Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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TERRA COMMUNITY COLLEGE
SANDUSKY COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2015
Fiscal Year Audited Under GAGAS: 2015

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Terra Community College, Sandusky County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

December 2, 2015

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TERRA COMMUNITY COLLEGE
YEAR ENDED JUNE 30, 2015

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Independent Auditor's Report

Terra Community College
Sandusky County
2830 Napoleon Road
Fremont, Ohio 43420

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 Terra Community College, Sandusky County, Ohio (the College), which is a component unit of the state of Ohio, as of and for the year ended June 30, 2015, 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 audit opinions.

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 Terra Community College, Sandusky County, Ohio as of June 30, 2015, and the respective changes in 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, during the year ended June 30, 2015, the College adopted the provisions of Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No.27,* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68,* and per guidance by the Governmental Accounting Standards Board the College presented single year statements for fiscal year 2015, due to the lack of comparative information available with the implementation of GASB Statement No. 68. We did not modify our opinion regarding these matters.

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 *Required pension schedules*, 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 Revenues and Expenses presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also 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 this 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, the 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 October 5, 2015, 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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
October 5, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Terra Community College's financial statements provides an overview of the College's financial activities for the year ended June 30, 2015. Responsibility for the completeness and fairness of this information rests with the College and should be read in conjunction with the accompanying financial statements and notes.

Using the Annual Report

The following activities are included in the financial statements:

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

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

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

Financial Highlights

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

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

Condensed Financial Information

Statement of Net Position
(in thousands)

	2015	2014*
Assets		
Current assets	$ 5,727	$ 8,678
Capital assets, net	30,702	29,784
Other noncurrent assets	1,963	2,578
Total assets	38,392	41,040
Deferred outflows of resources	1,366	1,263
Total assets & defer outflows	$ 39,758	$ 42,303
Liabilities		
Current liabilities	1,936	2,874
Noncurrent liabilities	25,460	29,184
Total liabilities	27,396	32,058
Deferred inflows of resources	3,551	--
Total liabilities & defer inflows	30,947	32,058
Net position		
Net investment in capital assets	25,512	26,179
Restricted		
Expendable	191	217
Unrestricted	(16,892)	(16,151)
Total net position	$ 8,811	$ 10,245

* - As restated, see Note 15

Assets: As of June 30, 2015 the College's total assets and deferred outflows of resources amounted to approximately $40 million. Capital assets, net of depreciation, represented the College's largest asset, totaling $30.7 million or 77 percent of total assets and deferred outflows of resources. Cash and cash equivalents and investments, totaling $4.6 million or 12 percent of total assets and deferred outflows of resources, were the College's next largest asset. Cash and investments decreased by approximately $3.3 million in 2015.

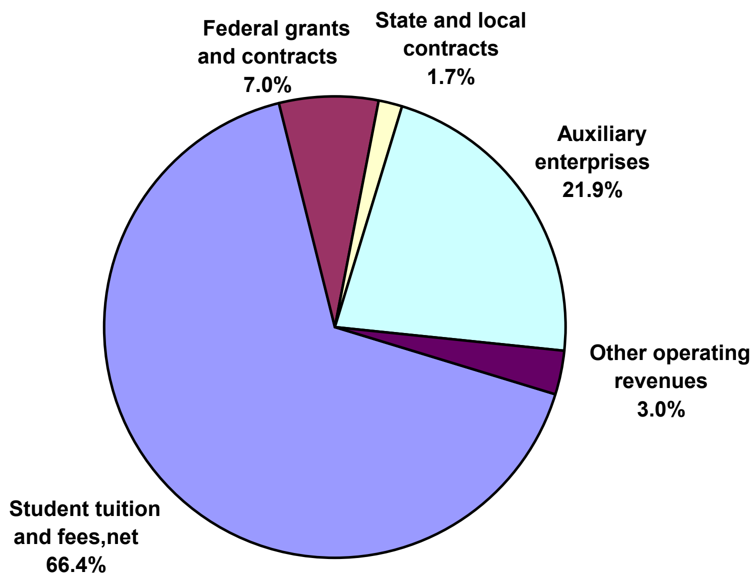
Liabilities: At June 30, 2015 the College's liabilities and deferred inflows of resources totaled approximately $30.9 million. Net pension liabilities represented approximately $19.6 million, or 63 percent, of total liabilities and deferred inflows of resources. Total liabilities and deferred inflows of resources decreased $1.1 million during the year ended June 30, 2015. This was primarily a result of lower net pension liabilities.

