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Certified Public Accountants, A.C.

**ZANE STATE COLLEGE
MUSKINGUM COUNTY
Single Audit
For the Fiscal Year Ended June 30, 2016**

www.perrycpas.com

...“bringing more to the table”

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Board of Trustees
Zane State College
1555 Newark Road
Zanesville, Ohio 43701

We have reviewed the *Independent Auditor's Report* of the Zane State College, Muskingum County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 18, 2017

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Zane State College
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For the Fiscal Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

December 23, 2016

Zane State College
Muskingum County
1555 Newark Road
Zanesville, OH 43701

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of **Zane State College**, Muskingum County, Ohio (the College), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the College's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinions.



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Opinion

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 Zane State College, Muskingum County, Ohio, as of June 30, 2016, and the respective changes in its financial position and cash flows thereof for the year then ended in accordance with the 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 this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the College's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2016, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

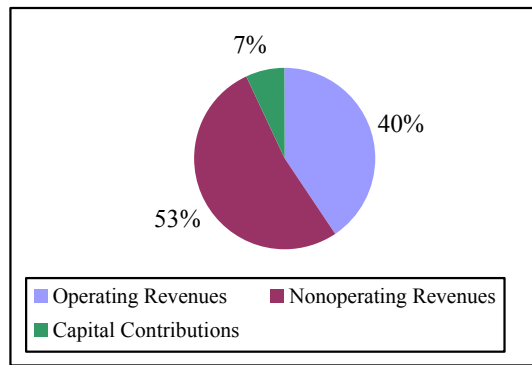
Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

The discussion and analysis of Zane State College's financial statements provides an overview of the College's financial activities for the year ended June 30, 2016. The financial statements and the related footnote disclosures along with the discussion and analysis have been prepared based on information that is the representation of management. Responsibility for the completeness and fairness of this information rests with management. The discussion and analysis contains financial activities of Zane State College.

Financial Highlights

Zane State College's financial position remained stable during the fiscal year ended June 30, 2016. Its combined net position decreased \$680,756 or 8.5% from the previous year.

The following chart provides a graphic breakdown of revenues by category for the fiscal year ended June 30, 2016:



Using This Annual Report

This report consists of three basic financial statements. The statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows provide information on the College as a whole and present a long-term view of the College's finances. The following activities are included in the College's financial statements:

- **College:** Most of the programs and services generally associated with the College fall into this category, including instruction, research, public service, and support services.
- **Component Unit (Zane State College Foundation):** Most of the College's fund raising and restricted scholarship activity fall into this category.

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

One of the most important questions asked about the College's finances is, "Is Zane State College as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position report information on the College as a whole and on its activities in a way that helps to answer this question. 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 the College's operating results.

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

These two statements report the College's net position and changes in them. The College's net position amount – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net position are one indicator of whether its financial health is improving. However, several non-financial factors are relevant as well, such as the trend and quality of applicants, freshman class size, student retention, building condition, and campus safety, to assess the overall health of the College.

These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private and public sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Net Position Changes- College			
	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>Net Change</u>
ASSETS			
Current Assets:			
Cash, cash equivalents and investments	\$ 3,674,575	\$ 4,225,005	\$ (550,430)
Cash, cash equivalents and investments held in Escrow	166,106	163,452	2,654
Cash, cash equivalents and investments with Fiscal Agent	116,229	-	116,229
Accounts receivable - students, net	1,778,834	1,709,646	69,188
Accounts receivable - vendors	102,788	170,871	(68,083)
Grants receivable	268,244	439,964	(171,720)
Inventory	271,824	333,560	(61,736)
Total current assets	<u>6,378,600</u>	<u>7,042,498</u>	<u>(663,898)</u>
Noncurrent Assets:			
Capital assets, net of accumulated depreciation	<u>32,691,773</u>	<u>33,359,532</u>	<u>(667,759)</u>
TOTAL ASSETS	<u><u>39,070,373</u></u>	<u><u>40,402,030</u></u>	<u><u>(1,331,657)</u></u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	<u>2,361,226</u>	<u>1,503,316</u>	<u>857,910</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u><u>\$ 41,431,599</u></u>	<u><u>\$ 41,905,346</u></u>	<u><u>\$ (473,747)</u></u>
LIABILITIES			
Current Liabilities:			
Accrued wages and benefits	\$ 670,297	\$ 756,798	\$ (86,501)
Vouchers payable	269,995	258,413	11,582
Compensated absences payable - current portion	59,431	66,582	(7,151)
Claims payable	66,953	-	66,953
Capital lease payable - current portion	137,303	175,400	(38,097)
Accrued interest payable	27,279	24,854	2,425
Unearned tuition and fees revenue	344,635	356,276	(11,641)
Deposits held in custody for others	221,195	233,826	(12,631)
General improvement bond payable - current portion	210,000	205,000	5,000
Bond anticipation notes payable	<u>1,300,000</u>	<u>1,300,000</u>	<u>-</u>
Total current liabilities	<u>3,307,088</u>	<u>3,377,149</u>	<u>(70,061)</u>
Noncurrent Liabilities:			
Compensated absences payable	506,577	567,535	(60,958)
Capital lease payable	207,807	345,110	(137,303)
Net pension liability	22,600,914	19,975,733	2,625,181
General improvement bonds payable	<u>5,750,000</u>	<u>5,960,000</u>	<u>(210,000)</u>
Total noncurrent liabilities	<u>29,065,298</u>	<u>26,848,378</u>	<u>2,216,920</u>
TOTAL LIABILITIES	<u><u>32,372,386</u></u>	<u><u>30,225,527</u></u>	<u><u>2,146,859</u></u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	<u>1,718,812</u>	<u>3,658,662</u>	<u>(1,939,850)</u>
NET POSITION			
Net investment in capital assets	25,086,663	25,374,022	(287,359)
Restricted:			
Expendable:			
Instructional department uses	735,566	841,983	(106,417)
Capital projects	1,530,133	-	1,530,133
Unrestricted (Deficit)	<u>(20,011,961)</u>	<u>(18,194,848)</u>	<u>(1,817,113)</u>
Total net position	<u>7,340,401</u>	<u>8,021,157</u>	<u>(680,756)</u>
TOTAL LIABILITIES, NET POSITION, AND DEFERRED OUTFLOWS	<u><u>\$ 41,431,599</u></u>	<u><u>\$ 41,905,346</u></u>	<u><u>\$ (473,747)</u></u>

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Many end users of this financial statement will gain a clearer understanding of the College's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

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

Total net position of the College as a whole decreased \$680,756. The decrease to current and other assets is primarily due to decreases in cash, cash equivalents and investments due to expenses exceeding revenues and decreases in grants receivable, which were partially offset by an increase to cash, cash equivalents and investments with fiscal agent. Capital assets, net decreased due to current year depreciation expense, which was partially offset by current year additions. Deferred outflows of resources increased due to pension activity.

Current and other liabilities decreased primarily to a decrease to accrued wages and benefits payable, which was partially offset by an increase to claims payable. Long-term liabilities increased primarily due to net pension liabilities, which were partially offset by principal payments on debt obligations.

Deferred inflows of resources decreased due primarily to pension activity.

