional support	3,694,129	354,756	3,634,604	310,319
Operation and maintenance of plant	1,449,825	0	1,309,321	0
Student financial aid	374,797	123,477	58,325	160,747
Other operating expenses	0	127,081	0	89,712
Depreciation expense	1,563,064	0	1,304,569	0
Auxiliary enterprises	463,495	0	538,639	0
Total operating expenses	<u>13,966,122</u>	<u>960,429</u>	<u>9,557,906</u>	<u>685,689</u>
Operating income (loss)	(7,736,017)	243,244	(4,342,826)	(249,767)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations	6,224,962	0	6,429,419	0
Federal grants	2,700,604	0	2,730,215	0
Gifts and grants	163,427	0	220,990	0
Investment income	23,079	237,816	(3,936)	333,237
Interest on debt	(181,062)	0	(183,763)	0
Other non-operating expenses	(718,911)	0	(543,405)	0
Net nonoperating revenues (expenses)	<u>8,212,099</u>	<u>237,816</u>	<u>8,649,520</u>	<u>333,237</u>
Income before other revenues, expenses, gains and losses	476,082	481,060	4,306,694	83,470
Capital appropriations	<u>1,864,138</u>	<u>0</u>	<u>1,058,103</u>	<u>0</u>
Increase (decrease) in net position	2,340,220	481,060	5,364,797	83,470
<b>NET POSITION</b>				
Beginning net position				
Beginning of year, as previously reported	6,206,613	5,689,298	6,854,396	5,605,828
Cumulative effect of accounting change	<u>0</u>	<u>0</u>	<u>(6,012,580)</u>	<u>0</u>
Beginning of year, restated	6,206,613	5,689,298	841,816	5,605,828
Ending net position	<u>\$ 8,546,833</u>	<u>\$ 6,170,358</u>	<u>\$ 6,206,613</u>	<u>\$ 5,689,298</u>

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

**TERRA STATE COMMUNITY COLLEGE**  
**SANDUSKY COUNTY, OHIO**  
**STATEMENTS OF CASH FLOWS**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

	2019		2018	
	Terra State	Component Unit	Terra State	Component Unit
	Community	Terra College	Community	Terra College
	College	Foundation	College	Foundation
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Tuition and fees	\$ 4,539,026	\$ 0	\$ 3,863,236	\$ 0
Grants and contracts	116,783	287,916	605,931	0
Other income	415,916	0	236,644	0
Auxiliary enterprise receipts	457,559	0	483,024	0
Payments to suppliers	(4,382,220)	(372,454)	(4,191,218)	(324,920)
Payroll and fringe benefits	(9,530,353)	0	(10,232,063)	0
Scholarships and fellowships	(374,797)	(123,477)	(58,325)	(160,747)
Contributions	0	728,641	0	379,172
Investment return	0	343,765	0	369,459
Purchase of equipment for Terra State Community College	0	(355,115)	0	(124,911)
Net cash provided (used) by operating activities	(8,758,086)	509,276	(9,292,771)	138,053
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Proceeds from contributions restricted for long-term purposes	0	63,621	0	74,179
State appropriations	6,224,962	0	6,429,419	0
Grants and contracts other than capital	2,864,031	0	2,951,205	0
Net cash provided by noncapital financing activities	9,088,993	63,621	9,380,624	74,179
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Purchases of capital assets	(2,052,056)	0	(1,477,842)	0
State appropriations capital	1,864,138	0	1,058,103	0
Principal paid on capital debt	(440,946)	0	170,946	0
Interest paid on capital debt	(135,965)	0	(137,991)	0
Net cash provided (used) by capital financing activities	(764,829)	0	(386,784)	0
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Change in short-term investments	9,695	0	491,762	0
Purchase of investments	(234,000)	(819,450)	(519,092)	(378,260)
Proceeds from sale and maturities of investments	555,691	115,000	868,704	300,000
Interest on investments	18,258	0	43,279	0
Net cash provided (used) by investing activities	349,644	(704,450)	884,653	(78,260)
<b>NET CHANGE IN CASH</b>				
	(84,278)	(131,553)	585,722	133,972
Cash and cash equivalents - beginning of year	809,467	256,083	223,745	122,111
Cash and cash equivalents - end of year	\$ 725,189	\$ 124,530	\$ 809,467	\$ 256,083
<b>RECONCILIATION OF NET OPERATING INCOME (LOSS)</b>				
<b>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (7,736,017)	\$ 481,060	\$ (4,342,826)	\$ 83,470
<b>Adjustments to reconcile net operating income (loss)</b>				
<b>to net cash used by operating activities:</b>				
Depreciation expense	1,563,064	0	1,304,569	0
<b>Change in assets and liabilities:</b>				
Receivables	(261,939)	240	(101,839)	17,924
Inventories	2,430	0	721	0
Other assets	(495,751)	385	323,603	4,617
Deferred outflows of resources	837,238	0	469,525	0
Accounts payable	(54,471)	(14,737)	(58,149)	69,499
Accrued salaries and benefits	(25,874)	0	3,634	0
Deferred inflows of resources	228,385	0	2,247,659	0
Net OPEB liability	(1,226,783)	0	(1,421,706)	0
Net Pension liability	(1,665,092)	0	(7,793,556)	0
Unearned revenue	76,724	0	75,594	0
Unrealized loss and realized gain on investments	0	105,949	0	36,722
Contributions restricted for long-term purposes	0	(63,621)	0	(74,179)
Net cash provided (used) by operating activities	\$ (8,758,086)	\$ 509,276	\$ (9,292,771)	\$ 138,053