Net Position: Net position at June 30, 2015 totaled approximately $8.8 million or 22 percent of total assets and deferred outflows of resources. Net investment in capital assets totaled $25.5 million or 289 percent, of total net position. Restricted and unrestricted net position represented 2 percent and (192) percent of total net position, respectively. Total net position decreased by $1.4 million during the year ended June 30, 2015.

Statement of Revenues, Expenses and Changes in Net Position
(in thousands)

	2015	2014
Operating revenue		
Tuition and fees	$ 4,383	$ 4,252
Government grants	574	676
Auxiliary services	1,449	1,709
Other operating revenue	199	159
Total operating revenue	6,605	6,796
Operating expenses		
Educational and general	15,599	16,393
Auxiliary expenses	1,457	1,680
Depreciation	1,190	1,082
Total operating expenses	18,246	19,155
Operating loss	(11,641)	(12,359)
Nonoperating revenue (expenses)		
State appropriations	6,279	6,554
Federal grants	3,843	4,668
Gifts and grants	222	381
Investment income	32	41
Other nonoperating	(249)	(229)
Total nonoperating revenue	10,127	11,415
Capital appropriations	80	1,000
Change in net position during year	$ (1,434)	$ 56

2015 CHART OF OPERATING REVENUES

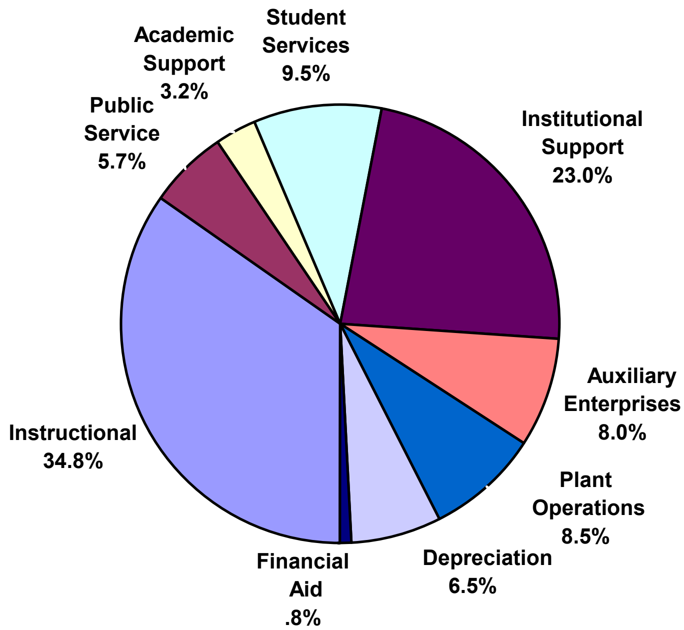


Total operating revenues were $6.6 million for the year ended June 30, 2015 and $6.8 million for 2014. The most significant sources of operating revenue for the College are net student tuition and fees (66.4 percent), auxiliary enterprise revenue (21.9 percent), and federal grants and contracts (7.0 percent).

Tuition and fees continued to be the largest source of operating revenues for the College. Gross tuition revenue decreased 6.3% for 2015 and decreased 10.8% for 2014 primarily from fluctuations in enrollment. The College's full time equivalent (FTE) students for fiscal year 2015 were 1,385 while in fiscal year 2014 the total was 1,586 and for fiscal year 2013 the total was 1,998. Over the past five years, the annual FTE average has been approximately 1,932. Auxiliary enterprises revenue from the College bookstore decreased 15.2% from 2014 corresponding with the enrollment decline. In 2015 state grant revenue remained steady at approximately 1.7% of operating revenues.

State appropriations, which is considered nonoperating revenue as defined by GASB 35, is a significant recurring source of revenue essential to the operation of the College. The College's state appropriation for the year ended June 30, 2015, amounted to $6.3 million. This represents a decrease of $275 thousand or 4.2% from the College's appropriation for the prior year.

2015 CHART OF OPERATING EXPENSES



Operating expenses, including $1.19 million of depreciation, totaled approximately $18.2 million as compared to $19.2 million in 2014. The majority of the College's operating funds are expended directly for the primary mission of the College – instruction (34.8 percent), institutional support (23.0 percent) and auxiliary enterprises (8.0 percent). This combined 65.8 percent compares with 68.5 percent in 2014.

Total operating expenses decreased 4.7% from 2014 with instruction expenses decreasing $648 thousand. Lower enrollment resulted in a decrease in personnel costs and laboratory supplies for 2015.

For the year ended June 30, 2015, student financial aid related to tuition and fees totaled $4.2 million, including scholarship allowance of $4.1 million and student aid expense of $149 thousand. In 2015 student financial aid decreased by 15.5% in total from the prior year.

