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Certified Public Accountants, A.C.

**ZANE STATE COLLEGE
MUSKINGUM COUNTY
Single Audit
For the Year Ended June 30, 2015**

www.perrycpas.com

...“bringing more to the table”

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

Members: American Institute of Certified Public Accountants

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



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Zane State College, Muskingum County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 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 Zane State College is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

December 31, 2015

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Zane State College
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For the Fiscal Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

December 11, 2015

Zane State College
1555 Newark Road
Zanesville, OH 43701

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of **Zane State College**, Muskingum County, Ohio (the College), as of and for the year ended June 30, 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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Zane State College, Muskingum County, Ohio, as of June 30, 2015, and the respective changes in its financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the financial statements, during the year ended June 30, 2015, the College adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 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.



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

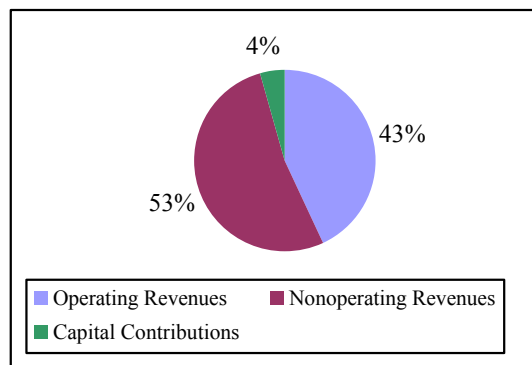
Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The discussion and analysis of Zane State College's financial statements provides an overview of the College's financial activities for the year ended June 30, 2015. The financial statements and the related footnote disclosures along with the discussion and analysis have been prepared based on information that is the representation of management. Responsibility for the completeness and fairness of this information rests with management. The discussion and analysis contains financial activities of Zane State College.

Financial Highlights

Zane State College's financial position remained stable during the fiscal year ended June 30, 2015. Its combined net position decreased \$1,865,482 or 18.9% from the previous year.

The following chart provides a graphic breakdown of revenues by category for the fiscal year ended June 30, 2015:



Using This Annual Report

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

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

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

One of the most important questions asked about the College's finances is, "Is Zane State College as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position report information on the College as a whole and on its activities in a way that helps to answer this question. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as the College's operating results.

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

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

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

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Net Position Changes- College

	6/30/2015	6/30/2014*	Net Change
ASSETS			
Current Assets:			
Cash, cash equivalents and investments	\$ 4,225,005	\$ 7,451,866	\$ (3,226,861)
Cash, cash equivalents and investments held in Escrow	163,452	-	163,452
Accounts receivable - students, net	1,709,646	2,720,652	(1,011,006)
Accounts receivable - vendors	170,871	154,253	16,618
Grants receivable	439,964	123,166	316,798
Inventory	333,560	374,432	(40,872)
Total current assets	7,042,498	10,824,369	(3,781,871)
Noncurrent Assets:			
Capital assets, net of accumulated depreciation	33,359,532	33,490,075	(130,543)
TOTAL ASSETS	40,402,030	44,314,444	(3,912,414)
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	1,503,316	1,246,521	256,795
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 41,905,346	\$ 45,560,965	\$ (3,655,619)
LIABILITIES			
Current Liabilities:			
Accrued wages and benefits	\$ 756,798	\$ 784,903	\$ (28,105)
Vouchers payable	258,413	611,207	(352,794)
Compensated absences payable - current portion	66,582	59,154	7,428
Capital lease payable - current portion	175,400	204,467	(29,067)
Accrued interest payable	24,854	32,937	(8,083)
Unearned tuition and fees revenue	356,276	568,102	(211,826)
Deposits held in custody for others	233,826	232,028	1,798
General improvement bond payable - current portion	205,000	205,000	0
Bond anticipation notes payable	1,300,000	2,500,000	(1,200,000)
Total current liabilities	3,377,149	5,197,798	(1,820,649)
Noncurrent Liabilities:			
Compensated absences payable	567,535	504,217	63,318
Capital lease payable	345,110	113,213	231,897
Net pension liability	19,975,733	23,694,098	(3,718,365)
General improvement bonds payable	5,960,000	6,165,000	(205,000)
Total noncurrent liabilities	26,848,378	30,476,528	(3,628,150)
TOTAL LIABILITIES	30,225,527	35,674,326	(5,448,799)
DEFERRED INFLOWS OF RESOURCES			
Pensions	3,658,662	-	3,658,662
NET POSITION			
Net investment in capital assets	25,374,022	24,302,395	1,071,627
Restricted:			
Expendable:			
Instructional department uses	841,983	1,534,220	(692,237)
Unrestricted	(18,194,848)	(15,949,976)	(2,244,872)
Total net position	8,021,157	9,886,639	(1,865,482)
TOTAL LIABILITIES, NET POSITION, AND DEFERRED OUTFLOWS	\$ 41,905,346	\$ 45,560,965	\$ (3,655,619)

* As restated, see Note 17.

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

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 \$32,334,216 to \$9,886,639.

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Total net position of the College as a whole decreased in the amount of \$1,865,482. Current and other assets decreased primarily due to a decrease in cash on hand as of year-end. Deferred inflows of resources increased due to changes in the net pension liability due to differences between projected and actual investment earnings on pension plan investments which are deferred and amortized over a five year period. Capital assets decreased due primarily to current year depreciation, which was partially offset by additions. Current and other liabilities decreased primarily due a decrease in vouchers payable, unearned tuition and fees revenue, and bond anticipation notes payable. Long-term liabilities decreased primarily to the due to a reduction in the net pension liability and the payment of debt.