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

**Note 1 – Summary of Significant Accounting Policies**

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Reporting Entity: The College is a component unit of the State of Ohio and is included in the basic financial statements of the State of Ohio. Terra College Foundation (Foundation) is a legally separate, tax-exempt organization that exists to provide financial assistance to the educational programs, services and facilities of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

Financial Statement Presentation: The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). In accordance with GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* (GASB No. 35) and subsequent standards issued by GASB, the financial statement presentation is intended to provide a comprehensive, entity-wide perspective of the College's assets and deferred outflows, liabilities and deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

The financial statements of the Terra College Foundation are included in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14*. This Statement amended Statement No. 14 to provide additional guidance to determine whether certain organizations, such as not-for-profit foundations, for which the primary institution is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the primary entity. Generally, this statement requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of an institution.

Basis of Accounting: For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Net Position: The College's net position is classified as follows:

*Net investment in capital assets*. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

*Restricted net position – nonexpendable*. Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2019, the College had no nonexpendable restricted assets.

*Restricted net position – expendable.* Restricted expendable net position include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

*Unrestricted net position – unrestricted.* Net position represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose.

Cash Equivalents: For the purposes of the statements of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments: The College accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The College measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value. There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Accounts Receivable: Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Ohio. Accounts receivable also include amounts due from the federal government, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College’s grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories: Inventories consist principally of books and supplies of the bookstore. Bookstore inventories at year-end are stated at the lower of cost or market value on the first-in, first-out basis.

Capital Assets: Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their acquisition values as of the date received. For equipment, the College’s capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings, 20 to 25 years for infrastructure and land improvements, and 5 to 15 years for equipment.

Unearned Revenues: Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences: Employee vacation pay and sick time are accrued at year-end for financial statement purposes. The liabilities and expenses incurred are included at year-end as current and noncurrent compensated absences in the statement of net position, and as a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net position.

Noncurrent Liabilities: Noncurrent liabilities include estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Deferred Outflows and Deferred Inflow of Resources: Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses) until then. The College recorded a deferred outflow of resources for pensions and other postemployment benefits (OPEB), which are explained in Note 8 and Note 9.

The College also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the College these amounts consist of pension and OPEB, which are explained in Note 8 and Note 9.

Income Tax: The College, as a political subdivision of the State of Ohio, is excluded from federal income taxes under Section 115 (1) of the Internal Revenue Code, as amended.

Classification of Revenues: The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating revenue* - Operating revenues included activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) certain federal and most state and local grants and contracts and federal appropriations, and (4) interest on institutional student loans.

*Nonoperating revenues* - Nonoperating revenues included activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources.

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

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

Termination Benefits: During 2006 the Government Accounting Standards Board Statement No. 47, *Accounting for Termination Benefits* became effective. Currently, the College provides no benefits required to be recognized by this statement.

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **Note 2 – Deposits and Investments**

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In accordance with the State of Ohio's and the College's policy, the College is authorized to invest cash in certificates of deposit, repurchase agreements, United States treasury securities, federal government agency securities backed by the full faith and credit of the U.S. government, Ohio municipal securities and the State Treasurer's investment pool. The classification of cash and cash equivalents and investments in the financial statements is based on criteria set forth in GASB Statement No. 9. Cash equivalents are defined to include investments with original maturities of three months or less. Consistent with this definition, certificates of deposit with original maturities of more than three months are reported as investments in the Statement of Net Position. However, for disclosure requirements of GASB Statement No. 40 such certificates of deposits are classified as deposits.

Protection of the College's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions 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.

Deposits: Custodial Credit Risk: Custodial credit risk for deposits is the risk that in the event of bank failure, the College will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2019 and 2018, the carrying amounts of the College's deposits in all funds were \$725,189 and \$809,467 (which consists of cash and cash equivalents, excluding cash on hand of \$950 and \$1,450) and the bank balance was \$1,068,282 and \$841,699 respectively. The difference between carrying amount and bank balance was primarily due to outstanding checks at June 30, 2019 and 2018. Of the bank balances at June 30, 2019 and 2018, \$250,000 and \$250,000 was covered by federal depository insurance.

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

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Eligible securities pledged to the College and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 50 percent of the deposits being secured or a rate set by the Treasurer of State.

The College's fair value and distribution of investments as of June 30, 2019 are as follows:

Investment Type	Fair Value/NAV	< 1 Year	1-5 Years	Fair Value Hierarchy
Money Market	\$228,125	\$228,125	\$0	N/A
StarOhio	10,535	10,535	0	N/A
Negotiable Certificates of Deposit	560,245	228,412	331,833	Level 2
Total	\$798,905	\$467,072	\$331,833	

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Inputs to the valuation techniques used in fair the measurement for Level 2 include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs are significant unobservable inputs. The above table identifies the College's recurring fair value measurements as of June 30, 2019. STAR Ohio is reported at its share price (Net Asset value per share).