Statement of Cash Flows
(in thousands)

	2015	2014
Net cash provided (used) by:		
Operating activities	$ (11,348)	$ (11,259)
Noncapital financing activities	10,344	11,602
Capital and related financing activities	(2,354)	(4,591)
Investing activities	3,480	3,489
Net increase/(decrease) in cash	122	(759)
Cash-beginning of year	1,701	2,460
Cash-end of year	$ 1,823	$ 1,701

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

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

Major sources of funds included in operating activities are student tuition and fees ($4.2 million) and auxiliary enterprises ($1.4 million). The largest cash payments for operating activities were to employees, for wages and benefits, ($12.0 million) and to suppliers ($5.8 million).

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

Capital Assets

Capital assets, net of accumulated depreciation, totaled approximately $30.7 million at June 30, 2015, a net increase of $918 thousand over the prior year-end. Additions to capital assets during the year totaled $2.1 million as a result of the renovation of an existing building for the hospitality management program. For more information on capital assets, see Note 4.

Long-Term Debt

Long-term debt totaled approximately $5.8 million at June 30, 2015, a decrease of $125 thousand over the prior year-end. For more information on long-term debt, see Note 7.

Net Pension Liability

During 2015, the College adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the College's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

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

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

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

As a result of implementing GASB 68, the College is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from $32,248,860 to $10,245,576.

Factors impacting future periods

The economic position of Terra Community College is closely tied to that of the State. State Share of Instruction funding for fiscal year 2016 is projected at $6.5 million which is 4.58% above the funding received in fiscal year 2015.

In August 2014, the Board of Trustees approved a goal oriented tuition program effective spring 2015 which increased tuition for lower credit hours and developed a flat rate between 12 and 15 semester hours. Known expense increases for fiscal year 2016 include a 1% salary increase for union staff. Full time faculty are negotiating a new contract. Employee health insurance plans will continue under a self insured plan renewing on October 1, 2015, with a 13.6% increase in premiums for staff and 16% for faculty.

The College experienced a 12.7% decrease in full-time equivalent students from 1,586 FTE in 2014 to 1,385 in 2015. Enrollment for summer term is consistent with last year while fall is reflecting a slight increase over the prior year.

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

TERRA COMMUNITY COLLEGE
STATEMENT OF NET POSITION
June 30, 2015

Assets	
Current assets	
Cash and cash equivalents	$ 1,822,941
Short-term investments	875,333
Intergovernmental receivable	143,340
Due from State of Ohio	660,967
Loans receivable, net	65,284
Other receivables	1,727,161
Inventory	271,293
Other current assets	161,065
Total current assets	5,727,384
Noncurrent assets	
Investments	1,951,142
Other Assets	12,248
Capital assets, gross	54,863,771
Accumulated depreciation	(24,162,039)
Capital assets, net	30,701,732
Total noncurrent assets	32,665,122
Deferred outflows of resources	1,365,646
Total assets and deferred outflows of resources	$ 39,758,152
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	1,140,680
Unearned revenue	360,655
Long-term debt, current	130,000
Compensated absences, current	304,473
Total current liabilities	1,935,808
Noncurrent liabilities	
Long-term debt, noncurrent	5,665,000
Compensated absences, noncurrent	158,537
Net pension liabilities	19,636,445
Total noncurrent liabilities	25,459,982
Deferred inflows of resources	3,551,105
Total liabilities and deferred inflows of resources	30,946,895
Net position	
Net investment in capital assets	25,511,990
Expendable	
Other	134,184
Capital projects	56,586
Unrestricted	(16,891,503)
Total net position	$ 8,811,257

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2015

Assets	
Cash and cash equivalents	$ 153,877
Contributions receivable	80,884
Other accounts receivable	67,094
Investments	4,773,218
Other Assets	7,733
Total assets	5,082,806
Liabilities	
Accounts payable	10,682
Total liabilities	10,682
Net assets	
Unrestricted	365,872
Temporarily restricted	2,267,279
Permanently restricted	2,438,973
Total net assets	$ 5,072,124

