Cincinnati State Technical and Community College

Financial Report
with Required Supplemental Information
June 30, 2018

Dave Yost · Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Cincinnati State Technical and Community College, Hamilton County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

November 28, 2018

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov

This page intentionally left blank.

Contents

This page intentionally left blank.

Plante & Moran, PLLC
Suite 200
537 E. Pete Rose Way
Cincinnati, OH 45202-3578
Tel: 513.595.8800
Fax: 513.595.8806
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Cincinnati State Technical and
Community College

Report on the Financial Statements

We have audited the accompanying basic financial statements of Cincinnati State Technical and Community College (the "College") and its discretely presented component unit as of and for the years ended June 30, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the College's financial statements listed in the table of contents. These financial statements are reported as a component unit of the State of Ohio.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Cincinnati State Technical and Community College and its discretely presented component unit as of June 30, 2018 and 2017 and the respective changes in its financial position and, where applicable, its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Cincinnati State Technical and
Community College

Emphasis of Matter

As discussed in Note 17 to the basic financial statements, the 2017 basic financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the basic financial statements, effective July 1, 2017, the College adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* Our opinion is not modified with respect to this matter.

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Cincinnati State Technical and Community College's basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018 on our consideration of Cincinnati State Technical and Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Plante & Moran, PLLC

October 12, 2018

Introduction, Mission and Governance

Our discussion and analysis of Cincinnati State Technical and Community College's (the "College") financial performance provides an overview of the College's financial activities for the year ended June 30, 2018, with selected comparative information for the fiscal years ended June 30, 2017 and 2016. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto which follow this section.

The College is a public, two-year Community College operating under the authority of Ohio Revised Code Chapter 3358 (and other sections of the Ohio Revised Code as applicable) and the Ohio Department of Higher Education. Ohio Revised Code stipulates that the College is governed by a nine member Board of Trustees appointed by the Governor of the State of Ohio. Board Members serve staggered 7 year terms.

The Board of Trustees establish the Mission of the College, which is to provide student-focused, accessible, quality technical and general education, academic transfer, experiential and co-operative education and workforce development. The Board of Trustees also establishes the College's Strategic Plan. The College has commenced the process to update its Strategic Plan, and expects to complete the planning cycle by the Spring of 2019. The current Strategic Plan, affirmed by the Board of Trustees, is organized around four key goals:

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

The College is fully accredited by the Higher Learning Commission and holds numerous programmatic accreditations.

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

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

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

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

Financial Summary

The College's financial report consists of three financial statements: the statement of net position; the statement of revenue, expenses, and changes in net position; and the statement of cash flows. These statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles. The College has adopted GASB

Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* as amended by additional GASB statements. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements focus on the College as a whole, with resources classified for accounting and reporting purposes into three net position categories.

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

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

Statement of Net Position

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

Statement of Net Position

	2018	2017, as restated	2016
Assets and Deferred Outflows of Resources			
Cash, cash equivalents, and investments	$16,833	$17,069	$19,669
Accounts receivable – Net	12,000	11,951	11,883
Other assets	604	312	709
Capital assets – Net	75,322	81,132	84,780
Total assets	104,759	110,464	117,041
Deferred outflows of resources	24,427	21,051	10,502
Total assets and deferred outflows of resources	**$129,186**	**$131,515**	**$127,543**
Liabilities and Deferred Inflows of Resources			
Accounts payable and accrued expenses	$9,557	$9,930	$9,707
Deferred revenue	3,213	3,885	4,168
Long-term liabilities	134,774	144,566	136,897
Total liabilities	147,544	158,381	150,772
Deferred inflows of resources	14,697	11,170	11,042
Total liabilities and deferred inflows of resources	162,241	169,551	161,814
Net Position			
Net investment in capital assets	42,251	45,118	45,876
Restricted	1,525	1,019	1,154
Unrestricted	(76,831)	(84,173)	(81,301)
Total net position	(33,055)	(38,036)	(34,271)
Total liabilities, deferred inflows of resources, and net position	**$129,186**	**$131,515**	**$127,543**

Assets and Deferred Outflows of Resources

Cash, cash equivalents, and investments make up 13.0 percent, 13.0 percent and 15.4 percent of total assets and deferred outflows at June 30, 2018, 2017, and 2016, respectively. Cash, cash equivalents, and investments include bank deposits, cash on hand, U.S. government agency securities, and Treasury notes. Cash and cash equivalents were down slightly, $0.2 million, at June 30, 2018 from June 30, 2017.

Accounts receivable make up 9.3 percent, 9.1 percent, and 9.3 percent of the total assets and deferred outflows at June 30, 2018, 2017, and 2016, respectively. The slight net increase in accounts receivable in fiscal years 2017 and 2018 was attributable primarily to the increase student accounts receivable and collaboration agreement receivable. Accounts receivable at June 30 include *(in thousands)*:

Accounts Receivable

	2018	2017	2016
Tuition and fees	$15,351	$15,626	$14,085
Collaboration agreement	1,694	493	493
Grants and other	1,421	1,017	1,434
Leases	317	1,086	1,214
Allowance for doubtful accounts	(6,783)	(6,271)	(5,343)
Total net accounts receivable	**$12,000**	**$11,951**	**$11,883**

Capital assets, net of depreciation, make up 58.3 percent, 61.7 percent, and 66.5 percent of the total assets and deferred outflows at June 30, 2018, 2017, and 2016, respectively. The decrease in the capital assets percentage in fiscal years 2017 and 2018 is due primarily to depreciation of the capital assets. In fiscal year 2018, a portion of the decrease in capital assets is also due to an adjustment to decrease value of a vacant building owned by the College in Middletown, Ohio in the amount of approximately $1.9 million. This impairment is discussed more in more detail in Note 6 to the Financial Statements. Other assets include prepaid expenses, bond escrow payments, and cafeteria, restaurant, and other College inventories.

Liabilities and Deferred Inflows of Resources

The $7.3 million decrease in total liabilities and deferred inflows of resources was primarily due to the decreases in debt obligations, including capital leases ($3.4 million), net pension liability ($27.4 million), and accrued expenses ($1.0 million) with corresponding increases in the net OPEB liability ($21.0 million) and deferred inflows of resources ($3.5 million). In fiscal year 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and recognized an increase in the net OPEB liability of $21.0 million and an increase in OPEB related deferred outflows of resources of $1.7 million and deferred inflows of resources of $2.3 million. Liabilities for long-term debt, including capital leases, were reduced in fiscal year 2018 by the amount of scheduled principal payments made by the College. Long-term debt is discussed in more detail in Note 7 to the Financial Statements. The other activity in this area relates to the net pension and OPEB liabilities and related deferred outflows of resources, which are included in Note 16 of the Financial Statements.

Net Position

Total net position decreased $5.0 million compared to June 30, 2017. The decrease in net position was impacted by the change in net pension liability and the additional net OPEB liability and by the decrease in the value of a building in Middletown, Ohio described under Capital Assets above. Restricted net position is subject to externally imposed stipulations that they either be maintained permanently (unexpendable) or that they can be fulfilled by actions of the College pursuant to those stipulations (expendable). All of the College's restricted net position is expendable and includes reserves for debt service and deferred maintenance. Unrestricted net position is not subject to externally imposed stipulations and may be designated for specific purposes by action of management or the board of trustees. Substantially all unrestricted net position is allocated for academic programs, general operations, deferred maintenance, and initiatives.