The U.S. Agency Obligations, which consisted of Federal Home Loan Mortgage Notes, Federal National Mortgage Association Notes, Government National Mortgage Association Notes, and Federal Farm Credit Bank Notes, are collateralized by underlying pools of mortgages which guarantee full and timely payment of principal and interest.

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the state of Ohio requirements and to insure that the term of the maturity of investments does not exceed the availability of the funds invested.

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



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As of June 30, 2019 the College has the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings	Quality Ratings	Quality Ratings
		AAA	AAAm	N/A
Money Market	\$228,125	\$228,125	\$0	\$0
StarOhio	10,535	0	10,535	0
Negotiable Certificates of Deposit	560,245	0	0	560,245
Total	\$798,905	\$228,125	\$10,535	\$560,245

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's investment policy places no limit on the amount the College may invest in a single issuer. At June 30, 2019, the College's investments were in Money Market accounts (28.55%), StarOhio (1.32%), and Certificates of Deposits (70.13%) investments.

**Note 3 – Accounts Receivable**

Receivables at June 30, 2019 and 2018 consisted of accounts (tuition and other fees), notes, interest and intergovernmental grants. All receivables, except for doubtful accounts receivables in collection with the Ohio Attorney General, are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

**Note 4 – Capital Assets**

Capital assets at June 30, 2019 and 2018 are summarized as follows:

	2019			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not depreciated:				
Land	\$534,747	\$0	\$0	\$534,747
Construction in progress	549,492	722,681	(1,272,173)	0
Total capital assets not depreciated	1,084,239	722,681	(1,272,173)	534,747
Capital assets being depreciated:				
Buildings	40,955,380	0	0	40,955,380
Improvements	5,651,647	1,272,173	0	6,923,820
Equipment, furniture and books	9,989,958	610,465	0	10,600,423
Total capital assets depreciated	56,596,985	1,882,638	0	58,479,623
Total capital assets	57,681,224	2,605,319	(1,272,173)	59,014,370
Accumulated depreciation:				
Buildings	(16,151,928)	(831,878)	0	(16,983,806)
Improvements	(3,012,303)	(232,340)	0	(3,244,643)
Equipment, furniture and books	(8,916,300)	(498,847)	0	(9,415,147)
Total accumulated depreciation	(28,080,531)	(1,563,065)	0	(29,643,596)
Capital assets, net	\$29,600,693	\$1,042,254	(\$1,272,173)	\$29,370,774

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	2018			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not depreciated:				
Land	\$534,747	\$0	\$0	\$534,747
Construction in progress	0	677,599	(128,107)	549,492
Total capital assets not depreciated	534,747	677,599	(128,107)	1,084,239
Capital assets being depreciated:				
Buildings	40,955,380	0	0	40,955,380
Improvements	5,523,541	128,106	0	5,651,647
Equipment, furniture and books	9,743,421	256,837	(10,300)	9,989,958
Total capital assets depreciated	56,222,342	384,943	(10,300)	56,596,985
Total capital assets	56,757,089	1,062,542	(138,407)	57,681,224
Accumulated depreciation:				
Buildings	(15,447,512)	(704,416)	0	(16,151,928)
Improvements	(2,831,719)	(180,584)	0	(3,012,303)
Equipment, furniture and books	(8,507,033)	(419,567)	10,300	(8,916,300)
Total accumulated depreciation	(26,786,264)	(1,304,567)	10,300	(28,080,531)
Capital assets, net	\$29,970,825	(\$242,025)	(\$128,107)	\$29,600,693

**Note 5 – State Support**

Terra Community College is a state-assisted institution of higher education, which receives a student instructional subsidy from the State of Ohio based on enrollment, success points, and course completions. This subsidy is determined annually based upon a formula devised by the Ohio Board of Regents, adjusted to state resources available.

In addition to the current operating subsidies, the State of Ohio provides the funding for the construction of major plant facilities on Terra Community College's campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn initiates the construction and subsequent lease of the facility by the Ohio Board of Regents.

Such facilities are reflected as building or construction in progress in the accompanying statement of net position. Neither the obligation for the bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. Debt service is funded through appropriations to the Ohio Board of Regents by the General Assembly.

In 2019 the College received \$1,864,138 in capital project appropriations.

**Note 6 – Accrued Liabilities**

Accrued liabilities include payments for SERS and STRS, and alternative retirement benefit payments due on accrued salaries. Also included are vacation and sick leave benefits and salaries and wages payable at June 30.

The SERS and STRS payable represents withholdings from employees in one fiscal year to be paid to the School Employees Retirement System and the State Teachers Retirement System in subsequent fiscal year. Vacation and sick leave payable is management's estimation of earned benefits that would be paid to employees upon termination, retirement or by usage of vacation and sick leave. It is recorded in accordance with Statement No. 16 of the Governmental Accounting Standards Board. Salaries and wages payable represent employee earnings for one fiscal year that are not paid until the subsequent fiscal year. It is mostly faculty contracts that are earned but not yet paid at year-end.