Cash, cash equivalents and investments decreased due to costs for construction projects. Accounts receivable decreased as a result of receivables written off by the College and a decrease in enrollment. Bond anticipation notes payable decreased due to current year retirements. Vouchers payable decreased due to the prior year including payables for building and IT projects that did not occur in the current year. Capital lease payable increased due to a new lease agreement, which was partially offset by current year lease payments made by the College. Unearned tuition decreased due to the timing of classes taken versus payments made by students in addition to a decrease in summer enrollment. Grants receivable increased as a result of monies not reimbursed from the State prior to year end.

Net Position Changes - Component Unit- Zane State College Foundation

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>Net Change</u>
ASSETS			
Current Assets:			
Cash equivalents	\$ 1,457	\$ 18,076	\$ (16,619)
Investments - Money Market	764,130	318,111	446,019
Total current assets	<u>765,587</u>	<u>336,187</u>	<u>429,400</u>
Noncurrent Assets:			
Land Held for College	25,000	25,000	-
Endowment Investments	10,445,664	3,251,507	7,194,157
Total noncurrent assets	<u>10,470,664</u>	<u>3,276,507</u>	<u>7,194,157</u>
TOTAL ASSETS	<u><u>\$ 11,236,251</u></u>	<u><u>\$ 3,612,694</u></u>	<u><u>\$ 7,623,557</u></u>
NET POSITION			
Restricted:			
Nonexpendable:			
Scholarships	\$ 1,864,502	\$ 1,823,011	\$ 41,491
Professorships	5,250,000	-	5,250,000
Expendable:			
Scholarships	2,434,456	233,415	2,201,041
Capital Projects	339,995	591,997	(252,002)
Unrestricted	<u>1,347,298</u>	<u>964,271</u>	<u>383,027</u>
TOTAL NET POSITION	<u><u>\$ 11,236,251</u></u>	<u><u>\$ 3,612,694</u></u>	<u><u>\$ 7,623,557</u></u>

The increase to Endowment Investments and Investments - Money Market is due primarily to the Foundation receiving over \$7 million from a single donor for capital projects and professorships. Nonexpendable and Expendable Scholarships increased as a direct result of the donation.

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Operating Revenues and Expenses for FY2015 versus FY2014
College

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>Net Change</u>
Operating Revenues			
Tuition and fees (net of scholarship allowance)	\$ 7,211,116	\$ 9,238,591	\$ (2,027,475)
State grants and contracts	416,216	94,439	321,777
Federal grants and contracts	527,649	834,543	(306,894)
Local grants	-	22,164	(22,164)
Private gifts, grants and contributions	112,489	61,210	51,279
Auxiliary services	2,184,566	2,860,617	(676,051)
Other	288,979	212,467	76,512
Total operating revenues	<u>10,741,015</u>	<u>13,324,031</u>	<u>(2,583,016)</u>
Operating Expenses (Includes depreciation expense)	<u>26,531,891</u>	<u>28,623,740</u>	<u>(2,091,849)</u>
Operating Loss	(15,790,876)	(15,299,709)	(491,167)
Nonoperating Revenues (Expenses)			
State appropriations	8,378,650	6,911,335	1,467,315
Federal grants	4,639,699	5,677,195	(1,037,496)
Investment income	12,538	18,252	(5,714)
Other nonoperating revenues	11,557	16,050	(4,493)
Other nonoperating expenses	(229,409)	(312,028)	82,619
Net nonoperating revenues (expenses)	<u>12,813,035</u>	<u>12,310,804</u>	<u>502,231</u>
Income Before Other Revenues, Expenses, Gains, or Losses	(2,977,841)	(2,988,905)	11,064
Capital Contributions	<u>1,112,359</u>	<u>5,764,893</u>	<u>(4,652,534)</u>
Total Other Revenues	<u>1,112,359</u>	<u>5,764,893</u>	<u>(4,652,534)</u>
Increase (Decrease) in net position	(1,865,482)	2,775,988	(4,641,470)
Net Position, beginning of year - As Restated, See Note 17	<u>9,886,639</u>	N/A	N/A
Net Position, end of year	<u>\$ 8,021,157</u>	<u>\$ 9,886,639</u>	<u>\$ (1,865,482)</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,317,250 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,001,466. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Total 2015 operating expenses under GASB 68	\$26,531,891
Pension expense under GASB 68	(1,001,466)
2015 contractually required contribution	<u>1,317,964</u>
Adjusted 2015 operating expenses	26,848,389
Total 2014 operating expenses under GASB 27	<u>28,623,740</u>
Increase in operating expenses not related to pension	<u><u>(\$1,775,351)</u></u>

Tuition and fees decreased due to lower enrollment in 2015 from 2014 coupled with the shift in higher dual enrollment students which have an allowance applied as opposed to traditional students that do not have the allowance. Auxiliary services decreased due to bookstore sales decreasing as a result of traditional enrollment. Federal grants decreased due to a decrease in traditional enrollment. Operating expenses decreased due primarily to instructional, student services, institutional support, and book store expenses, which were partially offset by an increase in academic support. State appropriations increased due to the distribution of State Subsidy (SSI) under the funding formula. Federal grants decreased due to the Federal Pell Program decreases and the College's FTE for Pell eligible students. Capital contributions decreased due to less monies received from the State and from the Foundation for construction purposes.