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Net Position Changes - Component Unit- Zane State College Foundation

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>Net Change</u>
ASSETS			
Current Assets:			
Cash equivalents	\$ 2,191	\$ 1,457	\$ 734
Investments - Money Market	<u>501,487</u>	<u>764,130</u>	<u>(262,643)</u>
Total current assets	503,678	765,587	(261,909)
Noncurrent Assets:			
Land Held for College	25,000	25,000	-
Endowment Investments	<u>9,386,755</u>	<u>10,445,664</u>	<u>(1,058,909)</u>
Total noncurrent assets	<u>9,411,755</u>	<u>10,470,664</u>	<u>(1,058,909)</u>
TOTAL ASSETS	<u><u>\$ 9,915,433</u></u>	<u><u>\$ 11,236,251</u></u>	<u><u>\$ (1,320,818)</u></u>
NET POSITION			
Restricted:			
Nonexpendable:			
Scholarships	\$ 1,974,244	\$ 1,864,502	\$ 109,742
Professorships	5,250,000	5,250,000	0
Expendable:			
Scholarships	1,165,791	2,434,456	(1,268,665)
Capital Projects	250,821	339,995	(89,174)
Unrestricted	<u>1,274,577</u>	<u>1,347,298</u>	<u>(72,721)</u>
TOTAL NET POSITION	<u><u>\$ 9,915,433</u></u>	<u><u>\$ 11,236,251</u></u>	<u><u>\$ (1,320,818)</u></u>

The decrease to Endowment Investments and Investments - Money Market is due primarily to the Foundation expending monies for capital projects and professorships. Expendable Scholarships also decreased as a result of the Foundation giving scholarships.

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Operating Revenues and Expenses for FY2016 versus FY2015
College

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>Net Change</u>
Operating Revenues			
Tuition and fees (net of scholarship allowance)	\$ 6,109,765	\$ 7,211,116	\$ (1,101,351)
State grants and contracts	131,230	416,216	(284,986)
Federal grants and contracts	980,943	527,649	453,294
Private gifts, grants and contributions	394,322	112,489	281,833
Auxiliary services	1,749,220	2,184,566	(435,346)
Other	105,459	288,979	(183,520)
Total operating revenues	<u>9,470,939</u>	<u>10,741,015</u>	<u>(1,270,076)</u>
Operating Expenses (Includes depreciation expense)	<u>23,871,318</u>	<u>26,531,891</u>	<u>(2,660,573)</u>
Operating Loss	(14,400,379)	(15,790,876)	1,390,497
Nonoperating Revenues (Expenses)			
State appropriations	8,892,416	8,378,650	513,766
Federal grants	3,371,377	4,639,699	(1,268,322)
Investment income	9,428	12,538	(3,110)
Other nonoperating revenues	14,391	11,557	2,834
Other nonoperating expenses	<u>(220,713)</u>	<u>(229,409)</u>	<u>8,696</u>
Net nonoperating revenues (expenses)	<u>12,066,899</u>	<u>12,813,035</u>	<u>(746,136)</u>
Income Before Other Revenues, Expenses, Gains, or Losses	(2,333,480)	(2,977,841)	644,361
Capital Contributions	<u>1,652,724</u>	<u>1,112,359</u>	<u>540,365</u>
Total Other Revenues	<u>1,652,724</u>	<u>1,112,359</u>	<u>540,365</u>
Increase (Decrease) in net position	(680,756)	(1,865,482)	1,184,726
Net Position, beginning of year	<u>8,021,157</u>	<u>9,886,639</u>	<u>1,865,482</u>
Net Position, end of year	<u>\$ 7,340,401</u>	<u>\$ 8,021,157</u>	<u>\$ (680,756)</u>

Tuition and fees decreased due to lower enrollment in 2016 from 2015. Auxiliary services decreased due to bookstore sales decreasing as a result of enrollment. Federal grants increased due to the College receiving monies for the TAACCCT program. Operating expenses decreased due primarily to instructional, and student services, and book store expenses, which were partially offset by an increase in institutional support. The State appropriations increase is based on higher student success rates at the College, which is increasing faster than other colleges. Federal grants decreased due to the Federal Pell Program decreases based on enrollment trends. Capital contributions increased due to additional monies received from the Foundation.

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Changes in Revenues and Expenses for FY2016 versus FY2015
Component Unit- Zane State College Foundation

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>Net Change</u>
Operating Revenues			
In-kind Contribution (ZSC)*	\$ 219,690	\$ 129,890	\$ 89,800
Contributions	<u>185,958</u>	<u>7,547,689</u>	<u>(7,361,731)</u>
Total operating revenues	405,648	7,677,579	(7,271,931)
Operating Expenses	<u>233,092</u>	<u>152,334</u>	<u>80,758</u>
Operating Income	172,556	7,525,245	(7,352,689)
Nonoperating Revenues (Expenses)			
Investment income	14,552	593,086	(578,534)
College support - capital	(1,368,767)	(690,643)	(678,124)
College support - operating	(184,920)	0	(184,920)
Scholarships	<u>(333,570)</u>	<u>(243,050)</u>	<u>(90,520)</u>
Net nonoperating revenues (expenses)	(1,872,705)	(340,607)	(1,532,098)
Change in Net Position before			
Capital Contributions	(1,700,149)	7,184,638	(8,884,787)
Capital Contributions	<u>379,331</u>	<u>438,919</u>	<u>(59,588)</u>
Change in Net Position	(1,320,818)	7,623,557	(8,944,375)
Net Position, beginning of year	<u>11,236,251</u>	<u>3,612,694</u>	<u>7,623,557</u>
Net Position, end of year	<u>\$ 9,915,433</u>	<u>\$ 11,236,251</u>	<u>\$ (1,320,818)</u>

*See Note 10, page 29.

Decreases to investment income were due to decreases in market value, types, and amounts of investments held at June 30, 2016. College support increased due to additional contributions made to the College. Contributions decreased due to a single donor contributing over \$7 million to specified projects in the prior year.

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Operating Expenses for FY2016 versus FY2015
College

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>Net Change</u>
Operating Expenses			
Educational and General			
Instructional	\$ 8,860,487	\$ 9,729,655	\$ (869,168)
Academic support	1,720,414	1,895,669	(175,255)
Student services	4,504,310	6,181,140	(1,676,830)
Institutional support	3,629,085	3,149,064	480,021
Depreciation	1,775,835	1,814,243	(38,408)
Operation and maintenance of plant	1,640,713	1,626,612	14,101
Total Educational and General	<u>22,130,844</u>	<u>24,396,383</u>	<u>(2,265,539)</u>
Auxiliary Enterprises			
Bookstore	1,581,936	1,936,797	(354,861)
Security and other auxiliary	158,538	198,711	(40,173)
Total Auxiliary Enterprises	<u>1,740,474</u>	<u>2,135,508</u>	<u>(395,034)</u>
Total Operating Expenses	<u>\$ 23,871,318</u>	<u>\$ 26,531,891</u>	<u>\$ (2,660,573)</u>

Instructional decreased due to the College's right sizing efforts in FY15 and FY16. Student Services decreased as a result of the decrease in Pell monies received and the College's right sizing efforts.

Operating Expenses for FY2016 versus FY2015
Component Unit- Zane State College Foundation

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>Net Change</u>
Operating Expenses			
Educational and General			
General and administrative	\$ 233,092	\$ 152,334	\$ 80,758
Total Educational and General	<u>233,092</u>	<u>152,334</u>	<u>80,758</u>
Total Operating Expenses	<u>\$ 233,092</u>	<u>\$ 152,334</u>	<u>\$ 80,758</u>

The Statement of Cash Flows

Another way to assess the financial health of an institution is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess:

- an entity's ability to generate future net cash flows
- its ability to meet its obligations as they come due
- its need for external financing

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Cash Flows
FY 2016 Versus FY 2015
College

	6/30/2016	6/30/2015	Net Change
Cash provided (used) by:			
Operating activities	\$ (12,665,119)	\$ (14,094,850)	\$ 1,429,731
Noncapital financing activities	12,263,793	13,018,349	(754,556)
Capital and related financing activities	(39,649)	(1,999,446)	1,959,797
Investing activities	9,428	12,538	(3,110)
Net increase (decrease) in cash	(431,547)	(3,063,409)	2,631,862
Cash, beginning of year	4,388,457	7,451,866	(3,063,409)
Cash, end of year	\$ 3,956,910	\$ 4,388,457	\$ (431,547)

Noncapital financing activities are comprised of state appropriations and certain federal grants which do not meet the definition of operating activities.