**Note 7 – Long-Term Liabilities**

Long-Term Debt

Long-term debt activities for the years ended June 30, 2019 and 2018 are summarized as follows:

	2019				
	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bond Issues	\$5,400,000	\$0	(\$135,000)	\$5,265,000	\$138,750
Loan Payable	305,947	0	(305,947)	0	0
<b>Total Long-Term Debt</b>	<b>5,705,947</b>	<b>0</b>	<b>(440,947)</b>	<b>5,265,000</b>	<b>138,750</b>

	2018				
	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bond Issues	\$5,535,000	\$0	(\$135,000)	\$5,400,000	\$135,000
Loan Payable	0	305,947	0	305,947	61,189
<b>Total Long-Term Debt</b>	<b>5,535,000</b>	<b>305,947</b>	<b>(135,000)</b>	<b>5,705,947</b>	<b>196,189</b>

*Series 2013 Bond Issue* - In March 2013, the College issued Series 2013 bonds totaling \$6,000,000 with an interest rate of 2.00% - 3.75% and with repayment over a period of 30 years. The proceeds are being used to finance the costs including construction of a new main entrance to the campus, renovation of an existing building for a conference center, renovation of an existing building for a hospitality management program and preliminary costs in connection with construction and renovation of a gymnasium. The acquisition, construction, renovation and equipping of the facilities will cost an estimated \$8,000,000 in total, which will be funded by proceeds of the Series 2013 Bonds and approximately \$2,000,000 of other available funds to the College. In connection with the general receipts bonds described above, the College has pledged general receipts, net of State Appropriation receipts, to pay this debt. The bonds are payable through their final maturities listed below, solely from these revenues pledged.

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Total principal and interest remaining to be paid on these bonds are detailed below.

Year End	Principal	Interest	Total
2020	\$138,750	\$178,288	\$317,038
2021	146,250	174,013	320,263
2022	150,000	169,608	319,608
2023	155,000	165,013	320,013
2024	155,000	160,363	315,363
2025-2029	855,000	727,862	1,582,862
2030-2034	1,010,000	581,980	1,591,980
2035-2039	1,205,000	388,211	1,593,211
2040-2044	1,450,000	139,682	1,589,682
Total	<u>\$5,265,000</u>	<u>\$2,685,020</u>	<u>\$7,950,020</u>

Other Long-Term Obligations

Other long-term obligations at June 30, 2019 and 2018 are summarized as follows:

	2019				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Compensated Absences	\$386,729	\$30,043	(\$55,918)	\$360,854	\$48,975
Net Pension Liability	15,796,874	0	(1,665,092)	14,131,782	0
Net OPEB Liability	4,649,938	0	(1,226,783)	3,423,155 (a)	0
Total	<u>\$20,833,541</u>	<u>\$30,043</u>	<u>(\$2,947,793)</u>	<u>\$17,915,791</u>	<u>\$48,975</u>

(a)-OPEB for STRS has a Net OPEB Asset in the amount of \$515,607 as of June 30, 2019

	2018				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Compensated Absences	\$383,096	\$32,240	(\$28,607)	\$386,729	\$55,918
Net Pension Liability	23,590,430	0	(7,793,556)	15,796,874	0
Net OPEB Liability	6,071,644	0	(1,421,706)	4,649,938	0
Total	<u>\$30,045,170</u>	<u>\$32,240</u>	<u>(\$9,243,869)</u>	<u>\$20,833,541</u>	<u>\$55,918</u>

### **Note 8 – Defined Benefit Pension Plans**

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

#### **Net Pension Liability/Net OPEB Liability (Asset)**

Pensions and OPEB are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions and 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 pensions and OPEB are a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB Statements No. 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

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

**Plan Description**

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 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 years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

**Funding Policy**

Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The contractually required contribution to SERS was \$498,850 for fiscal year 2019 and \$559,254 for fiscal year 2018.

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

#### **Plan Description**

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 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 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment 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 plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

**Funding Policy**

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. For fiscal year 2018, the contributions rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

The contractually required contribution to STRS was \$572,333 for fiscal year 2019 and \$505,131 for fiscal year 2018.

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

The net pension liability was measured as of June 30 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$7,076,544	\$7,055,237	\$14,131,781
Proportion of the Net Pension Liability:			
Current Measurement Date	0.12356060%	0.03208712%	
Prior Measurement Date	<u>0.12019670%</u>	<u>0.03626735%</u>	
Change in Proportionate Share	<u>0.00336390%</u>	<u>-0.00418023%</u>	
Pension Expense	\$151,311	(\$251,248)	(\$99,937)

At June 30 2019, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



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	SERS	STRS	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$388,104	\$162,856	\$550,960
Changes of assumptions	159,804	1,250,321	1,410,125
Changes in employer proportionate share of net pension liability	189,019	0	189,019
Contributions subsequent to the measurement date	498,850	572,333	1,071,183
<b>Total Deferred Outflows of Resources</b>	<b><u>\$1,235,777</u></b>	<b><u>\$1,985,510</u></b>	<b><u>\$3,221,287</u></b>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$0	\$46,075	\$46,075
Net difference between projected and actual earnings on pension plan investments	196,069	427,822	623,891
Changes in employer proportionate share of net pension liability	772,595	1,896,642	2,669,237
<b>Total Deferred Inflows of Resources</b>	<b><u>\$968,664</u></b>	<b><u>\$2,370,539</u></b>	<b><u>\$3,339,203</u></b>