Statement of Revenue, Expenses, and Changes in Net Position

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

June 30, 2018

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

	2018	2017, as restated		2016
Revenue				
Tuition and fees – Net	$23,638	$22,753		$25,181
Grants and contracts	14,098	15,424		17,134
Sales and services	2,347	2,302		1,850
Auxiliary services	3,053	3,150		3,370
Other operating revenue and gifts	1,564	1,316		1,966
State instructional appropriations	29,671	30,516		30,306
State capital appropriations	1,904	2,121		483
Total revenue	76,275	77,582		80,290
Expenses				
Instruction	10,794	29,308		29,720
Public support	2,191	3,980		4,224
Academic support	3,662	6,412		6,519
Student services	2,851	7,358		8,101
Institutional support	12,688	18,881	*	16,364
Operations and maintenance	5,971	5,581		6,173
Depreciation and amortization	4,064	4,236		4,337
Scholarships	864	1,032		924
Auxiliary services	3,229	3,351		3,734
Interest on capital asset related debt	791	1,208		1,357
Total expenses	47,105	81,347		81,453
Increase (Decrease) in net position	29,170	(3,765)		(1,163)
Net position - Beginning of year, as restated	(38,036)	(34,271)		(33,108)
Adjustment for change in accounting principle	(24,189)	-		-
Net position - End of year	**$(33,055)**	**$(38,036)**		**$(34,271)**

* FY17 reclassification of $2.6 million expense

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

	2018	2017, as restated		2016
Revenue				
Tuition and fees - Net	$23,638	$22,753		$25,181
Grants and contracts	14,098	15,424		17,134
Sales and services	2,347	2,302		1,850
Auxiliary services	3,053	3,150		3,370
Other operating revenue and gifts	1,564	1,316		1,966
State instructional appropriations	29,671	30,516		30,306
State capital appropriations	1,904	2,121		483
Total revenue	76,275	77,582		80,290
Expenses				
Instruction	28,113	29,308		29,720
Public support	3,974	3,980		4,224
Academic support	6,687	6,412		6,519
Student services	5,752	7,358		8,101
Institutional support	16,896	18,380	*	18,318
Operations and maintenance	7,349	5,581		6,183
Depreciation and amortization	4,064	4,236		4,337
Scholarships	864	1,032		924
Auxiliary services	3,229	3,351		3,734
Interest on capital asset related debt	791	1,208		1,357
Total expenses	77,719	80,846		83,417
Decrease in net position	(1,444)	(3,264)		(3,127)
Net position - Beginning of year	60,044	63,308		66,435
Net position - End of year	**$58,600**	**$60,044**		**$63,308**

* FY17 reclassification of $2.6 million expense.

Revenues

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

1. Student tuition and fees are reported net of scholarship allowance. Net instructional revenue for fiscal year 2018 increased slightly by $0.9 million, or 3.9 percent, from fiscal year 2017 primarily due to increases in College Credit Plus (dual enrollment programs) and additional student fees.
2. Grants and contracts decreased by $1.3 million, or 8.6 percent, compared to fiscal year 2017.
3. State instructional appropriations decreased by $0.8 million or 2.8 percent due to the impact on state funding primarily due to lower full time equivalent enrollment. State instructional appropriations are based upon an allocation among all Ohio community colleges and trailing averages based on full time equivalent enrollment, degrees, certificates, transfers and other credit hour based factors.
4. State capital appropriations decreased by $0.2 million, or 10.2 percent, compared to fiscal year 2017, largely as a result of the timing in doing state capital project from year to year.

Revenue for fiscal year 2017 decreased by $2.4 million or 3.0 percent over fiscal year 2016 when including the impact of GASB 68/75. The change derives primarily from the following three (3) functional categories of revenue:

1. Student tuition and fees are reported net of scholarship allowance. Net instructional revenue for fiscal year 2017 decreased by $2.4 million, or 9.6 percent, from fiscal year 2016 due to student enrollment declines. Financial aid in the form of Pell grants and scholarships decreased by $0.5 million or 4.9 percent in 2017, also attributable to declining student enrollment.
2. Grants and contracts decreased by $1.7 million, or 9.9 percent, compared to fiscal year 2016. The major portion of this decrease is related to two U.S. Department of Labor Grants (TAACCCT grants). One of which expired and reduced revenue $0.7 million and another with reduced activity which reduced revenue $0.4 million. The remaining decrease was related to the reduction in various other grants at the College.
3. State capital appropriations increased by $1.6 million, or 339.1 percent, compared to fiscal year 2016, largely as a result of the timing in doing state capital project from year to year.

Expenses

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

1. Instructional expenses decreased by $1.2 million or 4.0 percent, over fiscal year 2017. This was the result of decreased spending for tenure track and adjunct faculty instructors due to reduced course section offerings, and decreased in restricted grant fund support expenses.
2. Student services expenses decreased by $1.6 million or 21.8 percent, over fiscal year 2017, primarily due to reduction of student services personnel and support costs.
3. Operations and maintenance of plant expenses increased by $1.8 million, or 31.7 percent, over fiscal year 2017 primarily due to the adjustment to the value of the Middletown, Ohio vacant building.
4. Auxiliary services expenses decreased $0.1 million or 3.6 percent, over fiscal year 2017 due to lower enrollment and improved management and cost reductions.

Total expenses for fiscal year 2017 decreased by $0.1 million, or 0.01 percent, over fiscal year 2016 when including the impact of GASB 68/75. The change derives primarily from the following four (4) functional categories of expense:

1. Instructional expenses decreased by $0.4 million or 1.4 percent, over fiscal year 2016. This was the result of decreased spending for tenure track and adjunct faculty instructors in the amount of $0.4 million due to reduced course section offerings, and decreased in restricted grant fund support expenses in the amount of $50,000.

2. Student services expenses decreased by $0.7 million or 9.2 percent, over fiscal year 2016, due to reduction of student services personnel and support costs of $0.5 million in general fund and $0.2 million in student support restricted federal and state grants.
3. Operations and maintenance of plant expenses decreased by $0.6 million, or 9.6 percent, over fiscal year 2017 due to reductions in personnel and operating expenses, including restructuring of maintenance agreements.
4. Auxiliary services expenses decreased $0.4 million or 10.3 percent, over fiscal year 2016 due to lower enrollment and improved management and cost reductions.
5. A prior period adjustment is included in fiscal year 2017 expenses related to invoices payable that were not recorded as of June 30, 2017. The amount of prior period adjustment equals $2.6 million. Prior Period Adjustment is discussed in more detail in Note 17 to the Financial Statements.