Capital and Debt Administration

Capital Assets

At June 30, 2016, the College had \$32,691,773 invested in capital assets, net of accumulated depreciation of \$20,162,086. Depreciation charges totaled \$1,775,835 for the current fiscal year. Details of these assets for the two years are shown below:

Capital Assets, Net, at Year-End - College

	6/30/2016	6/30/2015	Net Change
Land	\$ 413,225	\$ 413,225	\$ -
Buildings	29,775,026	30,567,736	(792,710)
General infrastructure	219,864	235,782	(15,918)
Machinery and equipment	1,776,877	1,331,474	445,403
Computers	450,675	722,933	(272,258)
Computer Software	26,997	55,788	(28,791)
Motor Vehicles	22,526	20,758	1,768
Library books	6,583	11,836	(5,253)
Total Capital Assets, Net	\$ 32,691,773	\$ 33,359,532	\$ (667,759)

The change in capital assets was attributable to current year additions which were offset by current year depreciation.

More detailed information regarding the College's capital assets is presented in Note 7 to the financial statements.

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Debt

At June 30, 2016, the College had \$6,305,110 in debt outstanding versus \$6,685,510 in the previous year. The table below summarizes these amounts by type of debt instrument.

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>Net Change</u>
Lease Obligations	\$ 345,110	\$ 520,510	\$ (175,400)
General Improvement Bonds	<u>5,960,000</u>	<u>6,165,000</u>	<u>(205,000)</u>
	<u>\$ 6,305,110</u>	<u>\$ 6,685,510</u>	<u>\$ (380,400)</u>

More detailed information about the College's long-term liabilities is presented in Note 8 to the financial statements.

Economic Factors that Will Affect the Future

The bulk of the College's revenues come from the State (SSI) and from tuition & fees (enrollment). The State economy is gradually improving and the funding formula for distribution of funds to the two year college sector has been modified in recent years. Instead of being purely enrollment driven, it now focuses on completion and student success measures, areas where the College does better than the norm.

The College is working on offering more online courses which could expand our enrollment base geographically and reach students who cannot attend a traditional classroom setting. Additionally, the College will be promoting our transfer program more aggressively which will appeal to many students as a way to reduce the cost of higher education. Attending a two year institution and then transferring to finish a Bachelor's Degree will become more common place as student loan debt has been escalating.

College Credit Plus was established beginning fall 2015 which replaces the previous dual enrollment/post-secondary programs. In Fiscal Year 2016 a floor of \$40 per credit hour was set by the Department of Higher Education for College Credit Plus in the high schools. Approval by the Chancellor is required to go below the floor. Previously the College offered this program at no charge. The College will be charging a minimum of \$25 per credit hour for Fiscal Year 2016 and \$0 for Fiscal Year 2017. College Credit Plus students lead to enrollment growth, and eventually more SSI funding, but not necessarily an increase in tuition and fees.

Contacting the College's Financial Management

This financial report is designed to provide the Ohio Board of Regents, our citizens, taxpayers, investors and creditors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Terri Baldwin, Vice-President for Business Services-Treasurer, at Zane State College, 1555 Newark Road, Zanesville, Ohio 43701.

Zane State College
Statement of Net Position
As of June 30, 2016

	College	Component Unit
	Zane State College	Zane State College Foundation
ASSETS		
<i>Current Assets:</i>		
Cash, cash equivalents and investments	\$ 3,674,575	\$ 2,191
Cash, cash equivalents and investments held in Escrow	166,106	-
Cash, cash equivalents and investments with Fiscal Agent	116,229	-
Investments - Money Market	-	501,487
Accounts receivable - students, net	1,778,834	-
Accounts receivable - vendors	102,788	-
Grants receivable	268,244	-
Inventory	271,824	-
Total current assets	6,378,600	503,678
<i>Noncurrent Assets:</i>		
Capital assets, net	32,691,773	-
Land held for College	-	25,000
Endowment investments	-	9,386,755
Total noncurrent assets	32,691,773	9,411,755
TOTAL ASSETS	39,070,373	9,915,433
DEFERRED OUTFLOWS OF RESOURCES		
<i>Pensions:</i>		
State Teachers Retirement System	1,431,153	-
School Employees Retirement System	930,073	-
Total pensions	2,361,226	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 41,431,599	\$ 9,915,433
LIABILITIES		
<i>Current Liabilities:</i>		
Accrued wages and benefits	\$ 670,297	\$ -
Vouchers payable	269,995	-
Claims payable	66,953	-
Capital lease payable	137,303	-
Compensated absences payable	59,431	-
Accrued interest payable	27,279	-
Unearned tuition and fees revenue	344,635	-
Deposits held in custody for others	221,195	-
General improvement bonds payable	210,000	-
Bond anticipation notes payable	1,300,000	-
Total current liabilities	3,307,088	-
<i>Noncurrent Liabilities:</i>		
Compensated absences	506,577	-
General improvement bonds payable	5,750,000	-
Net Pension Liability	22,600,914	-
Capital lease payable	207,807	-
Total noncurrent liabilities	29,065,298	-
TOTAL LIABILITIES	32,372,386	-
DEFERRED INFLOWS OF RESOURCES		
<i>Pensions:</i>		
State Teachers Retirement System	1,511,641	-
School Employees Retirement System	207,171	-
Total pensions	1,718,812	-
NET POSITION		
Net investment in capital assets	25,086,663	-
Restricted:		
<i>Nonexpendable:</i>		
Scholarships	-	1,974,244
Professorships	-	5,250,000
<i>Expendable:</i>		
Scholarships	-	1,165,791
Instructional Department uses	735,566	-
Capital projects	1,530,133	250,821
Unrestricted (Deficit)	(20,011,961)	1,274,577
Total net position	7,340,401	9,915,433
TOTAL LIABILITIES, NET POSITION, AND DEFERRED INFLOWS OF RESOURCES	\$ 41,431,599	\$ 9,915,433

See accompanying notes to the financial statements.

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

	<u>College</u> Zane State <u>College</u>	<u>Component</u> <u>Unit</u> Zane State College <u>Foundation</u>
<u>REVENUE:</u>		
<i>Operating Revenues:</i>		
Student tuition and fees (net of scholarship allowances of \$1,996,683)	\$ 6,109,765	\$ -
In-kind contributions	-	219,690
Federal grants and contracts	980,943	-
State grants and contracts	131,230	-
Private gifts and grants	394,322	-
Contributions	-	185,958
Auxiliary Enterprises:		
Bookstore	1,630,570	-
Campus security	118,650	-
Other sources	105,459	-
Total Operating Revenues	<u>9,470,939</u>	<u>405,648</u>
<u>EXPENSES:</u>		
<i>Operating Expenses:</i>		
Educational and General:		
Instructional	8,860,487	-
Academic support	1,720,414	-
Student services	4,504,310	-
Institutional support	3,629,085	-
Depreciation	1,775,835	-
General & administrative	-	233,092
Operation and maintenance of plant	1,640,713	-
Total Educational and General	<u>22,130,844</u>	<u>233,092</u>
Auxiliary Enterprises:		
Bookstore	1,581,936	-
Campus security	158,530	-
Other auxiliary	8	-
Total Operating Expenses	<u>23,871,318</u>	<u>233,092</u>
Operating Income (Loss)	(14,400,379)	172,556
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Federal grants	3,371,377	-
State appropriations	8,892,416	-
Investment income	9,428	14,552
Premium on issued debt	14,391	-
Interest on capital asset-related debt	(206,322)	-
Debt issuance costs	(14,391)	-
Scholarships	-	(333,570)
College support - capital	-	(1,368,767)
College support - operating	-	(184,920)
Net nonoperating revenues (expenses)	<u>12,066,899</u>	<u>(1,872,705)</u>
Income before other revenues, expenses, gains or losses	(2,333,480)	(1,700,149)
Capital contributions	1,652,724	379,331
Total other revenues	<u>1,652,724</u>	<u>379,331</u>
Increase (Decrease) in Net Position	(680,756)	(1,320,818)
Net Position, Beginning of Year	<u>8,021,157</u>	<u>11,236,251</u>
Net Position, End of Year	<u>\$ 7,340,401</u>	<u>\$ 9,915,433</u>

See accompanying notes to the financial statements.