Changes in Revenues and Expenses for FY2015 versus FY2014
Component Unit- Zane State College Foundation

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>Net Change</u>
Operating Revenues			
In-kind Contribution (ZSC)*	\$ 129,890	\$ 152,018	\$ (22,128)
Contributions	7,547,689	169,326	7,378,363
Total operating revenues	<u>7,677,579</u>	<u>321,344</u>	<u>7,356,235</u>
Operating Expenses	<u>152,334</u>	<u>187,912</u>	<u>(35,578)</u>
Operating Income	7,525,245	133,432	7,391,813
Nonoperating Revenues (Expenses)			
Investment income	593,086	356,945	236,141
College support - capital	(690,643)	(1,314,750)	624,107
Scholarships	<u>(243,050)</u>	<u>(181,933)</u>	<u>(61,117)</u>
Net nonoperating revenues (expenses)	<u>(340,607)</u>	<u>(1,139,738)</u>	<u>799,131</u>
Change in Net Position before			
Capital Contributions	7,184,638	(1,006,306)	8,190,944
Capital Contributions	<u>438,919</u>	<u>833,627</u>	<u>(394,708)</u>
Change in Net Position	7,623,557	(172,679)	7,796,236
Net Position, beginning of year	<u>3,612,694</u>	<u>3,785,373</u>	<u>(172,679)</u>
Net Position, end of year	<u><u>\$ 11,236,251</u></u>	<u><u>\$ 3,612,694</u></u>	<u><u>\$ 7,623,557</u></u>

*See Note 10, page 29.

Increases to investment income were due to increases in market value, types, and amounts of investments held at June 30, 2015. College support – capital decreased due to fewer contributions made to the College for construction projects since they are near completion. Contributions increased due to a single donor contributing over \$7 million to specified projects.

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Operating Expenses for FY2015 versus FY2014
College

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>Net Change</u>
Operating Expenses			
Educational and General			
Instructional	\$ 9,729,655	\$ 10,576,486	\$ (846,831)
Academic support	1,895,669	1,138,687	756,982
Student services	6,181,140	7,068,844	(887,704)
Institutional support	3,149,064	4,057,095	(908,031)
Depreciation	1,814,243	1,606,661	207,582
Operation and maintenance of plant	1,626,612	1,467,679	158,933
Total Educational and General	<u>24,396,383</u>	<u>25,915,452</u>	<u>(1,519,069)</u>
Auxiliary Enterprises			
Bookstore	1,936,797	2,490,884	(554,087)
Security and other auxiliary	198,711	217,404	(18,693)
Total Auxiliary Enterprises	<u>2,135,508</u>	<u>2,708,288</u>	<u>(572,780)</u>
Total Operating Expenses	<u>\$ 26,531,891</u>	<u>\$ 28,623,740</u>	<u>\$ (2,091,849)</u>

Instructional decreased as a result of eliminating a program, a dean position, and cost cutting measures by the College. Academic support increased due to increased due to additional technology enhancements made by the IT department. Student Services decreased as a direct result of decreased Pell monies received and enrollment. Institutional support decreased due to expenses for technology enhancements made by the IT department being split in the current year between institutional support and academic support.

Operating Expenses for FY2015 versus FY2014
Component Unit- Zane State College Foundation

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>Net Change</u>
Operating Expenses			
Educational and General			
General and administrative	\$ 152,334	\$ 187,912	\$ (35,578)
Total Educational and General	<u>152,334</u>	<u>187,912</u>	<u>(35,578)</u>
Total Operating Expenses	<u>\$ 152,334</u>	<u>\$ 187,912</u>	<u>\$ (35,578)</u>

The Statement of Cash Flows

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

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

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Cash Flows
FY 2015 Versus FY 2014
College

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>Net Change</u>
Cash provided (used) by:			
Operating activities	\$ (14,094,850)	\$ (14,453,495)	\$ 358,645
Noncapital financing activities	13,018,349	12,588,530	429,819
Capital and related financing activities	(1,999,446)	(10,461,434)	8,461,988
Investing activities	12,538	18,252	(5,714)
Net increase (decrease) in cash	<u>(3,063,409)</u>	<u>(12,308,147)</u>	<u>9,244,738</u>
Cash, beginning of year	7,451,866	19,760,013	(12,308,147)
Cash, end of year	<u>\$ 4,388,457</u>	<u>\$ 7,451,866</u>	<u>\$ (3,063,409)</u>

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

Capital and Debt Administration

Capital Assets

At June 30, 2015, the College had \$33,359,532 invested in capital assets, net of accumulated depreciation of \$18,386,251. Depreciation charges totaled \$1,814,243 for the current fiscal year. Details of these assets for the two years are shown below:

Capital Assets, Net, at Year-End - College

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>Net Change</u>
Land	\$ 413,225	\$ 413,225	\$ -
Buildings	30,567,736	30,866,603	(298,867)
General infrastructure	235,782	251,700	(15,918)
Machinery and equipment	1,331,474	1,311,992	19,482
Computers	722,933	510,616	212,317
Computer Software	55,788	99,732	(43,944)
Motor Vehicles	20,758	23,558	(2,800)
Library books	11,836	12,649	(813)
Total Capital Assets, Net	<u>\$ 33,359,532</u>	<u>\$ 33,490,075</u>	<u>\$ (130,543)</u>

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

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

Zane State College
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Debt

At June 30, 2015, the College had \$6,685,510 in debt outstanding versus \$6,687,680 in the previous year. The table below summarizes these amounts by type of debt instrument.

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>Net Change</u>
Lease Obligations	\$ 520,510	\$ 317,680	\$ 202,830
General Improvement Bonds	<u>6,165,000</u>	<u>6,370,000</u>	<u>(205,000)</u>
	<u>\$ 6,685,510</u>	<u>\$ 6,687,680</u>	<u>\$ (2,170)</u>

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

Economic Factors that Will Affect the Future

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

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

The Ohio College Opportunity Grant (OCOG), will now be available to two year college sector students beginning with summer 2016. This will help increase summer enrollment which leads to increased fall enrollment. College Credit Plus was established beginning fall 2015 which replaces the previous dual enrollment/post-secondary programs. A floor of \$40 per credit hour was set by the Department of Higher Education for College Credit Plus in the high schools. Approval by the Chancellor is required to go below the floor. Previously the College offered this program at no charge. The College will be charging a minimum of \$25 per credit hour. College Credit Plus students lead to enrollment growth, and eventually more SSI funding, but not necessarily an increase in tuition and fees.