Statement of Cash Flows

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

Statement of Cash Flows	**2018**	**2017**	**2016**
Net cash used in operating activities	$(36,178)	$(39,999)	$(36,850)
Net cash provided by non-capital financing activities	38,244	40,089	40,378
Net cash used in capital and related financing activities	(2,488)	(2,797)	(5,051)
Net cash (used in) provided by investing activities	(1,571)	865	3,336
Net (decrease) increase in cash and cash equivalents	(1,993)	(1,842)	1,813
Cash and cash equivalents – Beginning of year	4,972	6,814	5,001
Cash and cash equivalents – End of year	**$2,979**	**$4,972**	**$6,814**

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

Cash, Cash Equivalents, and Investments

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

Cash, Cash Equivalents, and Investments	**2018**	**2017**	**2016**
Cash and cash equivalents	$2,979	$4,972	$6,814
Investments	13,854	12,097	12,855
Total cash, cash equivalents, and investments	**$16,833**	**$17,069**	**$19,669**

Capital Assets

Capital assets, net of accumulated depreciation, totaled $75.3 million, $81.1 million, and $84.8 million at June 30, 2018, 2017, and 2016, respectively, a decrease of $5.8 million and increase of $3.7 million in fiscal years 2018 and 2017, respectively. Changes in capital assets during fiscal years 2018, 2017 and 2016 included (*in millions*):

Capital Assets	**Balance June 30, 2016**	**Net Additions or (Reductions)**	**Balance June 30, 2017**	**Net Additions or (Reductions)**	**Balance June 30, 2018**
Land	$2.3	$0.0	$2.3	$0.0	$2.3
Land improvements	2.3	0.4	2.7	0.0	2.7
Building and improvements	133.4	0.0	133.4	(1.7)	131.7
Equipment and library collections	8.0	0.2	8.2	(0.0)	8.2
Library	1.2	0.0	1.2	0.0	1.2
Construction in progress	0.1	(0.1)	0.0	0.0	0.0
Accumulated depreciation	(62.5)	(4.2)	(66.7)	(4.1)	(70.8)
Total	**$84.8**	**$(3.7)**	**$81.1**	**$(5.8)**	**$75.3**

Senate Bill 6

Ohio institutions of higher education are annually evaluated by the Ohio Department of Education based on a composite score of financial ratios established by Ohio law. The College's Senate Bill 6 score for fiscal year 2018 remains at 2.30, which is unchanged from fiscal year 2015. The Board of Trustees and College administration have targeted raising the Senate Bill 6 as a high priority for the College in fiscal year 2019.

Instruction and Academics

Academic Year 2018-2019 is a year of implementation of a wide-array activities and resources strategically applied to increase the quality and effectiveness of student success and degree completion. The College is organized into four academic divisions, each lead by a Dean who reports to the Provost. The four divisions are Business Technologies, Health and Public Safety, Engineering and Information Technologies, and Humanities and Sciences. The College provides on-campus programming at a variety of locations:

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

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

The College's Student Success & Completion Plan is the central, organizing vehicle for, planning, implementing, and analyzing the effectiveness of efforts that support students throughout their academic journey. The 2018 Student Success & Completion Plan is focused increasing student success and completion. The Plan focuses efforts in four institutional priorities:

- Ramp up all recruitment and retention efforts;

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

Effectiveness of the 2018 Campus Student Success & Completion Plan will be measured against specific key performance indicators relevant to every Ohio Community College and based upon nationally normed data. The key performance indicators are (1) Average Credits Earned; (2) Credit Pass Rates; and (3) Term to Term Persistence Rates. Each department within the College (including Academic and Non-Academic Departments) are expected to develop specific, measurable objectives related to the four institutional priorities of the Campus Student Success & Completion Plan.

The 2018 Plan will execute initiatives that have been studied and developed by the Completion Plan Steering Committee and are based on national best practices, including the following initiatives:

1. Guided Pathways, which clarifies and simplifies academic progress and timelines by revamping the student experience and processes.
2. Embedding "pre-admit" academic advisors into the academic divisions to improve the student early advising experience, provide a sense of trajectory even during developmental coursework, and increase opportunities to connect pre-admit students earlier to their chosen field of interest
3. Eliminating the "pre-admit" status (which naturally silos students into developmental courses and poor course choices) in favor of "early pathways" curricula common to related associate degree programs (a "meta-majors" approach).
4. Creation of a career exploration course for each early pathway curriculum that provides student the benefit of time and guidance in refining their degree choice within their area of interest -- in contrast to the current practice of requiring students to choose a precise major at the time of admission which results in unnecessary changes of major, lost time, and lost momentum.
5. Academic Advising for new, first-time College students will move beyond "highly encouraged" to becoming a requirement. National data illustrate the efficacy of academic advising at the outset of a student's academic journey upon academic success, persistence and degree completion.
6. First Year Experience Course, which both internal data and national data has demonstrated has a significant impact upon student's success and persistence is being required for all new, incoming students.

Fiscal year 2018 also saw the completion of Higher Learning Commission Systems Portfolio self-study. The Systems Portfolio is one of our important accreditation activities that provides a robust format and process to examine the effectiveness and maturity of each of our College systems, academic and non-academic. The Systems Portfolio is a continuous improvement process that goes far beyond minimal compliance, allowing the College to identify opportunities for improvement through a data driven, cross-functional team approach. In early 2018, HLC provided the College with feedback and guidance on areas of potential improvement. The Portfolio feedback is receiving priority attention by all Departments as the College prepares for an HLC site visit in early 2019.

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

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

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

Outreach to special populations, high school students, Veterans, international, and Hispanic students continue. The College hosted its annual ENGAGE a two-day event for local and regional students, teachers, and families with hands-on demonstrations of College programs. New degree and certificate programs have been approved which will allow the College to meet the needs of new business markets across the region. The College is has been approved by the Ohio Department of Education to offer a Bachelor's Degree in two fields: Civil Engineering - Land Surveying and Culinary Food Science. The College expects to begin to offer the bachelor degrees in the 2019-2020 school year.

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

The College successfully concluded its second U.S. Department of Labor TAACCCT grant, the Greater Cincinnati Manufacturing Career Accelerator, a 4 year grant that allowed investment in renovations of the welding lab at the Harrison campus and the creation of a new Welding Associate Degree and Certificate pathway. The College continued to manage its third and fourth TAACCCT grants in supply chain and logistics and a statewide consortium focused on advanced manufacturing.

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

Workforce Development

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

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

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

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

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

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

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

Marketing, Enrollment and Retention

For fiscal year 2018, total credit hours and FTEs were down from fiscal year 2017, however, the decrease was less than the prior year. There were a number of factors contributing to this decline, including a decrease in the number of high school graduates nationwide, continued improvement in the regional employment picture, and a shift in student enrollment behavior, likely the result of the improved economy, which saw fulltime enrollment drop over the last five years from 70 percent to 30 percent enrolled fulltime (12 or more credit hours per semester). As noted above, the 2018 Campus Student Success & Completion Plan is focused on mitigating factors that impact enrollment. The College is also increasing targeted external marketing, with a balanced approach between digital and traditional media, and with increasing the number of College Recruiters.

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

Additionally, the College is one of three community Colleges in Ohio currently participating in a replication study (ASAP- Accelerated Study in Associate Program from CUNY system of New York) to provide intensive case management services along with mitigating financial barriers to increase the number of students who graduate within three years. This program is called C-State Accelerate. The preliminary results have shown increased number of students who are retained, increased credit hours attempted and completed, with growth in persistence rates and graduation for program participants. The College is integrating best practices from C-State Accelerate across its recruiting and retention activities.

Administration of the College

During fiscal year 2018, the President continued with reorganization of her Executive Team to enhance efficiency and effectiveness. Due to a resignation, a new Vice President of Finance/Treasurer was named, as was a new Vice President of Administration. The Enrollment & Student Development Division was reorganized, placing departments either under the management of the Provost or the Vice President of Workforce Development. This reorganization resulted in the elimination of a Vice President position.