\$1,071,183 reported as deferred outflows of resources related to pension resulting from 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 as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2020	\$221,430	(\$304,703)	(\$83,273)
2021	(160,802)	(162,038)	(322,840)
2022	(232,233)	(243,439)	(475,672)
2023	(60,132)	(247,182)	(307,314)
<b>Total</b>	<b><u>(\$231,737)</u></b>	<b><u>(\$957,362)</u></b>	<b><u>(\$1,189,099)</u></b>

**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.

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

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

Inflation	3.00%
Future Salary Increases, including inflation	3.50% to 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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. 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 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement. The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in 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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US Stocks	22.50%	4.75%
Non-US Stocks	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**

The total pension liability was calculated using the discount rate of 7.50 percent. 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 (7.50 percent). 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 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 7.50 percent, 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$9,967,846	\$7,076,544	\$4,652,381

**Assumption and Benefit Changes Since the Prior Measurement Date**

With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, are presented below:

Inflation	2.50%
Projected Salary Increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Discount Rate of Return	7.45%
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0%, effective July 1, 2017

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

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

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 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 percent 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.

#### **Discount Rate**

The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates 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 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

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

The following table represents the net pension liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.45 percent or one percentage point higher 8.45 percent than the current discount rate:

	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability	\$10,303,245	\$7,055,237	\$4,306,239

#### **Assumption and Benefit Changes Since the Prior Measurement Date**

There were no changes in assumptions or benefit terms since the prior measurement date.

## **Note 9 – Defined Benefit Other Postemployment Benefits (OPEB) Plans**

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See note 8 for a description of the net OPEB liability (asset).

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

#### **Health Care Plan Description**

The College contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 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](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

#### **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 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent 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. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the College's surcharge obligation was \$45,448 and \$57,943 for fiscal year 2018.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The contractually required contribution to SERS was \$63,924 for fiscal year 2019 and \$78,656 for fiscal year 2018.

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

**Plan Description**

The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. 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](http://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 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The College's proportionate share of the net OPEB liability (asset) was based on the College's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$3,423,155	\$0	\$3,423,155
Proportionate Share of the Net OPEB (Asset)	0	(515,607)	(515,607)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.12338940%	0.03208712%	
Prior Measurement Date	<u>0.12053790%</u>	<u>0.03626735%</u>	
Change in Proportionate Share	<u>0.00285150%</u>	<u>-0.00418023%</u>	
OPEB Expense	(\$47,895)	(\$1,058,920)	(\$1,106,815)

At June 30 2019, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$55,878	\$60,224	\$116,102
Changes in employer proportionate share of net pension liability	70,888	0	70,888
Contributions subsequent to the measurement date	63,924	0	63,924
<b>Total Deferred Outflows of Resources</b>	<b>\$190,690</b>	<b>\$60,224</b>	<b>\$250,914</b>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$30,041	\$30,041
Changes of assumptions	307,545	702,556	1,010,101
Net difference between projected and actual earnings on pension plan investments	5,136	58,904	64,040
Changes in employer proportionate share of net pension liability	325,918	233,209	559,127
<b>Total Deferred Inflows of Resources</b>	<b>\$638,599</b>	<b>\$1,024,710</b>	<b>\$1,663,309</b>

\$63,924 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2020	(\$297,242)	(\$172,603)	(\$469,845)
2021	(225,474)	(172,603)	(398,077)
2022	1,793	(172,603)	(170,810)
2023	3,980	(159,225)	(155,245)
2024	3,624	(154,532)	(150,908)
Thereafter	1,486	(132,920)	(131,434)
<b>Total</b>	<b>(\$511,833)</b>	<b>(\$964,486)</b>	<b>(\$1,476,319)</b>

**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 take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30 2018, are presented below:

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

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years. The most recent experience study was completed for the five year period ended June 30, 2015.

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 percent, 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 asset 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 as follows:



Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US Stocks	22.50%	4.75%
Non-US Stocks	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

The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the 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 percent, 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.

#### Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care 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 of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25 percent decreasing to 3.75 percent) and higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
Proportionate share of the net OPEB liability	\$4,153,730	\$3,423,155	\$2,844,677

	1% Decrease (6.25% decreasing to 3.75%)	Current Trend Rate (7.25% decreasing to 4.75%)	1% Increase (8.25% decreasing to 5.75%)
Proportionate share of the net OPEB liability	\$2,761,858	\$3,423,155	\$4,298,831

**Assumption and Benefit Changes Since the Prior Measurement Date**

The following changes in key methods and assumptions as presented below:

(1) Discount Rate:

Prior Measurement Date	3.63%
Measurement Date	3.70%

(2) Municipal Bond Index Rate:

Prior Measurement Date	3.56%
Measurement Date	3.62%

(3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Prior Measurement Date	3.63%
Measurement Date	3.70%

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30 2018, actuarial valuation are presented below:

Projected Salary Increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3%
Discount Rate of Return	7.45%
Health Care Cost Trends:	
Medical:	
Pre-Medicare	6% initial, 4% ultimate
Medicare	5% initial, 4% ultimate
Prescription Drug:	
Pre-Medicare	8% initial, 4% ultimate
Medicare	(5.23%) initial, 4% ultimate

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

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

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial 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 are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected 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 includes the real rate of return and inflation of 2.25 percent 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 actual rate of return, without net value added by management.