Contacting the College's Financial Management

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

Zane State College
Statement of Net Position
As of June 30, 2015

	College Zane State College	Component Unit Zane State College Foundation
<u>ASSETS</u>		
<i>Current Assets:</i>		
Cash, cash equivalents and investments	\$ 4,225,005	\$ 1,457
Cash, cash equivalents and investments held in Escrow	163,452	-
Investments - Money Market	-	764,130
Accounts receivable - students, net	1,709,646	-
Accounts receivable - vendors	170,871	-
Grants receivable	439,964	-
Inventory	333,560	-
Total current assets	7,042,498	765,587
<i>Noncurrent Assets:</i>		
Capital assets, net	33,359,532	-
Land held for College	-	25,000
Endowment investments	-	10,445,664
Total noncurrent assets	33,359,532	10,470,664
TOTAL ASSETS	40,402,030	11,236,251
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
<i>Pensions:</i>		
State Teachers Retirement System	935,654	-
School Employees Retirement System	567,662	-
Total pensions	1,503,316	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 41,905,346	\$ 11,236,251
<u>LIABILITIES</u>		
<i>Current Liabilities:</i>		
Accrued wages and benefits	\$ 756,798	\$ -
Vouchers payable	258,413	-
Capital lease payable	175,400	-
Compensated absences payable	66,582	-
Accrued interest payable	24,854	-
Unearned tuition and fees revenue	356,276	-
Deposits held in custody for others	233,826	-
General improvement bonds payable	205,000	-
Bond anticipation notes payable	1,300,000	-
Total current liabilities	3,377,149	-
<i>Noncurrent Liabilities:</i>		
Compensated absences	567,535	-
General improvement bonds payable	5,960,000	-
Net Pension Liability	19,975,733	-
Capital lease payable	345,110	-
Total noncurrent liabilities	26,848,378	-
TOTAL LIABILITIES	30,225,527	-
<u>DEFERRED INFLOWS OF RESOURCES</u>		
<i>Pensions:</i>		
State Teachers Retirement System	2,644,042	-
School Employees Retirement System	1,014,620	-
Total pensions	3,658,662	-
<u>NET POSITION</u>		
Net investment in capital assets	25,374,022	-
<i>Restricted:</i>		
<i>Nonexpendable:</i>		
Scholarships	-	1,864,502
Professorships	-	5,250,000
<i>Expendable:</i>		
Scholarships	-	2,434,456
Instructional Department uses	841,983	-
Capital projects	-	339,995
Unrestricted	(18,194,848)	1,347,298
Total net position	8,021,157	11,236,251
TOTAL LIABILITIES, NET POSITION, AND DEFERRED INFLOWS OF RESOURCES	\$ 41,905,346	\$ 11,236,251

See accompanying notes to the financial statements.

Zane State College
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2015

	<u>College</u> Zane State <u>College</u>	<u>Component</u> <u>Unit</u> Zane State College <u>Foundation</u>
<u>REVENUE:</u>		
<i>Operating Revenues:</i>		
Student tuition and fees (net of scholarship allowances of \$2,280,890)	\$ 7,211,116	\$ -
In-kind contributions	-	129,890
Federal grants and contracts	527,649	-
State grants and contracts	416,216	-
Private gifts and grants	112,489	-
Contributions	-	7,547,689
Auxiliary Enterprises:		
Bookstore	2,044,261	-
Campus security	140,305	-
Other sources	288,979	-
Total Operating Revenues	<u>10,741,015</u>	<u>7,677,579</u>
<u>EXPENSES:</u>		
<i>Operating Expenses:</i>		
Educational and General:		
Instructional	9,729,655	-
Academic support	1,895,669	-
Student services	6,181,140	-
Institutional support	3,149,064	-
Depreciation	1,814,243	-
General & administrative	-	152,334
Operation and maintenance of plant	1,626,612	-
Total Educational and General	<u>24,396,383</u>	<u>152,334</u>
Auxiliary Enterprises:		
Bookstore	1,936,797	-
Campus security	195,136	-
Other auxiliary	3,575	-
Total Operating Expenses	<u>26,531,891</u>	<u>152,334</u>
Operating Income (Loss)	(15,790,876)	7,525,245
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Federal grants	4,639,699	-
State appropriations	8,378,650	-
Investment income	12,538	593,086
Premium on issued debt	11,557	-
Interest on capital asset-related debt	(217,852)	-
Bond issuance costs	(11,557)	-
Scholarships	-	(243,050)
College support - capital	-	(690,643)
Net nonoperating revenues (expenses)	<u>12,813,035</u>	<u>(340,607)</u>
Income before other revenues, expenses, gains or losses	(2,977,841)	7,184,638
Capital contributions	1,112,359	438,919
Total other revenues	<u>1,112,359</u>	<u>438,919</u>
Increase (Decrease) in Net Position	(1,865,482)	7,623,557
Net Position, Beginning of Year - As Restated, See Note 17	<u>9,886,639</u>	<u>3,612,694</u>
Net Position, End of Year	<u>\$ 8,021,157</u>	<u>\$ 11,236,251</u>

See accompanying notes to the financial statements.