See accompanying notes to financial statements

TERRA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2015

Operating revenues	
Student tuition and fees (net of scholarship allowances of $4,100,030 in 2015 and $4,798,274 in 2014)	$ 4,383,454
Federal grants and contracts	459,966
State grants and contracts	113,764
Sales and services	131
Auxiliary enterprises	1,448,572
Other operating revenues	199,197
Total operating revenues	6,605,084
Operating Expenses	
Educational and general	
Instructional	6,349,067
Public service	1,045,048
Academic support	574,939
Student services	1,731,367
Institutional support	4,192,196
Operation and maintenance of plant	1,556,610
Student financial aid	149,405
Depreciation expense	1,190,337
Auxiliary enterprises	1,457,250
Total operating expenses	18,246,219
Operating loss	(11,641,135)
Nonoperating revenues (expenses)	
State appropriations	6,279,146
Federal grants	3,843,121
Gifts and grants	222,059
Investment income	31,644
Interest on debt	(191,613)
Other nonoperating expense	(57,236)
Net nonoperating revenues (expenses)	10,127,121
Income (loss) before capital appropriations	(1,514,014)
Capital appropriations	79,695
Change in net position	(1,434,319)
Net position	
Net position- beginning of year – as restated (see note 15)	10,245,576
Net position- end of year	$ 8,811,257

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support				
Contributions	$ 5,529	$ 96,808	$ 26,705	$ 129,042
Contributed services and supplies	117,423	--	--	117,423
Investment return	131,616	(22,938)	--	108,678
Net assets released from restrictions	364,291	(364,291)	--	--
Total revenues, gains and other support	618,859	(290,421)	26,705	355,143
Expenses				
Program services				
Scholarships and loans	122,681	--	--	122,681
Instructional equipment	204,454	--	--	204,454
Other	48,060	--	--	48,060
Supporting services				
Management and general	100,755	--	--	100,755
Fund raising	94,351	--	--	94,351
Total expenses	570,301	--	--	570,301
Change in net assets	48,558	(290,421)	26,705	(215,158)
Net assets				
Net assets - beginning of year	317,314	2,557,700	2,412,268	5,287,282
Net assets - end of year	$ 365,872	$ 2,267,279	$ 2,438,973	$ 5,072,124

See accompanying notes to financial statements

TERRA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
Year ended June 30, 2015

Cash flows from operating activities	
Tuition and fees	$ 4,230,871
Grants and contracts	701,000
Other income	199,328
Auxiliary enterprise receipts	1,448,572
Payments to suppliers	(5,801,203)
Payroll and fringe benefits	(11,977,778)
Scholarships and fellowships	(149,405)
Net cash used by operating activities	(11,348,615)
Cash flows from noncapital financing activities	
State appropriations	6,279,146
Grants and contracts other than capital	4,065,180
Net cash from noncapital financing activities	10,344,326
Cash flows from capital financing activities	
Purchases of capital assets	(2,165,580)
State appropriations capital	79,695
Principal paid on capital debt	(125,000)
Interest paid on capital debt	(143,241)
Net cash from (used by) financing activities	(2,354,126)
Cash flows from investing activities	
Change in short-term investments	2,856,548
Purchase of investments	(102,680)
Proceeds from sale and maturities of investments	641,586
Interest on investments	84,619
Net cash from investing activities	3,480,073
Net change in cash	121,658
Cash and cash equivalents, beginning of year	1,701,283
Cash and cash equivalents, end of year	$ 1,822,941
Reconciliation of net operating (loss) to net cash used by operating activities	
Operating loss	$ (11,641,135)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	1,190,337
Changes in assets and liabilities	
Receivables	128,068
Inventories	74,202
Other assets	36,256
Accounts payable	(803,158)
Accrued salaries and benefits	(179,804)
Unearned revenue	(153,381)
Net cash used by operating activities	$ (11,348,615)

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
Year ended June 30, 2015

Cash flows from operating activities	
Contributions	$ 202,456
Investment return	475,432
Scholarship and loan expenditures	(122,681)
Purchase of equipment for Terra Community College	(204,454)
Payments to suppliers	(197,485)
Net cash from operating activities	153,268
Cash flows from investing activities	
Purchase of long-term investments	(294,439)
Net cash used by investing activities	(294,439)
Cash flows from financing activities	
Proceeds from contributions restricted for long-term purposes	26,705
Net cash from financing activities	26,705
Net change in cash	(114,466)
Cash and cash equivalents, beginning of year	268,343
Cash and cash equivalents, end of year	$ 153,877

Reconciliation of net operating revenues (expenses) to net cash from operating activities

Change in net assets	$ (215,158)
Adjustments to reconcile change in net assets to net cash from operating activities	
Unrealized loss and realized gain on investments	366,183
Change in contributions receivable	100,119
Contributions restricted for long-term purposes	(26,705)
Change in assets and liabilities	
Accounts receivable	571
Other assets	(7,733)
Accounts payable	(64,009)
Net cash from operating activities	$ 153,268

See accompanying notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

Restricted net position - nonexpendable. Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2015, the College had no nonexpendable restricted assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Investments: The College accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position.

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Deferred Outflows and Deferred 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 8. 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 8.

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 positon 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.