#### Discount Rate

The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. 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 to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

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

The following table represents the net OPEB (asset) as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB (asset) as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Proportionate share of the net OPEB (asset)	(\$441,924)	(\$515,607)	(\$832,414)

	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$574,039)	(\$515,607)	(\$456,265)

**Assumption and Benefit Changes Since the Prior Measurement Date**

The discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent 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.

The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900 percent to 1.944 percent 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 were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

**Note 10 - Operating Expenses by Natural Classification**

The College's operating expenses by natural classification were as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Salaries and wages	\$7,496,213	\$7,762,794
Employee benefits	182,014	(4,025,175) (a)
Utilities	559,270	562,265
Supplies and other services	3,790,764	3,895,128
Depreciation	1,563,064	1,304,569
Student Scholarships and financial aid	374,797	58,325
Total	<u>\$13,966,122</u>	<u>\$9,557,906</u>

(a) The change in employee benefits expense is due to impact of the pension and OPEB expense (GASB 68/75):

Employee benefits:	
Required pension and OPEB contributions	1,702,295
Effects of GASB68/75	(7,057,329)
Other employee benefits	<u>1,329,859</u>
Total Employee benefits	<u>(4,025,175)</u>

**Note 11 - Risk Management**

The College is exposed to various risks of loss related to torts, theft of, damage to, and destructions of assets, errors and omissions, injuries to employees and natural disaster. The College maintains comprehensive coverage with private carriers for liability, real property, building contents, cyber, and vehicles. Vehicle policies include liability coverage for bodily and property damage. Scheduled vehicles

hold a \$500 comprehensive and \$500 collision deductible. Automobile liability coverage has a \$1,000,000 limit for bodily injury.

The college also maintains educators' legal liability coverage with private carriers. Settled claims have not exceeded any aforementioned commercial coverage in any of the past four years.

The College pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative cost. The College provides life insurance, and accidental death and dismemberment insurance to its full-time employees.

The College is a member of Stark County School Council of Governments, a shared risk pool which has been established to provide a partially self-funded health benefits program to its members. The College pays a monthly premium to Council of Governments for its health care coverage.

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#### **Note 12 – Contingencies**

##### Grants

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. College management believes disallowances, if any, will be immaterial.

##### Litigation

At June 30, 2019, there were lawsuits or claims pending against Terra Community College. In the opinion of management, the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the financial position of the College.

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#### **Note 13 – Component Unit Disclosures**

The accompanying financial statements of the Foundation have been prepared in accordance with pronouncements of the Financial Accounting Standards Board. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences other than presenting the cash flows using the direct method in the accompanying financial statements.

Contributions to the Foundation are recognized and reported as revenue at fair value upon the earlier of the period in which a pledge becomes unconditional or the period in which the contribution is received. Contributions with donor-imposed restrictions are reported as restricted support, while contributions without donor-imposed restrictions are reported as unrestricted support.

Foundation investments are stated at market value, with changes in market value being recognized as gains and losses during the period in which they occur.

Fair Value of investments' held by the Foundation are summarized as follows:

Investment Type	2019 Fair Value	2018 Fair Value
Money Market Funds	\$879,410	\$260,479
Debt securities	1,454,829	1,415,191
Equity securities	3,696,056	3,756,125
Total	\$6,030,295	\$5,431,795

During the years ended June 30, 2019 and 2018, the Foundation made contributions of \$605,675 and \$369,949 respectively to or on behalf of the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Terra College Foundation, 2830 Napoleon Road, Fremont, Ohio 43420.

**Note 14 – Implementation of New Accounting Principles**

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For the fiscal year ended June 30, 2019, the following have been implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and GASB No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

GASB Statement No. 83 sets out to address the accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The implementation of GASB Statement No. 83 did not have an effect on the financial statements.

GASB Statement No. 88 sets out to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. If applicable, GASB Statement No. 88 has been implemented in the notes to financial statements.

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Terra State Community College  
 Required Supplementary Information  
 Schedule of the College's Proportionate Share of the Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years\*

	2019	2018
Proportion of the Net Pension Liability	0.12356060%	0.12019670%
Proportionate Share of the Net Pension Liability	\$7,076,544	\$7,181,487
College's Covered-Employee Payroll	\$4,142,622	\$4,017,871
Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	170.82%	178.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%

\* Information prior to 2014 is not available.