Zane State College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

	College Zane State College	Component Unit Zane State College Foundation
<u>Cash Flows from Operating Activities:</u>		
Tuition and Fees	\$ 8,207,302	\$ -
Grants and Contracts	527,730	-
Payments to Suppliers	(11,682,040)	-
Payments to Employees for Wages and Benefits	(13,621,387)	-
Bookstore	2,044,261	-
Campus Security	140,305	-
Contributions	-	7,547,689
Other Receipts	288,979	-
Other Expenses	-	(22,444)
Net Cash Provided (Used) by Operating Activities	<u>(14,094,850)</u>	<u>7,525,245</u>
<u>Cash Flows from Non-Capital and Related Financing Activities:</u>		
State Appropriations	8,378,650	-
Federal Grants	4,639,699	-
Scholarships	-	(243,050)
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>13,018,349</u>	<u>(243,050)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Purchases of Capital Assets	(1,142,389)	-
Capital Contributions	1,112,359	438,919
College Support - Capital	-	(690,643)
Proceeds from Bond Anticipation Notes	1,300,000	-
Premium on Bond Anticipation Note Issuance	11,557	-
Bond Anticipation Note Issuance Costs	(11,557)	-
Principal Paid on Capital Leases, Loans, and Notes	(3,043,481)	-
Interest Paid	(225,935)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,999,446)</u>	<u>(251,724)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest on Investments	12,538	593,086
Purchase of Investments	-	(7,194,157)
Net Cash Provided by Investing Activities	<u>12,538</u>	<u>(6,601,071)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,063,409)	429,400
Cash and Cash Equivalents at Beginning of Year	<u>7,451,866</u>	<u>336,187</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,388,457</u>	<u>\$ 765,587</u>
<u>Reconciliation of Operating Income (Loss) to</u>		
<u>Net Cash Used by Operating Activities:</u>		
Operating Income (Loss)	\$ (15,790,876)	\$ 7,525,245
Adjustments to Reconcile Operating Income (Loss) to		
Net Cash Used by Operating Activities:		
Depreciation	1,814,243	-
Pension Expense Not Affecting Cash	(316,498)	-
<u>Change in Assets and Liabilities:</u>		
Accounts Receivable, net	994,388	-
Grants Receivable	(316,798)	-
Inventories	40,872	-
Vouchers Payable	(352,794)	-
Accrued Wages and Benefits	(28,105)	-
Compensated Absences	70,746	-
Unearned Tuitions and Fees Revenue	(211,826)	-
Deposits Held in Custody for Others	1,798	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ (14,094,850)</u>	<u>\$ 7,525,245</u>
<u>Non-Cash Transactions:</u>		
Acquisition of Capital Lease Assets	\$ 541,311	\$ -
In-kind Contributions	-	129,890
In-kind Disbursements	-	(129,890)
Total Non-Cash Transactions	<u>\$ 541,311</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 1 – DESCRIPTION OF THE COLLEGE AND REPORTING ENTITY

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

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

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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

B. Basis of Accounting

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

C. Cash and Cash Equivalents

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

D. Investments

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

E. Receivables

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

F. Inventories

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

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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

G. Capital Assets

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

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

The College's policy is to capitalize net interest on construction projects until substantial completion of the projects. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2015, no material interest costs were incurred on construction projects for the College.

H. Noncurrent Long-Term Liabilities

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

I. Compensated Absences

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

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

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

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

J. Unearned Revenue

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

K. Net Position

The College's net position is classified as follows:

Net Investment in Capital Assets – This represents the College's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

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

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

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

L. Scholarship Allowances and Student Aid

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

M. Revenue and Expense Recognition

The College presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) certain federal and most state and local grants and contracts and federal appropriations, and (4) interest on institutional student loans. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as state appropriations, certain federal grants, and investment income. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities on the accompanying statement of revenues, expenses, and changes in net position.

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

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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

N. Budgetary Process

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

O. Income Taxes

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

P. Use of Estimates

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

Q. Bond Premiums/Issuance Costs

In the financial statements for fiscal year 2015 the bond premium was presented as a non-operating revenue and bond issuance costs were expensed in the year incurred.

R. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses) until then. The College recorded a deferred outflow of resources for pensions, which are explained in Note 11. The College also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the College these amounts consist of pensions, which are explained in Note 11.

S. Pensions

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

NOTE 3 – STATE SUPPORT

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

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

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 3 – STATE SUPPORT (Cont.)

Neither the obligation for special obligation bonds issued by OPFC, nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. These costs are currently being funded through appropriations to the Board of Regents by the General Assembly.

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

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

NOTE 4 – DEPOSITS

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

As of June 30, 2015, the College's bank balance was \$5,024,756, of which \$1,000,000 was covered by FDIC and the remaining balance was collateralized by the financial institution's public entity deposit pool in the manner described above.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2015 were as follows:

	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 2,023,456	\$ (313,810)	\$ 1,709,646
Grants	439,964	-	439,964
Vendor	170,871	-	170,871
	<u> </u>	<u> </u>	<u> </u>
Total Accounts Receivable	<u>\$ 2,634,291</u>	<u>\$ (313,810)</u>	<u>\$ 2,320,481</u>

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 6 – DONOR RESTRICTED ENDOWMENTS

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

At June 30, 2015, there was no net appreciation on donor-restricted assets available to be spent. There were no donor restricted endowments at June 30, 2015.