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits: *Custodial Credit Risk:* At June 30, 2015, the carrying amounts of the College's deposits in all funds were $1,822,941 (which consists of cash and cash equivalents, excluding cash on hand of $2,343) and the bank balance was $2,015,117. The difference between carrying amount and bank balance was primarily due to outstanding checks at June 30, 2015. Of the bank balances at June 30, 2015, $250,000 was covered by federal depository insurance.

Uninsured deposits are held in accounts collateralized by a collateral pool account of U.S. Treasuries held by the Federal Reserve Bank in "book entry" form in the name of the respective bank, but who also internally designate the securities as assigned to the College. There were no uninsured deposits as of June 30, 2015. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the College's deposits may not be returned to the College. The College follows the deposit policy for custodial risk in accordance with the Ohio Revised Code.

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Investments: Investments are stated at their fair value at June 30, 2015. The College's investments include the following investments and maturities:

Investment Type	Fair Value	<1	1-5	>5
Money Market	$ 747,173	$ 747,173	$ -	$ -
STAR Ohio Funds	10,033	10,033	-	-
U.S. Agency Obligations	303,613	-	300,036	3,577
Certificates of Deposits	1,765,656	118,127	1,647,529	-
	$ 2,826,475	$ 875,333	$ 1,947,565	$ 3,577

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

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

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

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

Investment Type	Fair Value	Quality Ratings AAA	Quality Ratings AA+
Money Market	$ 747,173	$ 747,173	$ -
STAR Ohio Funds	10,033	10,033	-
U.S. Agency Obligations	303,613	303,613	-
Certificates of Deposits	1,765,656	N/A	N/A
	$ 2,826,475	$ 1,060,819	$ -

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's investment policy places no limit on the amount the College may invest in a single issuer. At June 30, 2015, more that 5 percent of the College's investments were in Money Market accounts (26.4%), U.S. Agency Obligations (10.7%) and Certificates of Deposits (62.5%) investments.

NOTE 3 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2015 consisted of accounts (tuition and other fees), notes, interest and intergovernmental grants. All receivables, except for doubtful accounts receivables in collection with the Ohio Attorney General, are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

NOTE 4 - CAPITAL ASSETS

Capital assets at June 30, 2015 are summarized as follows:

Description	July 1, 2014	Additions	Deletions	June 30, 2015
Capital assets not depreciated				
Land	$ 534,747	$ --	$ --	$ 534,747
Construction in progress	3,939,951	1,641,016	(4,307,723)	1,273,244
Total capital assets not depreciated	4,474,698	1,641,016	(4,307,723)	1,807,991
Capital assets being depreciated				
Buildings	36,492,018	4,274,905	--	40,766,923
Improvements	2,783,816	32,818	--	2,816,634
Equipment, furniture and books	9,330,770	467,327	(325,874)	9,472,223
Total capital assets depreciated	48,606,604	4,775,050	(325,874)	53,055,780
Total capital assets	53,081,302	6,416,066	(4,633,597)	54,863,771
Accumulated depreciation				
Buildings	(13,333,130)	(705,011)	--	(14,038,141)
Improvements	(2,474,154)	(42,301)	--	(2,516,455)
Equipment, furniture and books	(7,490,292)	(443,025)	325,874	(7,607,443)
Total accumulated depreciation	(23,297,576)	(1,190,337)	325,874	(24,162,039)
Capital assets, net	$ 29,783,726	$5,225,729	($4,307,723)	$ 30,701,732

In fiscal year 2015 building renovation was completed for the hospitality management program and ground was broken for a new entrance road.

NOTE 5 - STATE SUPPORT

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

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

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

In 2015 the College received capital project appropriations of $79,695 for building renovations and equipment.

NOTE 6 - ACCRUED LIABILITIES

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

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

NOTE 7 – LONG-TERM DEBT

Long-term debt activity for the years ended June 30, 2015 is summarized as follows:

	Balance July 1, 2014	New Debt	Principal Repayment	Balance June 30, 2015	Current Portion
Bond Issues	$5,920,000	$0	$125,000	$5,795,000	$130,000
Total Debt	$5,920,000	$0	$125,000	$5,795,000	$130,000

NOTE 7 – LONG TERM-DEBT (Continued)

Series 2013 Bond Issue

In March 2013, the College issued Series 2013 bonds totaling $6,000,000 with an interest rate of 2.00% - 3.75% and with repayment over a period of 30 years. The proceeds are being used to finance the costs including construction of a new main entrance to the campus, renovation of an existing building for a conference center, renovation of an existing building for a hospitality management program and preliminary costs in connection with construction and renovation of a gymnasium. The acquisition, construction, renovation and equipping of the facilities will cost an estimated $8,000,000 in total, which will be funded by proceeds of the Series 2013 Bonds and approximately $2,000,000 of other available funds to the College.