Zane State College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

	College	Component Unit
	Zane State College	Zane State College Foundation
<u>Cash Flows from Operating Activities:</u>		
Tuition and Fees	\$ 6,084,388	\$ -
Grants and Contracts	1,678,215	-
Payments to Suppliers	(9,995,961)	-
Payments to Employees for Wages and Benefits	(12,286,440)	-
Bookstore	1,630,570	-
Campus Security	118,650	-
Contributions	-	185,958
Other Receipts	105,459	-
Other Expenses	-	(13,402)
Net Cash Provided (Used) by Operating Activities	<u>(12,665,119)</u>	<u>172,556</u>
<u>Cash Flows from Non-Capital and Related Financing Activities:</u>		
State Appropriations	8,892,416	-
Federal Grants	3,371,377	-
College Support - Capital	-	(184,920)
Scholarships	-	(333,570)
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>12,263,793</u>	<u>(518,490)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Purchases of Capital Assets	(1,108,076)	-
Capital Contributions	1,652,724	379,331
College Support - Capital	-	(1,368,767)
Proceeds from Bond Anticipation Notes	1,300,000	-
Premium on Bond Anticipation Note Issuance	14,391	-
Bond Anticipation Note Issuance Costs	(14,391)	-
Principal Paid on Capital Leases, Loans, and Notes	(1,680,400)	-
Interest Paid	(203,897)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(39,649)</u>	<u>(989,436)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest on Investments	9,428	14,552
Proceeds from Sales and Maturities of Investments	-	1,058,909
Net Cash Provided by Investing Activities	<u>9,428</u>	<u>1,073,461</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(431,547)	(261,909)
Cash and Cash Equivalents at Beginning of Year	4,388,457	765,587
Cash and Cash Equivalents at End of Year	<u>\$ 3,956,910</u>	<u>\$ 503,678</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:</u>		
Operating Income (Loss)	\$ (14,400,379)	\$ 172,556
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:		
Depreciation	1,775,835	-
Pension Expense Adjustments Not Affecting Cash	(172,579)	-
<u>Change in Assets and Liabilities:</u>		
Accounts Receivable, net	(1,105)	-
Grants Receivable	171,720	-
Inventories	61,736	-
Claims Payable	66,953	-
Vouchers Payable (Operating)	11,582	-
Accrued Wages and Benefits	(86,501)	-
Compensated Absences	(68,109)	-
Unearned Tuitions and Fees Revenue	(11,641)	-
Deposits Held in Custody for Others	(12,631)	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ (12,665,119)</u>	<u>\$ 172,556</u>
<u>Non-Cash Transactions:</u>		
In-kind Contributions	\$ -	\$ 219,690
In-kind Disbursements	-	(219,690)
Total Non-Cash Transactions	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 1 – DESCRIPTION OF THE COLLEGE AND REPORTING ENTITY

On September 19, 1969, the State of Ohio Board of Regents approved the charter of the Muskingum Area Technical Institute. In 1975, the College name was changed to the Muskingum Area Technical College. In 2004, the College name was changed to Zane State College (the College). The College is a technical institute as defined by Section 3357.01 of the Ohio Revised Code and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and the laws of the State of Ohio. The College exposes students to job training leading to employment upon graduation and prepares students for continuation of their education in obtaining a four year degree.

The College's official service area consists of three counties: Muskingum, Guernsey, and Noble. However, a significant number of students also attend from Morgan, Coshocton, Licking and Perry counties.

In 1971, working with the Ohio Board of Regents, the Muskingum Area Technical Institute and the Ohio University began a cooperative effort to provide the community with a coordinated state-assisted higher education complex of academic-technical programs and physical facilities. Planning for a new campus was accelerated after the Ohio General Assembly, on June 12, 1972, approved a \$3 million appropriation for the construction of a new technical college facility. In March 1974 a master plan for the Muskingum Area Technical Institute and Ohio University-Zanesville campus was completed. This plan has guided campus development to the present time. An agreement for inter-institutional cooperation and coordination was signed on June 15, 1975, by Ohio University-Zanesville and Muskingum Area Technical Institute.

The College operates under a nine member appointed Board of Trustees, of which three are appointed by the Governor of the State of Ohio, and is responsible for the provision of public education to its student body.

The Zane State College Foundation is not a part of the primary government of the College, but due to its relationship with the College, it is discretely presented as a component unit within the College's financial statements. The Foundation is a non-profit, tax-exempt organization operated exclusively to provide support for the general educational needs of the College. Specific disclosures relating to the component unit can be found in Note 10.

The College is associated with an insurance purchasing pool, the Ohio College Association Workers' Compensation Group Rating Program. This organization is presented in Note 13 to the financial statements.

Management believes the financial statements included in this report represent all of the funds of the College over which the College has the ability to exercise direct operating control.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," as amended by GASB Statement No. 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities," the full scope of the College's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Basis of Accounting

The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the College must provide local resources to be used for a specified purpose, and expense requirements, in which the resources are provided to the College on a reimbursement basis.

C. Cash and Cash Equivalents

This classification appears on the statement of net position and the statement of cash flows and includes cash on deposit with private bank accounts and savings accounts. For purposes of the statement of cash flows and presentation on the statement of net position, all investments with original maturities of three months or less at the time they are purchased by the College are presented on the financial statements as cash equivalents.

D. Investments

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

E. Receivables

Receivables consist of tuition and fees and charges to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the Federal government, state and local governments, private sources in connections with reimbursements of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

F. Inventories

Inventories, consisting of expendable supplies and merchandise for resale, are stated at the lower of cost or market value using the first-in, first-out method.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

G. Capital Assets

Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of one or more years. Library books are significant in the aggregate and are therefore also capitalized. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 40 years for buildings and infrastructure, 5 to 10 years for equipment, 4 to 5 years for computer software, 5 years for vehicles, and 5 years for library books and materials. Improvements are depreciated over the remaining useful lives of the related capital assets.

The College's policy is to capitalize net interest on construction projects until substantial completion of the projects. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2016, no material interest costs were incurred on construction projects for the College.

H. Noncurrent Long-Term Liabilities

Noncurrent long-term liabilities include bonds and capital lease obligations and compensated absences that will not be paid within the next fiscal year.

I. Compensated Absences

The College follows the provisions of Governmental Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences."

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the College will compensate the employees for the benefits through paid time off or some other means. The College records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the College has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the College's termination policy. The College records a liability for accumulated unused sick leave for certified employees, administrators, and classified employees after five years of current service with the College.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

J. Unearned Revenue

Unearned tuition and fees revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, related to the subsequent accounting period.

K. 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 accumulated depreciation and outstanding debt obligations related to those capital assets.

Restricted Net Position – Expendable – Expendable restricted net position includes resources in which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Position – Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College.

L. Scholarship Allowances and Student Aid

Student tuition and fees revenue and certain other revenues from College charges are reported net of scholarship allowances in the accompanying statement of revenues, expenses, and changes in net position. The scholarship allowance is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students. Certain aid such as loans and funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues.