During Calendar Year 2018, all six of the College's collective bargaining agreements will expire. The College Administration and bargaining units have worked to improve and maintain a high level of communication and positive relations primarily through the inclusion of bargaining unit members on committees and regular labor/management meetings. As of the date of this discussion the Board of Trustees and each of its two largest bargaining units, AAUP and SEIU have approved contract renewals. The contracts are two year terms with no base increase in compensation but with the opportunity for lump sum payments based on meeting specific institutional performance criteria related to student success. The College will be negotiating with its other four bargaining units during the Fall of 2018.

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

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

1. Inclusion of the Faculty Senate President in weekly Deans Council meetings
2. Establishment of President Advisory Council - a cross-functional team that includes SEIU, AAUP, and administrators
3. Establishment of Faculty President and Provost weekly Academic Matters meetings
4. Increased meeting rhythm and substantive expectations of Budget Advisory Team that includes faculty and College administrators

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

1. Every other month Labor-Management meetings involving leadership from all 6 labor unions, the Vice President of Administration & HR, the Vice President of Finance and other administrators.
2. Convening of a Benefits Task Force with representatives of all 6 unions, HR, Finance, and the College's Benefit Broker. During fiscal year 2018, the Task Force review insurance utilization data, discussed plan options and made recommendations to administration related to modifications that both reflected market trends as well as support cost containment efforts of the self-funded health plan.

Facilities

Employee retirement and departmental reorganization during the fiscal led to a more lean management structure for Facilities. Due to ongoing budget constraints, the Facilities Department continued to be challenged to reduce expenditures. A Memorandum of Understanding with the IUOE union allowed for a reclassification of specific Facilities personnel such that more employees can assist with preventative maintenance, on-call assignments and inclement weather services such as snow removal.

During the fiscal year, several capital projects were commenced for which State of Ohio capital funds have been appropriated. In addition to the Welcome Center, Financial Aid/Registrar, and Career Center projects mentioned above, new projects initiated include a relocation of a new Cashier's Office near the new Financial Aid/Registrar

Office; a new cooling tower for the oldest and largest building on the Clifton campus; a new boiler for the same building; and renovation of Physics, Biology and Material Testing laboratories. (See below for more details.)

Information Technology Services

The Information Technology Services (ITS) Department underwent reorganization during the fiscal year, with a new Chief Information Officer (CIO) hired and reporting to the Vice President of Administration. The CIO also serves on the shared governance committee, Academic Technology Committee (ATC) which provides ongoing insight and recommendations as to potential needs and improvements in instructional and student IT services. Top priorities are for the College community to view the ITS Division as a partner in the College's overall success as well as a leader in encouraging innovation and improving services while providing cost-effective high quality education. ITS focuses on the four domains that impact learning: student, faculty, curricula, and remote use.

One success during the fiscal year, was completion of the proof-of-concept Video conference/Interactive Video Distance Learning. An investment in interactive technology now allows a class to be held on the Clifton campus with virtual class participation by students at the Middletown campus. This achievement is cost effective and student-focused in that Middletown course sections often do not meet minimum enrollment caps (i.e.: 10 students) which can result in cancelling the section. With the interactive capability, the class can be offered at Middletown, thereby allowing Middletown students to remain at that location instead of traveling to the Clifton campus in order to take the class.

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

State Capital Funding

The State of Ohio appropriates funding for capital projects every two years. The College was appropriated $6,675,000 for fiscal years 2017-2018 and more recently $6,637,000 for fiscal years 2019-2020 by the State of Ohio. The College is completing capital projects related to its allocation from the State of Ohio for the fiscal year 2017-2018 biennium capital funding. In progress is construction of a Welcome Center and associated student facing services in the ATLC building on the Main Campus. This includes construction of a new Welcome Center, Registrar's Office, Financial Aid Office, Career Services Center, Transfer Center and Cashiers office. The priority of this construction is consistent with the 2018 Campus Completion Plan to improve student services for the purpose of increasing completed credit hours. The College also used, and is using capital appropriations for general infrastructure improvements. 2017-2018 biennium capital funding was used to replace a cooling tower on the Main campus in 2018, and will be used to replace its Main campus boilers during fiscal year 2019. 2015-2016 biennium capital funding will also be expended in full with upcoming renovation of its Main campus Physics, Biology and Materials Testing labs during fiscal year 2019.

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

Litigation

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

Fundraising

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

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

Statement of Net Position

June 30, 2018 and 2017

	Cincinnati State Technical and Community College		Cincinnati State Technical and Community College Foundation	
	2018	2017, as restated	2018	2017
Assets				
Current assets:				
Cash and cash equivalents	$ 347,849	$ 2,382,485	$ 1,581,658	$ 1,267,441
Restricted cash	2,630,335	2,589,426	-	-
Accounts receivable - Net	11,870,086	11,730,527	-	-
Pledges receivable - Net	-	-	667,536	228,205
Investments	9,101,144	4,723,777	9,248,284	8,446,737
Inventory	142,668	126,769	-	-
Prepaid and other assets	460,618	185,095	20,855	-
Total current assets	24,552,700	21,738,079	11,518,333	9,942,383
Noncurrent assets:				
Capital assets - Net	75,321,699	81,131,510	-	-
Investments	4,754,558	7,373,410	-	-
Long-term lease receivable	130,154	220,262	-	-
Total noncurrent assets	80,206,411	88,725,182	-	-
Total assets	104,759,111	110,463,261	11,518,333	9,942,383
Deferred Outflows of Resources				
Deferred gain on advance refunding of bonds	996,090	1,186,963	-	-
Pension activity	21,775,628	19,864,430	-	-
OPEB activity	1,655,151	-	-	-
Total deferred outflows of resources	24,426,869	21,051,393	-	-
Liabilities				
Current liabilities:				
Accounts payable	970,888	4,035,100	229,683	136,333
Accrued liabilities and other	6,484,074	3,692,891	-	-
Unearned revenue	3,212,860	3,885,462	-	-
Current portion of capital leases	510,910	657,991	-	-
Compensated absences	2,101,942	2,200,436	-	-
Current portion of long-term debt	2,748,582	2,688,385	-	-
Total current liabilities	16,029,256	17,160,265	229,683	136,333
Noncurrent liabilities:				
Long-term capital leases	477,004	1,055,242	-	-
Long-term debt	30,648,185	33,390,308	-	-
Net pension liability	79,435,269	106,775,048	-	-
Net OPEB liability	20,954,087	-	-	-
Total noncurrent liabilities	131,514,545	141,220,598	-	-
Deferred Inflows of Resources				
Pension activity	12,450,594	11,170,100	-	-
OPEB activity	2,246,937	-	-	-
Total deferred inflows of resources	14,697,531	11,170,100	-	-
Net Position				
Net investment in capital assets	42,250,418	45,118,015	-	-
Restricted:				
Restricted expendable	1,525,349	1,018,832	3,818,303	3,123,960
Restricted nonexpendable	-	-	6,845,076	5,892,494
Unrestricted	(76,831,119)	(84,173,156)	625,271	789,596
Total net position	**$ (33,055,352)**	**$ (38,036,309)**	**$ 11,288,650**	**$ 9,806,050**

See notes to financial statements.