In connection with the general receipts bonds described above, the College has pledged general receipts, net of State Appropriation receipts, to pay this debt. The bonds are payable through their final maturities listed below, solely from these revenues pledged. Total principal and interest remaining to be paid on these bonds is $9,222,972 as detailed below.

Year Ended June 30:	Principal	Interest
2016	130,000	189,688
2017	130,000	187,088
2018	135,000	184,438
2019	135,000	181,738
2020	140,000	178,288
2021-2025	765,000	824,613
2026-2030	885,000	701,525
2031-2035	1,045,000	548,031
2036-2040	1,250,000	342,188
2041-2044	1,180,000	90,375
Total	$5,795,000	$3,427,972

NOTE 8 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

Ohio Revised Code limits the College's obligation for this liability to annually required payments. The College cannot control benefit terms or the 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 the accrual basis of accounting.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

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 62 with 10 years of service credit; or
	Age 55 with 25 years of service credit	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.

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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

The College's contractually required contribution to SERS was $553,052 for fiscal year 2015. Of this amount $76,780 is reported as an intergovernmental payable.

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.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit 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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The College was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS was $632,101 for fiscal year 2015. All of the required contributions to STRS were made by June 30, 2015.

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>
The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$7,660,193	$11,976,252	$19,636,445
Proportion of the Net Pension Liability	0.151359%	0.04923745%	
Pension Expense	$450,482	$553,292	$1,003,774

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$65,196	$115,297	$180,493
College contributions subsequent to the measurement date	553,052	632,101	1,185,153
Total Deferred Outflows of Resources	$618,248	$747,398	$1,365,646
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$1,243,271	$2,215,652	$3,458,923
Difference between College contributions and proportionate share of contributions	3,456	88,726	92,182
Total Deferred Inflows of Resources	$1,246,727	$2,304,378	$3,551,105

$1,185,153 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	($295,383)	($547,270)	($842,653)
2017	(295,383)	(547,270)	(842,653)
2018	(295,383)	(547,270)	(842,653)
2019	(295,382)	(547,271)	(842,653)
Total	($1,181,531)	($2,189,081)	($3,370,612)

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will 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, 2014, 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 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.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

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

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
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 Assets	10.00		5.00	
Multi-Asset Strategies	15.00		7.50	
Total	100.00	%		

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.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	$7,583,591	$7,660,193	$7,736,795

Actuarial Assumptions - STRS

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

Inflation	2.75 percent
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, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	1.00	3.00
Total	100.00 %	

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. 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, 2014. 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, 2014.

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	$11,856,489	$11,976,252	$12,096,015

NOTE 9 - POSTEMPLOYMENT BENEFITS

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan, a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer heath care plan. STRS Ohio provides access to heath care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated heath care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Financial Annual Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post–employment heath care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2015, 2014 and 2013. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the College, these amounts equaled $46,926, $50,614 and $51,248 for the fiscal years 2015, 2014, and 2013, respectively.

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employee Retirement System (SERS) administers two employment benefit plans.

Medicare Part B Plan

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in the Ohio Revised code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by stature to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2015 was $104.90 for most participants, but could be as high as $335.70 per month depending on income; SERS' reimbursement to retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal years 2015, 2014, and 2013, the actuarially required allocation was 0.74 percent, 0.76 percent, and 0.74 percent. For the College, contributions for the years ended June 30, 2015, 2014, and 2013, were $30,189, $33,426 and $33,640 which equaled the required contributions for those years.

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 HMO's, PPO's, 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.

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

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. At June 30, 2015, 2014, and 2013 the health care allocations were .82 percent, .14 percent, and .16 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll: nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at $20,450. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The College contributions assigned to health care for the years ended June 30, 2015, 2014, and 2013 were $66,740, $79,323, and $77,715 respectively.

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 and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

NOTE 10 – OPERATING EXPENSES BY NATURAL CLASSIFICATION

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

Salaries and wages	$ 8,638,102
Employee benefits	3,159,871
Utilities	431,900
Supplies and other services	4,676,604
Depreciation	1,190,337
Student scholarships and financial aid	149,405
	$ 18,246,219

NOTE 11 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts, theft of, damage to, and destructions of assets, errors and omissions, injuries to employees and natural disaster. The College contracts with Lexington Insurance Company for property insurance and Wright Specialty for general liability insurance, including boiler, machinery and vehicle coverage. Scheduled vehicles hold a $500 comprehensive and $500 collision deductible. Automobile liability coverage has a $120,000 limit for collision and a $1,000,000 limit for bodily injury. The educators' legal liability coverage is also through Wright Specialty. Through a collaborative insurance effort of the OACC schools, the College has broadened its level of coverage from prior years. Settled claims have not exceeded any aforementioned commercial coverage in any of the past four years.