NOTE 7 – CAPITAL ASSETS

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

	Balance at <u>7/1/2014</u>	Increases	Decreases	Balance at <u>6/30/2015</u>
Capital Assets, Non-Depreciable:				
Land	\$ 413,225	\$ -	\$ -	\$ 413,225
Total Non-Depreciable	<u>413,225</u>	<u>-</u>	<u>-</u>	<u>413,225</u>
Capital Assets, Depreciable:				
Buildings	43,371,425	869,159	-	44,240,584
General Infrastructure	397,958	-	-	397,958
Machinery and Equipment	2,834,213	239,709	-	3,073,922
Computers	1,923,544	565,211	-	2,488,755
Computer Software	434,845	-	-	434,845
Motor Vehicles	122,366	4,975	-	127,341
Library books	<u>564,507</u>	<u>4,646</u>	<u>-</u>	<u>569,153</u>
Total Depreciable	49,648,858	1,683,700	-	51,332,558
Less Accumulated Depreciation:				
Buildings	(12,504,822)	(1,168,026)	-	(13,672,848)
General Infrastructure	(146,258)	(15,918)	-	(162,176)
Machinery and Equipment	(1,522,221)	(220,227)	-	(1,742,448)
Computers	(1,412,928)	(352,894)	-	(1,765,822)
Computer Software	(335,113)	(43,944)	-	(379,057)
Motor Vehicles	(98,808)	(7,775)	-	(106,583)
Library books	<u>(551,858)</u>	<u>(5,459)</u>	<u>-</u>	<u>(557,317)</u>
Total Depreciation	<u>(16,572,008)</u>	<u>(1,814,243)</u>	<u>-</u>	<u>(18,386,251)</u>
Total Capital Assets, Depreciable, net	<u>33,076,850</u>	<u>(130,543)</u>	<u>-</u>	<u>32,946,307</u>
Capital Assets, net	<u>\$ 33,490,075</u>	<u>\$ (130,543)</u>	<u>\$ -</u>	<u>\$ 33,359,532</u>

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 8 – LONG-TERM LIABILITIES

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

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amount Due Within One Year
Compensated Absences	\$ 563,371	\$ 513,024	\$ (442,278)	\$ 634,117	\$ 66,582
General Improvement Bond	6,370,000	-	(205,000)	6,165,000	205,000
Lease Obligations	317,680	541,311	(338,481)	520,510	175,400
Net Pension Liability:					
STRS	16,368,979	-	(2,627,316)	13,741,663	-
SERS	7,325,119	-	(1,091,049)	6,234,070	-
Total Net Pension Liability	<u>23,694,098</u>	<u>-</u>	<u>(3,718,365)</u>	<u>19,975,733</u>	<u>-</u>
Long-Term Liabilities	<u>\$ 30,945,149</u>	<u>\$ 1,054,335</u>	<u>\$ (4,704,124)</u>	<u>\$ 27,295,360</u>	<u>\$ 446,982</u>

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

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

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

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

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

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

Principal and interest requirements to retire bonds outstanding at June 30, 2015, are as follows:

Fiscal Year Ending June 30	Principal	Interest
2016	\$205,000	\$158,602
2017	210,000	154,452
2018	215,000	150,202
2019	220,000	145,852
2020	225,000	141,402
2021-2025	1,195,000	635,020
2026-2030	1,335,000	488,426
2031-2035	1,525,000	290,201
2036-2038	1,035,000	51,107
	<u>\$ 6,165,000</u>	<u>\$ 2,215,264</u>

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 9 – CAPITAL LEASES

The College leases copiers, computers and related equipment under capital leases. Capital leases are capitalized as capital assets, net, with a corresponding liability. Capital assets acquired by lease have been capitalized in the statement of net position in the amount of \$1,652,833, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position. Principal payments in fiscal year 2015 totaled \$338,481.

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

<u>Year Ending December 31,</u>	
2016	\$187,876
2017	146,788
2018	108,262
2019	<u>108,262</u>
Minimum lease payments	551,188
Less: Amount representing interest at the College’s incremental borrowing rate	<u>(30,678)</u>
Present value of minimum lease payments	<u>\$520,510</u>

NOTE 10 – COMPONENT UNIT DISCLOSURES - ZANE STATE COLLEGE FOUNDATION

Description of the Foundation

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

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

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

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

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Financial Statement Presentation

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

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

Summary of Significant Accounting Policies

Net Position Classifications

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

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

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

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

Income Tax Status

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

Cash and Investments

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

At June 30, 2015, the carrying amount of the Foundation’s deposits was \$1,457 and the bank balance of the Foundation’s deposits was \$2,457. At June 30, 2015, the entire amount was covered by Federal Deposit Insurance.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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

The following summarizes the market value of investments at June 30, 2015:

Investment Type	Market Value	Years
		Less than 1
Common Stock	\$ 4,981,919	\$ 4,981,919
Mutual Funds	5,061,917	5,061,917
Corporate Bonds	401,828	401,828
Money Markets	764,130	764,130
	<u>\$ 11,209,794</u>	<u>\$ 11,209,794</u>

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

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

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

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

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

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

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

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

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

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

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

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

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

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

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

The fair value of investments held by the Foundation at June 30, 2015 is summarized as follows:

Investment Type	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common Stock	\$ 4,981,919	\$ -	\$ -
Mutual Funds	5,061,917	-	-
Corporate Bonds	401,828	-	-
Money Markets	764,130	-	-
	<u>\$ 11,209,794</u>	<u>\$ -</u>	<u>\$ -</u>

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

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

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

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. The Foundation did not have any deficiencies of this nature as of June 30, 2015.

Donated Facilities/Operating Expenses

The Foundation occupies office space at Zane State College located at 1555 Newark Road, Zanesville, Ohio. No rent is paid by the Foundation. Zane State College pays operating expenses for the Foundation. The value of the operating expenses paid by the College was \$129,890. This amount has been recorded in the financial statements as a contribution to and an expense from unrestricted net position and is described in the revenue section as in-kind contributions (ZSC), see MD&A, page 10.

Net Assets Released from Restrictions

Net assets were released from donor restrictions in fiscal year 2015 by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. The Foundation distributed \$243,050 in scholarships that related to the satisfaction of these donor restrictions.