M. Revenue and Expense Recognition

The College presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include 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 include activities that have the characteristics of nonexchange transactions, such as state appropriations, certain federal grants, and investment income. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities on the accompanying statement of revenues, expenses, and changes in net position.

The College's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

N. Budgetary Process

Annually, the Business Office develops a balanced budget for the College based on projected expenditures from department directors and anticipated revenue, including tuition and fees and the subsidy from the Ohio Board of Regents. The Board of Trustees approves the budget.

O. Income Taxes

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

P. Use of Estimates

Management of the College has made estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Q. Bond Anticipation Note Premiums/Issuance Costs

In the financial statements for fiscal year 2016 the bond anticipation note premium was presented as a non-operating revenue and bond anticipation issuance costs were expensed in the year incurred.

R. Deferred Outflows and Deferred Inflows 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, which are explained in Note 11. 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 pensions, which are explained in Note 11.

S. Pensions

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

T. Self Insurance

Effective January 1, 2016, the College is self-insured for certain employee health programs. A liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, is recorded.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 3 – STATE SUPPORT

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

In addition to the student subsidies, the State of Ohio provides the funding for the construction and renovation of major plant facilities on the College's campus. The funding is obtained from the issuance of special obligation bonds issued by the Ohio Public Facilities Commission (OPFC), which proceeds in turn cause the construction and subsequent lease of the facility to the Ohio Board of Regents. Upon completion of a facility, the Board of Regents turns over control to the College, which capitalizes the cost thereof.

Neither the obligation for special obligation 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. These costs are currently being funded through appropriations to the Board of Regents by the General Assembly.

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

Outstanding debt issued by OPFC is not included on the College's statement of net position. In addition, the appropriations by the General Assembly to the Board of Regents for payment of debt service are not reflected as appropriation revenue received by the College, and the related debt service payments are not recorded in the College's accounts.

NOTE 4 – DEPOSITS

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

As of June 30, 2016, the College's bank balance was \$4,535,965, of which \$1,000,000 was covered by FDIC and the remaining balance was collateralized by the financial institution's public entity deposit pool in the manner described above.

Investments At fiscal year end, the College had the following investments and maturities:

	Carrying/Fair Value	Weighted Average Maturity (Years)
US Bank - Jefferson Health Plan Pool	\$ 116,229	<1 Year
Total	\$ 116,229	

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. Level 3 inputs are significant unobservable inputs. The above table identifies the College's recurring fair value measurements as of June 30, 2016. All other investments of the College are valued using quoted market prices (Level 1 inputs).

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 4 – DEPOSITS (Cont.)

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College’s investment policy does not address interest rate risk beyond the requirements of the Ohio Revised Code.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College limits their investments to US Bank – Jefferson Health Plan Pool. Investments within the US Bank Pool are not rated. The College’s investment policy does not address credit risk beyond the requirements of the Ohio Revised Code.

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. 100% of the College’s investments are in the US Bank Pool. The College investment policy allows for a maximum of 75% of the College’s total investment portfolio to be invested in a single security type unless that security provides the highest rate of return at an acceptable level of safety for preservation of capital. There are no further restrictions on the amounts the College may invest in a single issuer beyond the requirements of the Ohio Revised Code.

Custodial credit risk - Custodial credit risk is the risk that in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the College’s securities are either insured and registered in the name of the College or at least registered in the name of the College. The College’s investment policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2016 were as follows:

	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 2,005,017	\$ (226,183)	\$ 1,778,834
Grants	268,244	-	268,244
Vendor	<u>102,788</u>	<u>-</u>	<u>102,788</u>
 Total Accounts Receivable	 <u>\$ 2,376,049</u>	 <u>\$ (226,183)</u>	 <u>\$ 2,149,866</u>

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 6 – DONOR RESTRICTED ENDOWMENTS

If a donor has not provided specific instructions, state law permits the Board to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the Board is required to consider the College’s “long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions.” Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established. All expenditures must be approved by the Board.

At June 30, 2016, there was no net appreciation on donor-restricted assets available to be spent. There were no donor restricted endowments at June 30, 2016.

NOTE 7 – CAPITAL ASSETS

A summary of the changes in the capital assets is presented as follows:

	<u>Balance at</u> 7/1/2015	<u>Increases</u>	<u>Decreases</u>	<u>Balance at</u> 6/30/2016
Capital Assets, Non-Depreciable:				
Land	\$ 413,225	\$ -	\$ -	\$ 413,225
Total Non-Depreciable	413,225	-	-	413,225
Capital Assets, Depreciable:				
Buildings	44,240,584	385,223	-	44,625,807
General Infrastructure	397,958	-	-	397,958
Machinery and Equipment	3,073,922	714,028	-	3,787,950
Computers	2,488,755	-	-	2,488,755
Computer Software	434,845	-	-	434,845
Motor Vehicles	127,341	8,825	-	136,166
Library books	569,153	-	-	569,153
Total Depreciable	51,332,558	1,108,076	-	52,440,634
Less Accumulated Depreciation:				
Buildings	(13,672,848)	(1,177,933)	-	(14,850,781)
General Infrastructure	(162,176)	(15,918)	-	(178,094)
Machinery and Equipment	(1,742,448)	(268,625)	-	(2,011,073)
Computers	(1,765,822)	(272,258)	-	(2,038,080)
Computer Software	(379,057)	(28,791)	-	(407,848)
Motor Vehicles	(106,583)	(7,057)	-	(113,640)
Library books	(557,317)	(5,253)	-	(562,570)
Total Depreciation	(18,386,251)	(1,775,835)	-	(20,162,086)
Total Capital Assets, Depreciable, net	32,946,307	(667,759)	-	32,278,548
Capital Assets, net	<u>\$ 33,359,532</u>	<u>\$ (667,759)</u>	<u>\$ -</u>	<u>\$ 32,691,773</u>

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 8 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is as follows:

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Amount Due Within One Year
Compensated Absences	\$ 634,117	\$ 431,634	\$ (499,743)	\$ 566,008	\$ 59,431
General Improvement Bond	6,165,000	-	(205,000)	5,960,000	210,000
Lease Obligations	520,510	0	(175,400)	345,110	137,303
Net Pension Liability:					
STRS	13,741,663	1,458,643	0	15,200,306	-
SERS	6,234,070	1,166,538	0	7,400,608	-
Total Net Pension Liability	<u>19,975,733</u>	<u>2,625,181</u>	<u>0</u>	<u>22,600,914</u>	<u>-</u>
Long-Term Liabilities	<u>\$ 27,295,360</u>	<u>\$ 3,056,815</u>	<u>\$ (880,143)</u>	<u>\$ 29,472,032</u>	<u>\$ 406,734</u>

During fiscal year 2011, the College entered into several leases for copiers and technology equipment. The leases were issued for a total amount of \$1,157,481 with interest rates ranging from 0% to 7.4%

During fiscal year 2012, the College entered into leases for telecommunications equipment and CADD software. The telecommunications lease was issued for a total amount of \$236,049 with an interest rate of 2.9%. The CADD software lease was issued for a total amount of \$49,025 with an interest rate of 5.15%.

During fiscal year 2013, the College entered into leases for technology equipment, CADD Lab, and Firewall software. The technology equipment lease was issued for the total amount of \$25,462 with an interest rate of 4.1%. The CADD Lab lease was issued for the total amount of \$63,326 with an interest rate of 4.1%. The firewall software lease was issued for the total amount of \$31,222 with an interest rate of 1.5%

During fiscal year 2014, the College entered into a lease for computers. The lease was issued in the amount of \$55,493 with an interest rate of 2.9%.