Note - Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information



2017	2016	2015	2014
0.14636350%	0.13938230%	0.15135900%	0.15135900%
\$10,712,458	\$7,953,289	\$7,660,193	\$9,000,834
\$4,545,507	\$4,196,143	\$4,398,207	\$4,545,921
235.67%	189.54%	174.17%	198.00%
62.98%	69.16%	71.70%	65.50%

Terra State Community College  
 Required Supplementary Information  
 Schedule of College Pension Contributions  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years

	2019	2018	2017	2016
Contractually Required Contributions	\$498,850	\$559,254	\$562,502	\$636,371
Contributions in Relation to the Contractually Required Contribution	(498,850)	(559,254)	(562,502)	(636,371)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered Employee Payroll	\$3,695,185	\$4,142,622	\$4,017,871	\$4,545,507
Contributions as a Percentage of Covered-Employee Payroll	13.50%	13.50%	14.00%	14.00%

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
\$553,052	\$609,592	\$629,155	\$630,396	\$617,897	\$653,068
(553,052)	(609,592)	(629,155)	(630,396)	(617,897)	(653,068)
\$0	\$0	\$0	\$0	\$0	\$0
\$4,196,143	\$4,398,207	\$4,545,921	\$4,686,957	\$4,915,650	\$4,823,250
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

Terra State Community College  
 Required Supplementary Information  
 Schedule of the College's Proportionate Share of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Ten Fiscal Years\*

	2019	2018
Proportion of the Net Pension Liability	0.03208712%	0.03626735%
Proportionate Share of the Net Pension Liability	\$7,055,237	\$8,615,387
College's Covered-Employee Payroll	\$3,608,079	\$3,987,150
Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	195.54%	216.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%

\* Information prior to 2014 is not available.

Note - Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2017	2016	2015	2014
0.03847270%	0.04327486%	0.04923745%	0.04923745%
\$12,877,972	\$11,959,906	\$11,976,252	\$14,266,033
\$4,035,264	\$4,515,007	\$5,030,707	\$5,124,764
319.14%	264.89%	238.06%	278.37%
66.80%	72.10%	74.70%	69.30%

Terra State Community College  
 Required Supplementary Information  
 Schedule of College Pension Contributions  
 State Teachers Retirement System of Ohio  
 Last Ten Fiscal Years

	2019	2018	2017	2016	2015
Contractually Required Contributions	\$572,333	\$505,131	\$558,201	\$564,937	\$632,101
Contributions in Relation to the Contractually Required Contribution	<u>(572,333)</u>	<u>(505,131)</u>	<u>(558,201)</u>	<u>(564,937)</u>	<u>(632,101)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered Employee Payroll	\$4,088,093	\$3,608,079	\$3,987,150	\$4,035,264	\$4,515,007
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010
\$653,992	\$666,219	\$684,512	\$648,458	\$545,306
(653,992)	(666,219)	(684,512)	(648,458)	(545,306)
\$0	\$0	\$0	\$0	\$0
\$5,030,707	\$5,124,764	\$5,265,479	\$4,988,136	\$4,194,664
13.00%	13.00%	13.00%	13.00%	13.00%

Terra State Community College  
 Required Supplementary Information  
 Schedule of the College's Proportionate Share of the Net OPEB Liability  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years\*

	2019	2018	2017
Proportion of the Net OPEB Liability	0.12338940%	0.12053790%	0.14496562%
Proportionate Share of the Net OPEB Liability	\$3,423,155	\$3,234,921	\$4,132,056
College's Covered-Employee Payroll	\$4,142,622	\$4,017,871	\$4,545,507
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Employee Payroll	82.63%	80.51%	90.90%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

\* Information prior to 2017 is not available.

Note - Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information



Terra State Community College  
 Required Supplementary Information  
 Schedule of College OPEB Contributions  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years\*

	2019	2018	2017	2016
Contractually Required Contributions (1)	\$63,924	\$78,656	\$60,750	\$58,944
Contributions in Relation to the Contractually Required Contribution	(63,924)	(78,656)	(60,750)	(58,944)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered Employee Payroll	\$3,695,185	\$4,142,622	\$4,017,871	\$4,545,507
Contributions as a Percentage of Covered-Employee Payroll	1.73%	1.90%	1.51%	1.30%

\* Information prior to 2016 is not available.

(1) Includes Surcharge

See accompanying notes to the required supplementary information

Terra State Community College  
 Required Supplementary Information  
 Schedule of the College's Proportionate Share of the Net OPEB Liability  
 State Teachers Retirement System of Ohio  
 Last Ten Fiscal Years\*

	2019	2018	2017
Proportion of the Net OPEB Liability or Asset	0.03208712%	0.03626735%	0.03847270%
Proportionate Share of the Net OPEB Liability (Asset)	(\$515,607)	\$1,415,017	\$1,939,587
College's Covered-Employee Payroll	\$3,608,079	\$3,987,150	\$4,035,264
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Employee Payroll	(14.29%)	35.49%	48.07%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	176.00%	47.10%	37.30%

\* Information prior to 2017 is not available.

Note - Amounts presented as of the College's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Terra State Community College  
 Required Supplementary Information  
 Schedule of College OPEB Contributions  
 State Teachers Retirement System of Ohio  
 Last Ten Fiscal Years\*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contributions	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered Employee Payroll	\$4,088,093	\$3,608,079	\$3,987,150	\$4,035,264
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	0.00%

\* Information prior to 2016 is not available.