Assets Held for College

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

NOTE 11 – PENSION AND RETIREMENT PLANS

Net Pension Liability

For fiscal year 2015, 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” were effective. These GASB pronouncements had a significant effect on beginning net position as reported June 30, 2014, as more fully described in Note 19. The net pension liability has been disclosed below.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

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 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.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

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

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.

The College's contractually required contribution to SERS was \$514,603 for fiscal year 2015.

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 year 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.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

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

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

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

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 Ohio was \$803,361 for fiscal year 2015.

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

The net pension liability reported as of June 30, 2015 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 projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$6,234,070	\$13,741,663	\$19,975,733
Proportion of the Net Pension Liability	0.123180%	0.05649551%	
Pension Expense	\$366,614	\$634,852	\$1,001,466

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

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

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

Deferred Outflows of Resources	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$53,059	\$132,293	\$185,352
College contributions subsequent to the measurement date	<u>514,603</u>	<u>803,361</u>	<u>1,317,964</u>
Total	<u><u>\$567,662</u></u>	<u><u>\$935,654</u></u>	<u><u>\$1,503,316</u></u>
Deferred Inflows of Resources	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between projected and actual investment earnings	\$1,011,807	\$2,542,260	\$3,554,067
Differences between College contributions and proportionate share of contributions	<u>2,813</u>	<u>101,782</u>	<u>104,595</u>
Total	<u><u>\$1,014,620</u></u>	<u><u>\$2,644,042</u></u>	<u><u>\$3,658,662</u></u>

\$1,317,964 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:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	(\$240,390)	(\$627,937)	(\$868,327)
2017	(240,390)	(627,937)	(868,327)
2018	(240,390)	(627,937)	(868,327)
2019	<u>(240,391)</u>	<u>(627,938)</u>	<u>(868,329)</u>
Total	<u><u>(\$961,561)</u></u>	<u><u>(\$2,511,749)</u></u>	<u><u>(\$3,473,310)</u></u>

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.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

Actuarial Assumptions – SERS (Continued)

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.

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:

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

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

Actuarial Assumptions - SERS (Continued)

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.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	\$8,894,165	\$6,234,070	\$3,996,700

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.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

Actuarial Assumptions – STRS (Continued)

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 %	

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	\$19,672,689	\$13,741,663	\$8,726,011

NOTE 11 – PENSION AND RETIREMENT PLANS (Cont.)

Alternative Retirement Plan

The College offers a defined contribution plan as an alternative to participation with State mandated defined benefit plans in accordance with state law. Non-elective employee contributions and employer contributions are made to the plan in amounts equivalent to the participant's compensation which would have otherwise been contributed to the State Retirement System that applies to the participant's position. There were no participants in the program as of June 30, 2015. Contributions to the plan for the fiscal years ended June 30, 2015, 2014 and 2013 were \$0, \$16,397, and \$16,257, respectively.

NOTE 12 – POST-EMPLOYMENT BENEFITS

State Teachers Retirement System

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 health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 0 percent of covered payroll was allocated to post-employment health care for the year ended June 30, 2015, while 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014 and 2013. For the College, these amounts equaled \$0, \$58,296, and \$59,827, for fiscal years 2015, 2014, and 2013, respectively, which equaled the required allocation for those years.

School Employees Retirement System

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in 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 statute 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 their income; SERS' reimbursement to retirees was \$45.50 if they participate in one of the SERS' health care plans.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 12 – POST-EMPLOYMENT BENEFITS (Cont.)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2015, 2014, and 2013, the actuarially required allocations were 0.74 percent, 0.76 percent, and 0.74 percent, respectively. For the College, contributions for the fiscal years ended June 30, 2015, 2014, and 2013 were \$28,894, \$27,203, and \$24,967, respectively, which equaled the required allocations 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 HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2015, 2014, and 2013, the health care allocations were 0.82 percent, 0.14 percent, and 0.16 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 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 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. For the College, the amounts assigned to health care benefits, including the surcharge, during the 2015, 2014, and 2013 fiscal years equaled \$32,017, \$5,011, and \$5,398, respectively, which equaled the required allocations for those years.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS website at www.ohsers.org under *Employer/Audit Resources*.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 13 – RISK MANAGEMENT

A. Property and Liability

The College is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the College contracted through the Young Insurance Agency for liability, property, vehicle insurance, and errors and omissions insurance with Ohio Casualty Company.

Coverage provided is as follows:

Umbrella Liability (\$10,000 retention)	\$ 4,000,000 limit
Building and Contents - replacement cost (\$10,000 deductible)	58,891,360 limit
Inland Marine Watercraft (\$250 deductible)	16,540 limit
Inland Marine Contractor Equipment (\$500 deductible)	33,782 limit
Inland Marine EDP coverage Main (\$1,000 deductible)	525,000 limit
Boiler and Machinery (\$10,000 deductible)	58,891,360 limit
Theft, Disappearance and Destruction (\$500 deductible)	100,000 limit
	inside and outside premises
Data Compromise (\$2,500 deductible)	250,000 limit
Employee Dishonesty Insurance	100,000 limit each employee
Automobile Liability - Bodily Injury and Property Damage (\$500 deductible)	1,000,000 each accident
General and Professional Liability Insurance	1,000,000 each occurrence
	2,000,000 aggregate

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

B. Workers' Compensation

For fiscal year 2015, the College participated in the Ohio College Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the College by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating colleges is calculated as one experience and a common premium rate is applied to all colleges in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to colleges that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

Zane State College
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 14 – CONTINGENCIES

A. Grants

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

B. Litigation

The College is not currently party to any legal proceedings.

NOTE 15 – NET POSITION RESTRICTED BY ENABLING LEGISLATION

Of the College's \$841,983 in restricted net position, none was restricted by enabling legislation.