During fiscal year 2015, the College entered into a lease for computer hardware. The lease was issued in the amount of \$541,311 with an interest rate of 5%.

During fiscal year 2013, the College issued general obligation bonds in the amount of \$6,370,000 for the purpose of construction projects. The bond will mature in December 2037 and was issued with an interest rate of 2.8%. Payments are made into a sinking fund held in the name of the College and payments are made from the sinking fund when they come due.

Principal and interest requirements to retire bonds outstanding at June 30, 2016, are as follows:

Fiscal Year Ending June 30	Principal	Interest
2017	\$210,000	\$154,452
2018	215,000	150,202
2019	220,000	145,852
2020	225,000	141,402
2021	230,000	136,852
2022-2026	1,220,000	608,832
2027-2031	1,365,000	453,936
2032-2036	1,575,000	242,221
2037-2038	700,000	22,913
	<u>\$ 5,960,000</u>	<u>\$ 2,056,662</u>

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 9 – CAPITAL LEASES

The College leases copiers, computers and related equipment under capital leases. Capital leases are capitalized as capital assets, net, with a corresponding liability. Capital assets acquired by lease have been capitalized in the statement of net position in the amount of \$1,652,833, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position. Principal payments in fiscal year 2016 totaled \$175,400.

The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2016:

<u>Year Ending December 31,</u>	
2017	\$146,788
2018	108,262
2019	<u>108,262</u>
Minimum lease payments	363,312
Less: Amount representing interest at the College’s incremental borrowing rate	<u>(18,202)</u>
Present value of minimum lease payments	<u>\$345,110</u>

NOTE 10 – COMPONENT UNIT DISCLOSURES - ZANE STATE COLLEGE FOUNDATION

Description of the Foundation

The Zane State College Foundation (hereinafter “the Foundation”) is a nonprofit organization as determined by Section 501(c)(3) of the Internal Revenue Code, further, the Foundation is organized under Section 509(a)(1) and 170(b)(1)(a)(iv) of the Internal Revenue Code.

The Foundation is organized and shall be operated exclusively for directorial, scientific or charitable purposes by conducting or supporting activities which benefit, or carry out the purpose of Zane State College, a state institution of higher learning, authorized under Chapter 3357 of the Ohio Revised Code including, but not limited to the creation of an endowment fund for annual scholarships in each technology program, the improvement of technical laboratory equipment, and opportunities for the professional development of College employees.

Solely for the above purpose, the Foundation is empowered to exercise all rights and powers conferred by the laws of the State of Ohio upon nonprofit corporations, including, but not limited to:

- A. To accept, acquire, receive, take, and hold by bequest, devise, grant, gift, purchase, exchange, lease, transfer, judicial order or decree, or otherwise, for any of its objects and purposes, any property, both real and personal, whatever kind, nature or description and wherever situated;
- B. To seal, exchange, convey, mortgage, lease, transfer, or otherwise dispose of any such property, both real and personal, as the objects and purposes of the Foundation may require, subject to such limitations as may be prescribed by law; and
- C. To invest and reinvest its funds in such savings accounts, stocks, bonds, debentures, mortgages, or in such other securities, investments, and property as the Board of Directors shall deem advisable, subject to the limitations and conditions contained in any bequest, devise, grant, or gift, provided such limitations and conditions are not in conflict with those provisions of the Internal Revenue Code and its regulations dealing with organizations exempt from taxation under Section 501(c)(3), as such provisions now exist or as they may hereafter be amended.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 10 – COMPONENT UNIT DISCLOSURES - ZANE STATE COLLEGE FOUNDATION (Cont.)

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Summary of Significant Accounting Policies

Net Position Classifications

In the accompanying financial statements, assets with similar characteristics have been combined in the following net position groups:

Unrestricted Assets – These assets are used for continuing activities, scholarships, and operations of the Foundation at the discretion of the Foundation’s governing body.

Restricted: Expendable – Temporarily Restricted Assets – A donor imposed restriction that permits the Foundation to expend the donated assets as specified by the donor. The restriction remains in effect until satisfied by either the passage of time or by actions of the Foundation. The Foundation’s expenditures of temporarily restricted assets are restricted to scholarships and capital projects.

Restricted: Nonexpendable – Permanently Restricted Assets – A donor imposed restriction that stipulates that resources be maintained permanently but permits the Foundation to expend part or all of the income or other economic benefit derived from the donated asset. The Foundation’s income derived from these resources is restricted to expenditures on scholarships.

Income Tax Status

The Foundation has been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Cash and Investments

Custodial credit risk for deposits is the risk that in the event of bank failure, the Foundation will not be able to recover deposits or collateral securities that are in the possession of an outside party.

At June 30, 2016, the carrying amount of the Foundation’s deposits was \$2,191 and the bank balance of the Foundation’s deposits was \$7,119. At June 30, 2016, the entire amount was covered by Federal Deposit Insurance.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 10 – COMPONENT UNIT DISCLOSURES - ZANE STATE COLLEGE FOUNDATION (Cont.)

The following summarizes the market value of investments at June 30, 2016:

Investment Type	Market Value	Years			
		Less than 1	1-3	3-5	5-10
Common Stock	\$ 4,785,166	\$ 4,785,166	\$ -	\$ -	\$ -
Mutual Funds	3,680,914	3,680,914	-	-	-
Federal Farm Credit Bank Bonds	103,255	-	-	-	103,255
Federal Home Loan Mortg. Corp.	207,423	-	-	101,508	105,915
Federal National Mortgage Association	101,594	-	101,594	-	-
Federal Home Loan Bank Bonds	103,050	-	-	103,050	-
Corporate Bonds	405,353	405,353	-	-	-
Money Markets	501,487	501,487	-	-	-
	<u>\$ 9,888,242</u>	<u>\$ 9,372,920</u>	<u>\$ 101,594</u>	<u>\$ 204,558</u>	<u>\$ 209,170</u>

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

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Foundation’s investment policy provides for management of the portfolio to minimize principal fluctuations with a long-term investment mix and with an initial target of 65% of its assets to be invested in Equities, 30% in Fixed Income and 5% in Cash Equivalents.

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

The Foundation’s investment policy limits investments to the following categories: Equities, Fixed Income and Cash Equivalents. The benchmark for the domestic equity portion of the portfolio will be the S&P 500 Equity Index. The fixed income portfolio should have an average credit quality of “A”. Cash equivalents, if not guaranteed by the U.S. Government, should be the equivalent of A-2 by Standard and Poor’s or P-2 by Moody’s. The U.S. Government securities and the corporate bonds had ratings of AA+, AA-, A, A-, AA, BBB+, and BBB by Standard and Poor’s. The money market funds were rated AAAM. The mutual funds and common stocks were not rated.

Concentration of credit risk- Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in one single issuer.

The Foundation’s investment policy calls for initial targets of asset categories along with acceptable ranges in order to balance the risks as follows: an initial target of 65% of its assets to be invested in Equities, 30% in Fixed Income and 5% in Cash Equivalents. It is the intent of the Foundation that as a general practice, the investment should remain in a range of +/- 10% of the target benchmarks.

Diversification. The equity portion will be diversified in terms of sector, industry, and company. No single equity position shall represent more than 10% of the equity investment fund. The fixed income portion should be properly diversified in terms of issuer, maturities/duration, and yield curve exposure. The fixed income portfolio may be invested in U.S. Government and agency obligations, marketable corporate bonds, mortgage-backed or asset-backed securities. The fixed income portfolio may include non-investment grade securities, with total exposure not to exceed 10% of the portfolio.

The Foundation’s investments categories are diversified in common stocks (multiple equity positions - 44%), mutual funds (multiple equity positions - 45%), corporate bonds (multiple equity positions – 4%), and money markets (multiple equity positions - 7%).