See accompanying notes to the required supplementary information

## **Note 1- Net Pension Liability**

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### **School Employees Retirement System (SERS)**

#### **Changes in Benefit Terms:**

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2018: SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

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

#### **Changes in Assumptions:**

2018-2019: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

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

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates,
- (7) Mortality among disabled members was updated to 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, and
- (8) The discount rate was reduced from 7.75% to 7.50%.

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

### **State Teachers Retirement System (STRS)**

#### **Changes in Benefit Terms:**

2019 There were no changes in benefit terms from the amounts reported for this fiscal year.

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

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

#### **Changes in Assumptions:**

2019: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

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

- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,
- (3) The payroll growth assumption was lowered to 3.00%,
- (4) 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,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

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

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## **Note 2 - Net OPEB (Asset)/Liability**

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### **School Employees Retirement System (SERS)**

#### **Changes in Benefit Terms:**

2017-2019: There were no changes in benefit terms from the amounts reported for these fiscal years.

#### **Changes in Assumptions:**

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:

Prior Measurement Date	3.63%
Measurement Date	3.70%
- (2) Municipal Bond Index Rate:

Prior Measurement Date	3.56%
Measurement Date	3.62%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Prior Measurement Date	3.63%
Measurement Date	3.70%

2018: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:

Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%
- (2) Municipal Bond Index Rate:

Fiscal Year 2018	3.56%
Fiscal Year 2017	2.92%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, and
- (7) Mortality among disabled members was updated to 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.

### **State Teachers Retirement System (STRS)**

#### **Changes in Benefit Terms:**

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

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

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

#### **Changes in Assumptions:**

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

2018: The discount rate was increased from 3.26 percent to 4.13 percent 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 percent to 7.45 percent. 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.

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

# Terra State Community College



## Single Audit Reports

June 30, 2019

**PLATTENBURG**  
Certified Public Accountants

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**Terra State Community College**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>United States Department of Education</b>			
<i>Direct from the Federal Agency</i>			
<i>Student Financial Assistance Cluster:</i>			
Federal Pell Grant Program	N/A	84.063	\$ 2,614,460
Federal Supplemental Educational Opportunity Grants	N/A	84.007	36,555
Federal Work Study Program	N/A	84.033	53,484
Federal Direct Student Loans	N/A	84.268	4,342,836
<i>Total Student Financial Assistance Cluster</i>			<u>7,047,335</u>
<i>Office of Postsecondary Education</i>			
Higher Education Institutional Aid	P031A150006	84.031	<u>398,709</u>
<i>Passed through the Ohio Department of Education</i>			
Career and Technical Education	VEC PII-P2018-509	84.048	<u>48,342</u>
<b>Total United States Department of Education</b>			<u>7,494,386</u>
<b>National Science Foundation</b>			
<i>Direct from Federal Agency</i>			
Education & Human Resources	N/A	47.076	<u>13,892</u>
<b>Total National Science Foundation</b>			<u>13,892</u>
<b>United States Small Business Administration</b>			
<i>Passed through the Ohio Department of Development</i>			
Small Business Development Centers	56080	59.037	<u>88,183</u>
<b>Total United States Small Business Administration</b>			<u>88,183</u>
<b>United States Department of Agriculture</b>			
<i>Passed through the Terra State Community College Foundation</i>			
USDA Rural Development	N/A	10.351	<u>190,459</u>
<b>Total United States Department of Agriculture</b>			<u>190,459</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 7,786,920</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

**Terra State Community College**

**Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019**

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**Note 1 - Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the College's financial statements. The College did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 2 – Federal Direct Student Loan Program**

The College is a direct lender for the Federal Direct Student Loan program. The following represents direct loans originated and disbursed during fiscal year 2019:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount</u>
84.268	Federal Subsidized Direct Loans	\$ 1,831,673
84.268	Federal Unsubsidized Direct Loans	\$ 2,482,766
84.268	Federal PLUS Loans	\$ 28,397
	Total Federal Direct Student Loans	<u>\$ 4,342,836</u>

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

Board of Trustees  
Terra State Community College, Sandusky County, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Terra State 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 and have issued our report thereon dated October 15, 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Cincinnati, Ohio  
October 15, 2019

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

Board of Trustees  
Terra State Community College, Sandusky County, Ohio

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

We have audited the Terra State 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 auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on 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 of the College's internal control over compliance.

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

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

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

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

We have audited the financial statements of the business-type activities and the discretely presented component unit of the College, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 15, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Cincinnati, Ohio  
October 15, 2019

**TERRA STATE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2019**

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

**Financial Statements**

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

84.007, 84.033, 84.063, & 84.268 Student Financial Assistance Cluster

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

Auditee qualified as low-risk auditee? Yes

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

None

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

None

**TERRA STATE COMMUNITY COLLEGE  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
June 30, 2019**

**Summary of Prior Audit Findings:**

None Noted



# OHIO AUDITOR OF STATE KEITH FABER



**TERRA COMMUNITY COLLEGE**

**SANDUSKY 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 19, 2019**