NOTE 16 - NOTES PAYABLE

On December 19, 2013, the College issued bond anticipation notes for the purpose of construction projects. The notes were issued in the amount of \$2,500,000 with an interest rate of 1.50%. The notes were paid in full during fiscal year 2015.

On December 18, 2014, the College issued bond anticipation notes. The notes were issued in the amount of \$1,300,000 with an interest rate of 1.75%. The notes will mature on December 17, 2015.

NOTE 17 – CHANGES IN ACCOUNTING PRINCIPLES

For 2015, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No.27" and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68."

Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

Statement No. 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

The impact of the application of Statements No. 68 and No. 71 had the following effect on beginning net position.

Net position, July 1, 2014-As previously stated	\$32,334,216
College Share of Beginning Plan Net Pension Liability	(23,694,098)
College Share of 2014 Employer Contributions	<u>1,246,521</u>
Net position, July 1, 2014-As restated	<u>\$ 9,886,639</u>

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

	<u>2014</u>		<u>2013</u>
College's proportion of the net pension liability	0.123180%		0.123180%
College's proportionate share of the net pension liability	\$ 6,234,070	\$	7,325,119
College's covered-employee payroll	\$ 3,579,380	\$	3,412,970
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.20%		214.60%
Plan fiduciary net position as a percentage of the total pension liability	71.70%		65.50%

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

	<u>2014</u>	<u>2013</u>
College's proportion of the net pension liability	0.05649551%	0.05649551%
College's proportionate share of the net pension liability	\$ 13,741,663	\$ 16,368,979
College's covered-employee payroll	\$ 5,772,454	\$ 6,442,862
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.10%	254.10%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 514,603	\$ 496,102	\$ 472,355	\$ 496,292	\$ 493,136	\$ 433,955	\$ 389,157	\$ 330,234	\$ 306,948	\$ 291,487
Contributions in relation to the contractually required contribution	(514,603)	(496,102)	(472,355)	(496,292)	(493,136)	(433,955)	(389,157)	(330,234)	(306,948)	(291,487)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered-employee payroll	\$3,904,423	\$ 3,579,380	\$ 3,412,970	\$ 3,689,903	\$ 3,923,119	\$ 3,204,985	\$ 3,954,848	\$ 3,362,872	\$ 2,874,045	\$ 2,755,076
Contributions as a percentage of covered employee payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 803,361	\$ 750,419	\$ 837,572	\$ 881,003	\$ 802,265	\$ 743,358	\$ 663,124	\$ 600,196	\$ 563,815	\$ 515,728
Contributions in relation to the contractually required contribution	(803,361)	(750,419)	(837,572)	(881,003)	(802,265)	(743,358)	(663,124)	(600,196)	(563,815)	(515,728)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District covered-employee payroll	\$ 5,738,293	\$ 5,772,454	\$ 6,442,862	\$ 6,776,946	\$ 6,171,269	\$ 5,718,138	\$ 5,100,954	\$ 4,616,892	\$ 4,337,038	\$ 3,967,138
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Zane State College
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2015

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
United States Department of Labor				
<i>Passed Through Lorain Community College:</i>				
Trade Adjustment Assistance Community College Career Training Program Grant (TAACCCT)	N/A	17.282	\$ 80,430	\$ 80,430
Appalachian Regional Commission				
<i>Direct from the Federal Agency:</i>				
Appalachian Area Development	N/A	23.002	2,857	2,857
Small Business Administration				
<i>Direct from the Federal Agency:</i>				
Small Business Development Center	N/A	59.037	73,589	73,589
United States Department of Education				
<i>Direct from the Federal Agency:</i>				
Student Financial Aid Cluster:				
Federal Direct Student Loans	N/A	84.268	4,308,109	4,308,109
Federal Work-Study Program	N/A	84.033	90,077	84,871
Federal Pell Grant Program	N/A	84.063	4,527,375	4,527,375
Total Student Financial Aid Cluster			8,925,561	8,920,355
TRIO - Student Support Services	N/A	84.042	286,020	286,020
<i>Passed Through the Ohio Department of Education:</i>				
Career and Technical Education - Basic Grants to States	3L90	84.048	81,252	81,252
<i>Total Passed Through the Ohio Department of Education</i>			81,252	81,252
Total United States Department of Education			9,292,833	9,287,627
Total Federal Financial Assistance			\$ 9,449,709	\$ 9,444,503

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

Zane State College
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2015

Note A – Basis of Presentation

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) includes federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note B – Federal Direct Loans Program

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

Federal Subsidized Loans	\$ 2,735,745
Federal Unsubsidized Loans	1,358,349
PLUS Loans	<u>214,015</u>
Total Federal Direct Student Loans	<u><u>\$ 4,308,109</u></u>



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

December 11, 2015

Zane State College
1555 Newark Road
Zanesville, OH 43701

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and the discretely presented component unit of **Zane State College**, Muskingum County, (the College) as of and for the year ended June 30, 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 December 11, 2015, wherein we noted the College adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

Internal Control Over Financial Reporting

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

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

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



...“bringing more to the table”

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

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



Compliance and Other Matters

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

Purpose of this Report

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



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



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

December 11, 2015

Zane State College
1555 Newark Road
Zanesville, OH 43701

To the Board of Trustees:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the College's compliance for the College's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and 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.



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Opinion on the Major Federal Program

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



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

Zane State College
Schedule of Audit Findings
OMB Circular A -133 § .505
For the Fiscal Year Ended June 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Student Financial Aid Cluster: Federal Direct Student Loans CFDA #84.268, Federal Work-Study Program CFDA #84.033, Federal Pell Grant Program CFDA #84.063
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: > \$ 100,000
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

ZANE STATE COLLEGE

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 12, 2016**