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 10 – COMPONENT UNIT DISCLOSURES - ZANE STATE COLLEGE FOUNDATION (Cont.)

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

The Foundation’s policy does not address custodial credit risk. All of the Foundation’s investments are held in the name of the Foundation.

The Foundation determines the fair market values of its financial instruments based on the fair value hierarchy prescribed by Financial Accounting Standards Board Accounting Standards Codification (ASC) 825-10, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the Foundation’s own assumptions based on market data and on assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The Standard describes three levels within its hierarchy that may be used to measure fair value:

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

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

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

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

Investment Type	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common Stock	\$ 4,785,166	\$ -	\$ -
Mutual Funds	3,680,914	-	-
Federal Farm Credit Bank Bonds	103,255	-	-
Federal Home Loan Mortg. Corp.	207,423	-	-
Federal National Mortgage Association	101,594	-	-
Federal Home Loan Bank Bonds	103,050	-	-
Corporate Bonds	405,353	-	-
Money Markets	501,487	-	-
	<u>\$ 9,888,242</u>	<u>\$ -</u>	<u>\$ -</u>

Interpretation of UPMIFA: The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 10 – COMPONENT UNIT DISCLOSURES - ZANE STATE COLLEGE FOUNDATION (Cont.)

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. The Foundation did not have any deficiencies of this nature as of June 30, 2016.

Donated Facilities/Operating Expenses

The Foundation occupies office space at Zane State College located at 1555 Newark Road, Zanesville, Ohio. No rent is paid by the Foundation. Zane State College pays operating expenses for the Foundation. The value of the operating expenses paid by the College was \$219,690. This amount has been recorded in the financial statements as a contribution to and an expense from unrestricted net position and is described in the revenue section as in-kind contributions (ZSC), see MD&A, page 9.

Net Assets Released from Restrictions

Net assets were released from donor restrictions in fiscal year 2016 by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. The Foundation distributed \$333,570 in scholarships that related to the satisfaction of these donor restrictions.

Assets Held for College

The Foundation acquired land during fiscal year 2013 for \$25,000. The land is being held on behalf of the College.

NOTE 11 – PENSION AND RETIREMENT PLANS

Net Pension Liability

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

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable. The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

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

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

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire allocation was allocated to pension, death benefits, and Medicare B. There was no percentage allocated to the Health Care Fund for fiscal year 2016.

The College's contractually required contribution to SERS was \$525,121 for fiscal year 2016.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

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

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

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. Through June 30, 2015, the employer rate was 14% and the member rate was 12% of covered payroll. The statutory employer rate for fiscal year 2016 and subsequent years is 14%. The statutory member contribution rate increased to 13% on July 1, 2015 and will increase to 14% on July 1, 2016.

The College's contractually required contribution to STRS Ohio was \$738,211 for fiscal year 2016.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$7,400,608	\$15,200,306	\$22,600,914
Proportion of the Net Pension Liability	0.1296965%	0.05499969%	
Pension Expense	\$521,799	\$568,954	\$1,090,753

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

Deferred Outflows of Resources	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$117,065	\$692,942	\$810,007
Differences from a change in proportion and differences between College contributions and proportionate share of contributions	287,887	-	287,887
College contributions subsequent to the measurement date	<u>525,121</u>	<u>738,211</u>	<u>1,263,332</u>
Total	<u><u>\$930,073</u></u>	<u><u>\$1,431,153</u></u>	<u><u>\$2,361,226</u></u>
Deferred Inflows of Resources	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between projected and actual investment earnings	\$205,061	\$1,093,190	\$1,298,251
Differences from a change in proportion and differences between College contributions and proportionate share of contributions	<u>2,110</u>	<u>418,451</u>	<u>420,561</u>
Total	<u><u>\$207,171</u></u>	<u><u>\$1,511,641</u></u>	<u><u>\$1,718,812</u></u>

\$1,263,332 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$14,900	(\$357,671)	(\$342,771)
2018	14,900	(357,671)	(342,771)
2019	14,363	(357,671)	(343,308)
2020	<u>153,618</u>	<u>254,314</u>	<u>407,932</u>
Total	<u><u>\$197,781</u></u>	<u><u>(\$818,699)</u></u>	<u><u>(\$620,918)</u></u>

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3.25 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement. The most recent experience study was completed June 30, 2010.

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

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

Actuarial Assumptions – SERS (Continued)

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

Discount Rate The total pension liability was calculated using the discount rate of 7.75 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 (7.75 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 College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
College's proportionate share of the net pension liability	\$10,261,984	\$7,400,608	\$4,991,094

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

Actuarial Assumptions - STRS

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

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above.

Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Nominal Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

Actuarial Assumptions – STRS (Continued)

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the College's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	\$21,114,371	\$15,200,306	\$10,199,081

Alternative Retirement Plan

The College offers a defined contribution plan as an alternative to participation with State mandated defined benefit plans in accordance with state law. Non-elective employee contributions and employer contributions are made to the plan in amounts equivalent to the participant's compensation which would have otherwise been contributed to the State Retirement System that applies to the participant's position. There were no participants in the program as of June 30, 2016. Contributions to the plan for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0, and \$16,397, respectively.

NOTE 12 – POST-EMPLOYMENT BENEFITS

State Teachers Retirement System

Plan Description – The College participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The College's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$58,296 respectively, which equaled the required contributions each year.

NOTE 12 – POST-EMPLOYMENT BENEFITS (Cont.)

School Employees Retirement System

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

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. At June 30, 2016, 2015, and 2014, the health care allocations were 0 percent, 0.82 percent, and 0.14 percent, respectively. 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. 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 2016, the minimum compensation level was established at \$23,000.

The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the College, the amounts assigned to health care, including the surcharge, during the 2016, 2015, and 2014 fiscal years equaled \$0, \$32,017, and \$5,011, respectively, which is equal to the required amounts for those years.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care plan is included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employer/Audit Resources*.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 13 – RISK MANAGEMENT

A. Property and Liability

The College is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the College contracted through the Young Insurance Agency for liability, property, vehicle insurance, and errors and omissions insurance with Ohio Casualty Company.

Coverage provided is as follows:

Umbrella Liability (\$10,000 deductible)	\$ 4,000,000 limit
Building and Contents - replacement cost (\$10,000 deductible)	60,886,892 limit
Inland Marine Watercraft (\$1,000 deductible)	49,429 limit
Inland Marine Contractor Equipment (\$5,000 deductible)	162,703 limit
Inland Marine EDP coverage Main (\$10,000 deductible)	525,000 limit
Boiler and Machinery (\$10,000 deductible)	60,886,892 limit
Theft, Disappearance and Destruction (\$5,000 deductible)	75,000 limit
	inside and outside premises
Data Compromise (\$2,500 deductible)	250,000 limit
Employee Dishonesty Insurance (\$5,000 deductible)	100,000 limit each employee
Automobile Liability - Bodily Injury and Property Damage (\$500 deductible)	1,000,000 each accident
General and Professional Liability Insurance	1,000,000 each occurrence
	2,000,000 aggregate

Settled claims have not exceeded this commercial coverage in any of the past three years. The College had no significant changes in insurance coverage from the prior year.

B. Workers' Compensation and Healthcare

For fiscal year 2016, the College participated in the Ohio College Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the College by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating colleges is calculated as one experience and a common premium rate is applied to all colleges in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to colleges that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

Effective January 1, 2016, the College was self-insured for health claims. The College estimates the liability for health claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. The liability is recorded within other accrued liabilities in the statement of net position. Changes in the estimated liability for fiscal years ended June 30, 2016 and 2015 was as follows:

	<u>Health Claims</u>	
	<u>2016</u>	<u>2015</u>
Unpaid claims – Beginning of year	\$0	\$0
Incurred claims, including claims incurred but not reported	539,115	0
Claims payments	(472,162)	0
Unpaid claims – End of year	<u>\$66,953</u>	<u>\$0</u>

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 14 – CONTINGENCIES

A. Grants

The College received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Current Unrestricted Educational and General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial position of the College at June 30, 2016.