Cincinnati State Technical and Community College

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2018 and 2017

	Cincinnati State Technical and Community College		Cincinnati State Technical and Community College Foundation	
	2018	2017, as restated	2018	2017
Operating Revenue				
Student tuition and fees:				
Student tuition and fees	$ 32,897,704	$ 33,074,541	$ -	$ -
Less scholarship allowance	(9,259,764)	(10,321,356)	-	-
Net student tuition and fees	23,637,940	22,753,185	-	-
Federal grants and contributions	3,545,560	3,702,080	-	-
State grants and contributions	569,162	704,594	-	-
Contributions	-	-	2,806,594	2,361,026
Private gifts, grants, and donations	1,409,616	1,443,417	-	-
Departmental and other educational activities	2,346,783	2,302,416	-	-
Auxiliary enterprises	3,052,731	3,150,017	-	-
Other operating revenue	1,376,731	1,198,441	343,861	625,699
Total operating revenue	35,938,523	35,254,150	3,150,455	2,986,725
Operating Expenses				
Instruction	10,794,089	29,307,555	865,449	1,176,906
Public service	2,190,359	3,980,659	-	-
Academic support	3,662,136	6,411,820	-	-
Student services	2,850,660	7,358,364	-	-
Scholarships and student aid	863,773	1,032,023	-	-
Auxiliary enterprises	3,229,037	3,350,958	-	-
Institutional support	12,687,417	18,880,911	-	-
Operation and maintenance	5,970,435	5,580,485	-	-
Depreciation and amortization	4,064,284	4,236,627	-	-
Other	-	-	1,039,156	707,684
Total operating expenses	46,312,190	80,139,402	1,904,605	1,884,590
Operating (Loss) Income	(10,373,667)	(44,885,252)	1,245,850	1,102,135
Nonoperating Revenue (Expense)				
Federal Pell grants	8,573,016	9,573,091	-	-
State appropriations	29,670,931	30,516,038	-	-
Investment income	187,438	108,345	236,750	185,356
Interest on capital asset related debt	(791,414)	(1,208,450)	-	-
Total nonoperating revenue	37,639,971	38,989,024	236,750	185,356
Income (Loss) - Before state capital appropriations and capital grants and gifts	27,266,304	(5,896,228)	1,482,600	1,287,491
Capital Appropriations from State	1,903,882	2,120,797	-	-
Capital Grants and Gifts	-	9,945	-	-
Change in Net Position	29,170,186	(3,765,486)	1,482,600	1,287,491
Net Position - Beginning of year, as restated (Note 17)	(38,036,309)	(34,270,823)	9,806,050	8,518,559
Cumulative Effect of Change in Accounting (Note 16)	(24,189,229)	-	-	-
Net Position - Beginning of year, as restated	(62,225,538)	(34,270,823)	9,806,050	8,518,559
Net Position - End of year	**$ (33,055,352)**	**$ (38,036,309)**	**$ 11,288,650**	**$ 9,806,050**

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Tuition and fees	$ 23,998,321	$ 22,362,048
Federal, state, and local grants and contracts	3,464,270	4,318,750
Payments to suppliers	(22,881,764)	(22,168,446)
Payments to employees	(41,458,003)	(38,654,378)
Payments for utilities	(1,500,840)	(1,482,285)
Payments for benefits	(711,982)	(8,087,705)
Payments for scholarships and student financial aid	(844,586)	(1,032,023)
Auxiliary enterprises revenue	3,052,731	3,150,017
Auxiliary enterprises expenses	(3,229,037)	(3,350,958)
Sales and services of educational activities	2,346,783	2,302,416
Other receipts	1,585,654	2,643,451
Net cash and cash equivalents used in operating activities	(36,178,453)	(39,999,113)
Cash Flows from Noncapital Financing Activities		
State appropriations	29,670,931	30,516,038
Pell receipts and disbursements	8,573,016	9,573,091
Federal direct student loan program receipts	16,107,480	23,712,628
Federal direct student loan program disbursements	(16,107,480)	(23,712,628)
Net cash and cash equivalents provided by noncapital financing activities	38,243,947	40,089,129
Cash Flows from Capital and Related Financing Activities		
Capital appropriations from the State	1,903,882	2,120,797
Principal payments on bonds	(2,491,053)	(2,434,625)
Principal payments on capital lease obligations	(725,319)	(1,115,450)
Proceeds from capital lease receivable	209,647	127,867
Interest payments on bonds and capital lease obligations	(1,158,008)	(1,213,985)
Capital grants and gifts received	-	9,945
Purchase of capital assets	(227,293)	(291,914)
Net cash and cash equivalents used in capital and related financing activities	(2,488,144)	(2,797,365)
Cash Flows from Investing Activities		
Investment income	187,438	108,345
Purchases of investment securities	(17,155,131)	(13,784,153)
Proceeds from sale and maturities of investment securities	15,396,616	14,540,983
Net cash and cash equivalents (used in) provided by investing activities	(1,571,077)	865,175
Net Decrease in Cash and Cash Equivalents	(1,993,727)	(1,842,174)
Cash and Cash Equivalents - Beginning of year	4,971,911	6,814,085
Cash and Cash Equivalents - End of year	**$ 2,978,184**	**$ 4,971,911**
Classification of Cash and Cash Equivalents		
Cash and investments	$ 347,849	$ 2,382,485
Restricted cash	2,630,335	2,589,426
Total cash and cash equivalents	**$ 2,978,184**	**$ 4,971,911**

See notes to financial statements.

Years Ended June 30, 2018 and 2017

	2018	2017
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (10,373,667)	$ (44,885,252)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	4,064,284	4,236,627
Provisions for doubtful accounts	2,490,157	967,921
Loss on disposal of capital assets	1,972,820	1,003
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources which (used) provided cash:		
Accounts receivable	(2,749,255)	(1,163,378)
Inventory	(15,899)	(43,220)
Prepaid and other assets	(275,523)	440,376
Deferred outflows of resources - Pension	(1,911,198)	(10,754,563)
Deferred outflows of resources - OPEB	(1,655,151)	-
Accounts payable and accrued expenses	(4,929)	228,309
Unearned revenue	(672,602)	(283,014)
Deferred inflows of resources - Pension	1,280,494	128,151
Deferred inflows of resources - OPEB	2,246,937	-
Net pension liability	(27,339,779)	11,127,927
Net OPEB liability	(3,235,142)	-
Net cash and cash equivalents used in operating activities	**$ (36,178,453)**	**$ (39,999,113)**

Note 1 - Nature of Business

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

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

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

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

Note 2 - Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB.

In accordance with GASB Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*, and subsequent standards issued by GASB, the College reports as an entity engaged in business-type activities. GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

- *Net Investment in Capital Assets* - The College’s investment in capital assets, net of outstanding debt obligations and deferred gain on advance bond refunding related to the acquisition, construction, or improvement of those assets.
- Restricted - Expendable - Resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- *Restricted - Unexpendable* - Resources the College is legally or contractually obligated to retain in perpetuity.

Note 2 - Significant Accounting Policies (Continued)

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

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

Cash Equivalents

In accordance with the State of Ohio and college policy, the College is authorized to invest cash in United States government securities, federal agencies' securities, State of Ohio securities, and certificates of deposit, all of which are stated fair value. The College considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

The restricted cash balance represents debt service amounts to be paid by the College each year (see Note 7). At June 30, 2018 and 2017, the College had restricted cash of $2,630,335 and $2,589,426, respectively.

Accounts Receivable

Accounts receivable are stated at net invoice amounts and consist of amounts due for tuition and fees, grants, collaboration agreement, leases, and state appropriations. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The allowance for doubtful accounts on accounts receivable balances was $6,783,305 and $6,270,587 as of June 30, 2018 and 2017, respectively.