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

The College has self-insured health and dental coverage for its employees. The College's risk exposure is limited to claims incurred and stop-loss insurance is held. BAC administers claims for the college. The College pays 88% of the monthly premiums for health insurance coverage for full-time faculty as well as 100% of the single dental premium. The College pays 88% of health premiums and 88% of single dental premiums for full-time staff. The College pays 80% of health premiums and 88% of single dental premiums for union staff employees hired on or after January 1, 2008 and non-union staff hired on or after July 1, 2010.

Losses from asserted claims and from unasserted claims identified under the College's incident reporting systems are accrued based on estimates that incorporate the College's past experience, actuarial reports, which include the nature of each claim or incident, relevant trend factors and other considerations. The liabilities for estimated self-insured claims include estimates of ultimate costs for both reported claims and claims incurred but not reported. All claim liabilities are determined by either a third party administrator or actuarial review based on the requirements of GASB Statement No. 30, which requires the liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

NOTE 11 - RISK MANAGEMENT (Continued)

Changes in the reported liabilities (included in accounts payable and accrued liabilities on the statement of net position) during the past year resulted from the following:

	2015
Liability at the beginning of year	$110,362
Current year claims, net of changes in estimates	1,268,232
Claim payments	(1,570,094)
Liability at end of year	$191,500

Self-insured liabilities amounted to $191,500 at June 30, 2015.

NOTE 12 – NONCURRENT LIABILITIES

Noncurrent liabilities at June 30, 2015 are summarized as follows:

	July 1, 2014	Additions	Reductions	June 30, 2015	Non Current Portion	Current Portion
Other liabilities						
Compensated absences	$461,433	$98,803	$(97,226)	$463,010	$158,537	$ 304,473
Net Pension Liability	23,266,867	--	(3,630,422)	19,636,445	19,636,445	---
Series 2013 Bonds	5,920,000	--	(125,000)	5,795,000	5,665,000	130,000
Total other liabilities	29,648,300	98,803	(3,852,648)	25,894,455	25,459,982	434,473
Total noncurrent obligations	$29,648,300	$ 98,803	$(3,852,648)	$25,894,455	$25,459,982	$434,473

NOTE 13 - CONTINGENCIES

At June 30, 2015, there were lawsuits or claims pending against Terra Community College. In the opinion of management, the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the financial position of Terra Community College.

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

NOTE 14 - COMPONENT UNIT DISCLOSURE

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

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

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

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

	2015
Money market funds	$ 89,105
Debt securities	1,455,958
Equity securities	3,228,155
	$ 4,773,218

During the years ended June 30, 2015, the Foundation made contributions of $375,195 to or on behalf of the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Terra College Foundation, 2830 Napoleon Road, Fremont, Ohio 43420.

NOTE 15 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2015, College implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

NOTE 15 – CHANGES IN ACCOUNTING PRINCIPLES (Continued)

Net position June 30, 2014	$32,248,860
Adjustments:	
Net Pension Liability	(23,266,867)
Deferred Outflow - Payments Subsequent to Measurement Date	1,263,583
Restated Net Position June 30, 2014	$10,245,576

Other than employer contributions subsequent to the measurement date, the College made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Per guidance provided by the Governmental Accounting Standards Board on the implementation of GASB Statements No. 68 and 71, the College has elected to present single year financial statements due to the lack of information available to properly implement Governmental Accounting Standards Board Statements No. 68 and 71 on a comparative basis.

Terra Community College

Required Supplementary Information

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

School Employees Retirement System of Ohio

	2014	2013
College's proportion of the net pension liability	0.151359%	0.151359%
College's proportionate share of the net pension liability	$ 7,660,193	$ 9,000,834
College's covered-employee payroll	$ 4,398,207	$ 4,545,921
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.20%	198.00%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.50%

Terra Community College

Required Supplementary Information

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

State Teachers Retirement System of Ohio

	2014	2013
College's proportion of the net pension liability	0.04923745%	0.04923745%
College's proportionate share of the net pension liability	$ 11,976,252	$ 14,266,033
College's covered-employee payroll	$ 5,030,707	$ 5,124,764
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.10%	278.40%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