B. Litigation

The College is not currently party to any legal proceedings.

NOTE 15 – NET POSITION RESTRICTED BY ENABLING LEGISLATION

Of the College's \$2,265,699 in restricted net position, none was restricted by enabling legislation.

NOTE 16 - NOTES PAYABLE

On December 18, 2014, the College issued bond anticipation notes. The notes were issued in the amount of \$1,300,000 with an interest rate of 1.75%. The notes were paid in full during fiscal year 2016.

On December 17, 2015, the College issued bond anticipation notes. The notes were issued in the amount of \$1,300,000 with an interest rate of 2.125%. The notes will mature December 15, 2016.

NOTE 17 – NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2016, the College has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

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

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

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

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

Zane State College
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$ 18,503,280,961	\$ 17,881,827,171	\$ 17,247,161,078
Plan net position	<u>12,797,184,030</u>	<u>12,820,884,107</u>	<u>11,300,482,029</u>
Net pension liability	5,706,096,931	5,060,943,064	5,946,679,049
College's proportion of the net pension liability	0.1296965%	0.1231800%	0.1231800%
College's proportionate share of the net pension liability	\$ 7,400,608	\$ 6,234,070	\$ 7,325,119
College's covered-employee payroll	\$ 3,904,423	\$ 3,579,380	\$ 3,412,970
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	214.63%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available

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

Zane State College
Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$ 99,014,653,744	\$96,167,057,104	\$ 94,366,693,720
Plan net position	<u>71,377,578,736</u>	<u>71,843,596,331</u>	<u>65,392,746,348</u>
Net pension liability	27,637,075,008	24,323,460,773	28,973,947,372
College's proportion of the net pension liability	0.05499969%	0.05649551%	0.05649551%
College's proportionate share of the net pension liability	\$ 15,200,306	\$ 13,741,663	\$ 16,368,979
College's covered-employee payroll	\$ 5,738,293	\$ 5,772,454	\$ 6,442,862
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	264.89%	238.06%	254.06%
Plan fiduciary net position as a percentage of the total pension liability	72.09%	74.71%	69.30%

(1) Information prior to 2013 is not available

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

Zane State College
Required Supplementary Information
Schedule of College Contributions
School Employees Retirement System of Ohio
Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 525,121	\$ 514,603	\$ 496,102	\$ 472,355	\$ 496,292	\$ 493,136	\$ 433,955	\$ 389,157	\$ 330,234	\$ 306,948
Contributions in relation to the contractually required contribution	(525,121)	(514,603)	(496,102)	(472,355)	(496,292)	(493,136)	(433,955)	(389,157)	(330,234)	(306,948)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered-employee payroll	\$3,750,864	\$3,904,423	\$3,579,380	\$3,412,970	\$3,689,903	\$3,923,119	\$3,204,985	\$3,954,848	\$3,362,872	\$2,874,045
Contributions as a percentage of covered employee payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

Zane State College
Required Supplementary Information
Schedule of College Contributions
State Teachers Retirement System of Ohio
Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 738,211	\$ 803,361	\$ 750,419	\$ 837,572	\$ 881,003	\$ 802,265	\$ 743,358	\$ 663,124	\$ 600,196	\$ 563,815
Contributions in relation to the contractually required contribution	(738,211)	(803,361)	(750,419)	(837,572)	(881,003)	(802,265)	(743,358)	(663,124)	(600,196)	(563,815)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered-employee payroll	\$ 5,272,936	\$ 5,738,293	\$ 5,772,454	\$ 6,442,862	\$ 6,776,946	\$ 6,171,269	\$ 5,718,138	\$ 5,100,954	\$ 4,616,892	\$ 4,337,038
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Zane State College
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2016

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
United States Department of Labor				
<i>Passed Through Lorain Community College:</i>				
Trade Adjustment Assistance Community College Career Training Program Grant (TAACCCT)	N/A	17.282	\$ 497,249	\$ 497,249
<i>Passed Through Guernsey County Department of Jobs and Family Services:</i>				
YouthBuild - Career Expo and Ready Grant	N/A	17.274	65,000	65,000
Total United States Department of Labor			562,249	562,249
Appalachian Regional Commission				
<i>Direct from the Federal Agency:</i>				
Appalachian Area Development	N/A	23.002	3,175	3,175
Small Business Administration				
<i>Direct from the Federal Agency:</i>				
Small Business Development Center	N/A	59.037	72,733	72,733
United States Department of Education				
<i>Direct from the Federal Agency:</i>				
Student Financial Aid Cluster:				
Federal Direct Student Loans	N/A	84.268	3,282,121	3,282,121
Federal Work-Study Program	N/A	84.033	77,338	77,338
Federal Pell Grant Program	N/A	84.063	3,291,890	3,291,890
Total Student Financial Aid Cluster			6,651,349	6,651,349
TRIO - Student Support Services	N/A	84.042	247,184	247,184
<i>Passed Through the Ohio Department of Education:</i>				
Career and Technical Education - Basic Grants to States	3L90	84.048	85,180	85,180
Total United States Department of Education			6,983,713	6,983,713
United States Department of Health and Human Services				
<i>Passed Through the Muskingum County Department of Jobs and Family Services:</i>				
Temporary Assistance for Needy Families - Summer Youth	N/A	93.558	4,572	4,572
Total United States Department of Health and Human Services			4,572	4,572
Total Federal Financial Assistance			\$ 7,626,442	\$ 7,626,442

See the Notes to the Schedule of Federal Award Receipts and Expenditures

Zane State College
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) includes federal grant activity of the College under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FEDERAL DIRECT LOANS PROGRAM

The College participates in the William D. Ford Federal Direct Loan Program. The College originates the loans which are then funded through the U.S. Department of Education.

Federal Subsidized Loans	\$ 2,034,986
Federal Unsubsidized Loans	1,028,495
PLUS Loans	<u>218,640</u>
Total Federal Direct Student Loans	<u><u>\$ 3,282,121</u></u>



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

December 23, 2016

Zane State College
Muskingum County
1555 Newark Road
Zanesville, OH 43701

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and the discretely presented component unit of **Zane State College**, Muskingum County, (the College) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 23, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the College's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the College's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.



...“bringing more to the table”
Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
• Association of Certified Anti - Money Laundering Specialists •



Compliance and Other Matters

As part of reasonably assuring whether the College's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the College's management in a separate letter dated December 23, 2016.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

December 23, 2016

Zane State College
Muskingum County
1555 Newark Road
Zanesville, OH 43701

To the Board of Trustees:

Report on Compliance for the Major Federal Program

We have audited **Zane State College's** (the College) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Zane State College's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the College's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the College's compliance for the College's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the College's major program. However, our audit does not provide a legal determination of the College's compliance.



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Opinion on the Major Federal Program

In our opinion, Zane State College complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The College's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the College's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. 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 federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 would not necessarily 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.

This report only describes the scope of our internal control compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

Zane State College
Schedule of Audit Findings
 2 CFR § 200.515
 For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Student Financial Aid Cluster: Federal Direct Student Loans CFDA #84.268, Federal Work-Study Program CFDA #84.033, Federal Pell Grant Program CFDA #84.063
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: > All Others
<i>(d)(1)(ix)</i>	Low Risk Auditee 2 CFR § 200.520?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
 REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

ZANE STATE COLLEGE

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 31, 2017**