Investments

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

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

Prepaid Assets

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

Note 2 - Significant Accounting Policies (Continued)

Capital Assets

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

	Depreciable Life - Years
Building and improvements	15 - 60
Equipment and furniture	3 - 20
Land improvements	20
Library books and audio visual	20

Deferred Outflow of Resources

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

Deferred outflows also consist of deferred charges arising from the advance refunding of the 2002 bond issue as the difference between the reacquisition price and the net carrying amount of the old debt. The College recorded deferred outflows of $996,090 and $1,186,963 at June 30, 2018 and 2017, respectively, related to this transaction. See Note 7 for more information.

Unearned Revenue

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

Compensated Absences

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

Note 2 - Significant Accounting Policies (Continued)

Pensions

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

Other Postemployment Benefit Costs

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

Deferred Inflows of Resources

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

Income Taxes

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

Self-insurance

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

Grant and Scholarships

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

Operating and Nonoperating Revenue and Expenses

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

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

Note 2 - Significant Accounting Policies (Continued)

Release of Restricted Funds

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

Use of Estimates

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

Adoption of New Accounting Pronouncement

The GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which requires governments providing other postemployment benefit (OPEB) plans to recognize their unfunded OPEB obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). In accordance with the statements, the College has reported a change in accounting principle adjustment to unrestricted net position of $24,189,229, which is the net of the net OPEB liability and related deferred outflows of resources as of July 1, 2017. June 30, 2017 amounts have not been restated to reflect the impact of GASB No. 75 because the information is not available to calculate the impact on OPEB expense for the fiscal year ended June 30, 2017.

Upcoming Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The College is currently evaluating the impact of this standard, specifically related to its capital assets. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2019.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The College is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The College is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2021.

Note 3 - Cash, Cash Equivalents, and Investments

State of Ohio statutes generally require funds to be deposited in a bank with Federal Deposit Insurance Corporation (FDIC) insurance coverage, with the balance exceeding the FDIC coverage adequately collateralized by the depository bank. Such collateral must consist of securities pledged and held in the College’s name or under a pooled security arrangement not in the College’s name but where the pledged amount is at least 110 percent of the deposit balance.

At June 30, 2018, the carrying amount of the College’s deposits (which consist of cash, excluding cash on hand of $15,500, deposits held by trustee, and investments) was $332,349 and the bank balance was $1,635,390. The difference between the carrying amount and the depository bank balance is due principally to outstanding checks and deposits-in-transit. Of the bank balance, $250,000 is covered by the Federal Deposit Insurance Corporation. At June 30, 2017, the carrying amount of the College’s deposits (which consist of cash, excluding cash on hand of $15,500, deposits held by trustee, and investments) was $2,366,985 and the bank balance was $5,281,288.

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

Investments at June 30 were as follows:

	2018	2017
Bond funds	$ 7,757,497	$ 10,720,495
Money market funds	460,117	1,376,514
STAR Ohio funds	5,638,088	178
Total	$ 13,855,702	$ 12,097,187

Interest Rate Risk

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

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

	Fair Value	Less than 1 year	1-5 Years
U.S. government obligations	$ 7,015,167	$ 2,653,719	$ 4,361,448
U.S. government agency bonds	742,330	349,220	393,110
Money market funds	460,117	460,117	-
STAR Ohio funds	5,638,088	5,638,088	-
Total	$ 13,855,702	$ 9,101,144	$ 4,754,558

As of June 30, 2017, the College's investment maturities were as follows:

	Fair Value	Less than 1 year	1-5 Years
U.S. government obligations	$ 9,070,247	$ 2,449,416	$ 6,620,831
U.S. government agency bonds	1,650,248	897,669	752,579
Money market funds	1,376,514	1,376,514	-
STAR Ohio funds	178	178	-
Total	$ 12,097,187	$ 4,723,777	$ 7,373,410

Note 3 - Cash, Cash Equivalents, and Investments (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's investment policy contains provisions to manage credit risk. Credit quality, as commonly expressed in terms of credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings, provides a current depiction of the potential variable cash flows and credit risk.

As of June 30, 2018 and 2017, approximately 5 percent ($742,000) and 6 percent ($753,000) of the College's portfolio is held in various Federal National Mortgage Association notes, and approximately 0 percent ($0) and 7 percent ($898,000) is held in various Federal Home Loan Mortgage Corporation notes, respectively.

		Quality Rating	
	Fair Value	AAA (M)	AA + (S&P)
June 30, 2018			
Bond funds	$ 7,757,497	$ 7,757,497	$ -
Money market funds	460,117	460,117	-
STAR Ohio funds	5,638,088	5,638,088	-
Total	$ 13,855,702	$ 13,855,702	$ -
June 30, 2017			
Bond funds	10,720,495	10,720,495	-
Money market funds	1,376,514	1,376,514	-
STAR Ohio funds	178	178	-
Total	$ 12,097,187	$ 12,097,187	$ -

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The College's investment policy limits investments, at cost, to no more than 10 percent in any single issuer, except the investments of U.S. government securities. As of June 30, 2018 and 2017, there were no single-issuer investments that exceeded 5 percent of total investments.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. As of June 30, 2018 and 2017, the College had no exposure to foreign currency risk.

Note 4 - Fair Value Measurements

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

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

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

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

The College has the following recurring fair value measurements as of June 30, 2017:

	Assets Measured at Fair Value on a Recurring Basis			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2017
Debt securities:				
Domestic treasury bonds	$ -	$ 9,070,247	$ -	$ 9,070,247
Domestic mortgage bonds	-	1,650,248	-	1,650,248
Total assets	$ -	$ 10,720,495	$ -	$ 10,720,495

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

Short-term investment and investments on the statement of net position at June 30, 2018 and 2017 include money market investments of $460,117 and $1,376,514, respectively, and investments in STAR Ohio of $5,638,088 and $178, respectively. The money market investments and investments in STAR Ohio are measured at amortized costs; therefore, they are not included in the tables above.

Note 4 - Fair Value Measurements (Continued)

There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transactions to $50 million, requiring excess amounts to be transacted the following business day(s), but only to the $50 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

Note 5 - Accounts Receivable

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

	2018	2017
Tuition and fees	$ 15,351,258	$ 15,625,615
Collaboration agreement	1,693,558	492,865
Grants and other	1,421,424	1,016,880
Leases	317,305	1,086,016
Less allowance for doubtful accounts	(6,783,305)	(6,270,587)
Total accounts receivable	12,000,240	11,950,789
Less long-term lease receivable	(130,154)	(220,262)
Current accounts receivable	$ 11,870,086	$ 11,730,527

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

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

Reconciliations are calculated based upon the College's fiscal year. During fiscal year 2018 the College's direct costs exceeded revenue related to the Agreement, due primarily to declining full-time equivalent enrollment at the Middletown campus. Therefore, accounts receivable related to the Agreement increased due to the obligation of HEP to reimburse the College.

The College does not own the Middletown campus building; HEP leases the property from a third party. HEP is responsible for direct costs related to management, repair, and operation of the facility. The College is responsible for direct costs of academic programs covered by the Agreement. The College collects all revenue related to the Agreement. Under the Agreement, the net advance to HEP at June 30, 2018 and 2017 was $1,693,558 and $492,865, respectively.