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

	2015	2014	2013	2012
Contractually required contribution	$ 553,052	$ 609,592	$ 629,155	$ 630,396
Contributions in relation to the contractually required contribution	553,052	609,592	629,155	630,396
Contribution deficiency (excess)	-	-	-	-
College's covered-employee payroll	$ 4,196,143	$ 4,398,207	$ 4,545,921	$ 4,686,957
Contributions as a percentage of covered employee payroll	13.18%	13.86%	13.84%	13.45%

2011		2010		2009		2008		2007		2006
$	617,897	$	653,068	$	428,473	$	406,028	$	401,992	$	401,952
	617,897		653,068		428,473		406,028		401,992		401,952
	-		-		-		-		-		-
$	4,915,650	$	4,823,250	$	4,354,400	$	4,134,707	$	3,763,971	$	3,799,171
	12.57%		13.54%		9.84%		9.82%		10.68%		10.58%

(continued)

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

	2015	2014	2013	2012
Contractually required contribution	$ 632,101	$ 653,992	$ 666,219	$ 684,512
Contributions in relation to the contractually required contribution	632,101	653,992	666,219	684,512
Contribution deficiency (excess)	-	-	-	-
College covered-employee payroll	$ 4,515,007	$ 5,030,707	$ 5,124,764	$ 5,265,479
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

2011	2010	2009	2008	2007	2006
$ 648,458	$ 545,306	$ 512,813	$ 504,869	$ 491,867	$ 501,530
648,458	545,306	512,813	504,869	491,867	501,530
-	-	-	-	-	-
$ 4,988,136	$ 4,194,664	$ 3,944,714	$ 3,883,607	$ 3,783,593	$ 3,857,921
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

(continued)

TERRA COMMUNITY COLLEGE
SCHEDULE OF FEDERAL AWARDS REVENUES AND EXPENSES
Year ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title		Pass through Entity Number	Federal CFDA Number	Revenues Recognized	Program Expenses
U.S. Department of Education					
Student Financial Aid Cluster					
Federal Pell Grant Program		Direct	84.063	$ 3,692,662	$ 3,692,662
Federal Pell Grant – Adm. Allowance		Direct	84.063	6,195	6,195
Total Federal Pell Grant				3,698,857	3,698,857
Federal Supplemental Educational Opportunity Grant		Direct	84.007	71,512	71,512
Federal Work Study Program		Direct	84.033	78,947	78,947
Federal Direct Student Loans	(Note 2)	Direct	84.268	5,357,185	5,357,185
Total Student Financial Aid Cluster				9,206,501	9,206,501
Pass-through Ohio Department of Education					
Career and Technical Education Basic Grants to States		VEC PII-P2015-509	84.048	58,849	58,849
Pass-through Ohio Board of Regents					
Career and Technical Education Basic Grants to States		SCTAI-2015	84.048	16,647	16,647
				75,496	75,496
Total U.S. Department of Education				9,281,997	9,281,997
National Science Foundation					
Education & Human Resources		1400527	47.076	54,017	54,017
U.S. Department of Health & Human Services					
Pass-through Ohio Board of Regents					
Telehealth Programs		G994235	93.211	12,000	12,000
Small Business Administration					
Pass-through Ohio Dept. of Development					
Small Business Development Center		56080	59.037	107,275	107,275
Total Federal Expenses				$ 9,455,289	$ 9,455,289

The notes to the schedule of federal awards revenues and expenses are an integral part of this statement.

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – OUTSTANDING LOANS

The College participates in the Federal Direct Student Loans Program. The dollar amounts listed in the Schedule of Federal Awards Revenues and Expenses represents new loans awarded during the fiscal year ended June 30, 2015.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Terra Community College
Sandusky County
2830 Napoleon Road
Fremont, Ohio 43420

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 Terra Community College, Sandusky County, (the College), which is a component unit of the state of Ohio, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 5, 2015, wherein we noted the College implemented Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68,* and presented single year statements for fiscal year 2015.

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.

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*.

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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
October 5, 2015

Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Terra Community College
Sandusky County
2830 Napoleon Road
Fremont, Ohio 43420

To the Board of Trustees:

Report on Compliance for the Major Federal Program

We have audited Terra Community College's (the College) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Terra Community College's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the College's major federal program.

Management's Responsibility

The College's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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.

Opinion on the Major Federal Program

In our opinion, the Terra Community 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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
October 5, 2015

TERRA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under section .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Aid Cluster: Federal Supplemental Educational Opportunity Grants, CFDA# 84.007; Federal Work Study Program, CFDA# 84.033; Federal Pell Grant Program, CFDA# 84.063; Federal Direct Student Loans, CFDA# 84.268
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

Finding Number	None

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	

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TERRA STATE COMMUNITY COLLEGE

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 15, 2015