Note 5 - Accounts Receivable (Continued)

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

Years Ending	Principal	Interest	Total
2019	$ 187,151	$ 8,271	$ 195,422
2020	63,814	3,862	67,676
2021	66,340	1,337	67,677
2022	-	-	-
Total	317,305	13,470	330,775
Less current portion	(187,151)	(8,271)	(195,422)
Long-term lease receivable	$ 130,154	$ 5,199	$ 135,353

Note 6 - Capital Assets

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

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

Note 6 - Capital Assets (Continued)

	Balance July 1, 2016	Additions	Transfers and Disposals	Balance June 30, 2017
Nondepreciable assets:				
Land	$ 2,321,359	$ -	$ -	$ 2,321,359
Construction in progress	112,622	9,712	(122,334)	-
Total nondepreciable assets	2,433,981	9,712	(122,334)	2,321,359
Depreciable assets:				
Buildings and improvements	133,414,180	-	-	133,414,180
Equipment and furniture	7,983,204	246,464	(5,000)	8,224,668
Land improvements	2,256,078	296,977	122,334	2,675,389
Library books and audio visual	1,195,007	35,738	(8,018)	1,222,727
Total depreciable assets	144,848,469	579,179	109,316	145,536,964
Accumulated depreciation:				
Buildings and improvements	54,117,818	3,696,065	-	57,813,883
Equipment and furniture	6,025,794	420,493	-	6,446,287
Land improvements	1,843,530	54,675	-	1,898,205
Library books and audio visual	515,059	65,394	(12,015)	568,438
Subtotal	62,502,201	4,236,627	(12,015)	66,726,813
Net capital assets, depreciable	82,346,268	(3,657,448)	121,331	78,810,151
Net capital assets	$ 84,780,249	$ (3,647,736)	$ (1,003)	$ 81,131,510

Equipment and improvements recorded under capital leases amounts to $4,032,597 at June 30, 2018 and 2017. Accumulated depreciation and amortization related to these assets amounted to $2,891,870 and $2,296,062 for the years ended June 30, 2018 and 2017, respectively.

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

Note 7 - Long-term Debt

Long-term debt activity for the years ended June 30, 2018 and 2017 can be summarized as follows:

2018	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Bonds payable:					
General receipts bonds	$ 34,995,000	$ -	$ (2,510,000)	$ 32,485,000	$ 2,590,000
Bond premium	1,083,693	-	(171,926)	911,767	158,582
Total bonds payable	36,078,693	-	(2,681,926)	33,396,767	2,748,582
Capital lease obligation	1,713,233	-	(725,319)	987,914	510,910
Total	$ 37,791,926	$ -	$ (3,407,245)	$ 34,384,681	$ 3,259,492

2017	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Bonds payable:					
General receipts bonds	$ 37,450,000	$ -	$ (2,455,000)	$ 34,995,000	$ 2,510,000
Bond premium	1,268,580	-	(184,887)	1,083,693	178,385
Total bonds payable	38,718,580	-	(2,639,887)	36,078,693	2,688,385
Capital lease obligation	2,531,706	296,977	(1,115,450)	1,713,233	657,991
Total	$ 41,250,286	$ 296,977	$ (3,755,337)	$ 37,791,926	$ 3,346,376

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

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

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2,370,000. This difference, reported as a deferred outflow on the statement of net position, is being charged to operations through the year 2029 using the effective-interest method. The balance of the defeased debt in the escrow account at June 30, 2018 is approximately $29,460,000.

Note 7 - Long-term Debt (Continued)

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

Years Ending	Principal	Interest	Total
2019	$ 2,590,000	$ 1,105,363	$ 3,695,363
2020	2,655,000	1,010,263	3,665,263
2021	2,715,000	957,163	3,672,163
2022	2,800,000	862,888	3,662,888
2023	2,900,000	773,113	3,673,113
2024-2028	16,235,000	2,071,713	18,306,713
2029	2,590,000	80,938	2,670,938
Total	$ 32,485,000	$ 6,861,441	$ 39,346,441

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

Years Ending	Principal	Interest	Total
2019	$ 510,910	$ 30,486	$ 541,396
2020	230,215	15,390	245,605
2021	165,970	7,612	173,582
2022	64,275	2,687	66,962
2023	16,544	197	16,741
Total	$ 987,914	$ 56,372	$ 1,044,286

Note 8 - Employee Benefit Plans

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

Effective March 31, 1999, the board of trustees of the College approved the Chapter 3305 Alternative Retirement Plan in accordance with the provisions of Chapter 3305 of the Ohio Revised Code, which requires Ohio public universities and colleges to offer defined contribution plans to employees as an alternative to participation in the state-mandated defined benefit plans. Under the new plan, employees have participant-directed accounts with participant-selected companies designated by the State that have entered into provider agreements with the College to administer the plan in accordance with plan provisions as adopted by the College. The College contributed $254,489 and $281,658 to the Alternative Retirement Plan for the years ended June 30, 2018 and 2017, respectively

Note 9 - Compensated Balances

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

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

At June 30, 2018 and 2017, the liability for personal and/or sick leave was approximately $688,000 and $718,000, respectively.

Contract employees earn 20 days of vacation leave each year. Noncontract employees earn 10 days of vacation leave after one full year of service, 15 days after five years, and 20 days after 10 years. Upon retirement or termination, an employee is entitled to payment for all accrued vacation days up to a maximum of three times the annual vacation leave earned. The College has accrued a vacation liability for all employees equal to amounts earned but not taken up to the maximum. At June 30, 2018 and 2017, the liability for vacation was approximately $1,414,000 and $1,483,000, respectively.

Note 10 - Grants and Contracts

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

Note 11 - Auxiliary Enterprises

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

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

Revenue and expenses of the College's auxiliary enterprises for the year ended June 30, 2017 consist of the following:

	Parking	Food Services	Airport	Childcare Center	MCI	CIT Studios	Total
Revenue	$ 1,036,986	$ 860,671	$ 257,428	$ 375,482	$ 582,055	$ 37,395	$ 3,150,017
Expenses	(795,501)	(1,106,439)	(203,326)	(377,244)	(855,155)	(13,293)	(3,350,958)
Excess (deficiency) of revenue over expenses	$ 241,485	$ (245,768)	$ 54,102	$ (1,762)	$ (273,100)	$ 24,102	$ (200,941)

Note 12 - Restricted Net Position

The balances in restricted net position that are expendable for use of the debt service facility fee for the years ended June 30, 2018 and 2017 are $1,525,349 and $1,018,832, respectively.

Note 13 - Risk Management

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

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

	Health Claims		
	2018	2017	2016
Unpaid claims - Beginning of year	$ 447,184	$ 364,998	$ -
Incurred claims, including claims incurred but not reported	5,161,983	5,726,205	2,638,156
Claim payments	(5,072,808)	(5,644,019)	(2,273,158)
Total	$ 536,359	$ 447,184	$ 364,998

Note 14 - Pending Litigation

The College is named a party to a number of lawsuits in the normal course of business. The College is unable to reasonably estimate the value or assess the probability of any outcomes and, therefore, did not record an accrual at June 30, 2018 or 2017. It is possible that these lawsuits could have a material adverse effect on the College's financial position or results of operations.

Note 15 - Component Unit

The College is the sole beneficiary of the Cincinnati State Technical and Community College Foundation (the "Foundation"), a separate not-for-profit entity governed by a separate board of trustees, organized for the purpose of promoting educational activities. Amounts received by the College from the Foundation in the form of private gifts, grants, and contracts amounted to $1,022,068 and $885,116 for the years ended June 30, 2018 and 2017, respectively.

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

	2018	2017
Cash equivalents	$ 365,711	$ 1,063,145
Equity mutual funds	6,247,928	5,175,818
Fixed-income mutual funds	2,583,643	1,936,727
Real estate mutual funds	51,002	49,488
Alternative strategy mutual funds	-	221,559
Total	$ 9,248,284	$ 8,446,737

Note 15 - Component Unit (Continued)

The Foundation has the following recurring fair value measurements as of June 30, 2018 and 2017:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Investments:				
Equity mutual funds	$ 6,247,928	$ -	$ -	$ 6,247,928
Fixed-income mutual funds	2,583,643	-	-	2,583,643
Real estate mutual funds	51,002	-	-	51,002
Total assets	$ 8,882,573	$ -	$ -	$ 8,882,573

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2017
Investments:				
Equity mutual funds	$ 5,175,818	$ -	$ -	$ 5,175,818
Fixed-income mutual funds	1,936,727	-	-	1,936,727
Real estate mutual funds	49,488	-	-	49,488
Alternative strategy mutual funds	221,559	-	-	221,559
Total assets	$ 7,383,592	$ -	$ -	$ 7,383,592

Temporarily restricted net assets of the Foundation as of June 30 are available for the following purposes:

	2018	2017
Pledges receivable	$ 667,536	$ 228,205
Special purpose funds	2,660,791	2,206,293
Income on endowment funds	489,976	689,462
Total	$ 3,818,303	$ 3,123,960

Permanently restricted net assets of the Foundation as of June 30 are available for the following purposes:

	2018	2017
Endowment funds	$ 6,485,076	$ 5,892,494

Note 16 - Cost-sharing Defined Benefit Pensions Plans

Plan Description

The College participates in the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS), statewide, cost-sharing, multiple-employer defined benefit public employee retirement systems governed by the Ohio Revised Code (ORC) that covers substantially all employees of the College. Each system has multiple retirement plan options available to its members, with three options in STRS and one option in SERS. Each system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The systems also each provide postemployment healthcare benefits (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits.

Note 16 - Cost-sharing Defined Benefit Pensions Plans (Continued)

Each retirement system issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment healthcare plans. The reports may be obtained by contacting:

State Teachers Retirement System of Ohio
275 E. Broad Street
Columbus, Ohio 43215
(888) 227-7877
www.strsoh.org

School Employees Retirement System
300 East Broad Street, Suite 100
Columbus, Ohio 43215
(800) 878-5853
www.ohsers.org

Contributions

State retirement law requires contributions by covered employees and their employers, and Chapter 3307 of the Ohio Revised Code (ORC) limits the maximum rate of contributions. The retirement boards of the systems individually set contribution rates within the allowable limits. The adequacy of employer contribution rates is determined annually by actuarial valuation using the entry age normal cost method. Under these provisions, each college/university/school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Member contributions, set at the maximums authorized by the ORC, are 14 percent of gross wages for SERS and STRS at June 30, 2018 and 2017.

The plans' 2018 employer contribution rates on covered payroll to each system are:

	Employer Contribution Rate			
	Pension	Postretirement Healthcare	Death Benefits	Total
SERS	13.20%	0.75%	0.05%	14.00%
STRS	14.00%	0.00%	0.00%	14.00%

The plans' 2017 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate			
	Pension	Postretirement Healthcare	Death Benefits	Total
SERS	13.21%	0.74%	0.05%	14.00%
STRS (beginning 7/1/16)	14.00%	0.00%	0.00%	14.00%

The College's required and actual contributions to the plans are:

	2018		2017	
	Pension	OPEB	Pension	OPEB
SERS	$ 1,866,283	$ 660,000	$ 2,185,900	$ 500,000
STRS	2,835,208	-	3,168,557	-
Total	$ 4,701,491	$ 660,000	$ 5,354,457	$ 500,000

Note 16 - Cost-sharing Defined Benefit Pensions Plans (Continued)

Benefits Provided

<u>STRS</u>

Plan benefits are established under Chapter 3307 of the ORC, as amended by Substitute Senate Bill 342 in 2012, which gives the Retirement Board the authority to make future adjustments to the member contribution rate, retirement age and service requirements, and the COLA as the need or opportunity arises, depending on the retirement system’s funding progress.

Any member may retire who has (1) five years of service credit and attained age 60; (2) 25 years of service credit and attained age 55; or (3) 30 years of service credit regardless of age. Beginning August 1, 2015, eligibility requirements for an unreduced benefit changed. The maximum annual retirement allowance, payable for life, considers years of credited service and final average salary (three to five years), multiplying by a factor ranging from 2.2 percent to 2.6 percent with 0.1 percent incremental increases for years greater than 30-31, depending on retirement age.

A defined benefit plan or combined plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing individual’s ability to perform regular job duties for at least 12 months) may receive a disability benefit. Additionally, 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 10 years of qualifying service credit to apply for disability benefits.

A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the plan. Death benefit coverage up to $2,000 can be purchased by participants in all three of the plans. Various other benefits are available to members’ beneficiaries.

STRS Ohio provides access to healthcare coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the ORC, the State Teachers Retirement Board (the "Board") has discretionary authority over how much, if any, of the healthcare costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the healthcare cost in the form of a monthly premium.

<u>SERS</u>

Plan benefits are established under Chapter 3309 of the ORC, as amended by Substitute Senate Bill 341 in 2012. The requirements to retire depend on years of service (5 to 40 years) and on attaining the age of 60 to 67 (one group does not have an age requirement), depending on when the employee became a member. Member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 2.2 percent to 2.5 percent. Members also covered by STRS, STRS, Ohio Police and Fire, or Ohio State Highway Patrol have separate considerations in how the benefits are determined.

The Death Benefit Fund pays $1,000 to a designated beneficiary of a deceased retiree or disability benefit recipient, as allowed under ORC Section 3309.50.

SERS administers two postemployment benefit plans:

Medicare Part B Plan - The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries. 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.

Note 16 - Cost-sharing Defined Benefit Pensions Plans (Continued)

Health Care Plan - SERS offers healthcare 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.

Net Pension Liability, Deferrals, and Pension Expense

At June 30, 2018 and 2017, the College reported a liability for its proportionate share of the net pension liability of STRS and SERS. For June 30, 2018, the net pension liability was measured as of June 30, 2017 for SERS and July 1, 2017 for STRS. For June 30, 2017, the net pension liability was measured as of June 30, 2016 for SERS and July 1, 2016 for STRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

		Net Pension Liability		Proportionate Share		
	Measurement Date	2018	2017	2018	2017	Percent Change
SERS	June 30	$ 31,415,472	$ 36,195,370	0.52580%	0.49543%	.03037%
STRS	July 1	48,019,797	70,759,678	0.20214%	0.21086%	(.00871)%

For the years ended June 30, 2018 and 2017, the College recognized pension expense of $(25,571,863) and $5,805,149, respectively. At June 30, 2018 and 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 3,203,072	$ (387,021)	$ 3,367,351	$ -
Changes in assumptions	12,030,373	-	2,416,239	-
Net difference between projected and actual earnings on pension plan investments	-	(1,939,047)	8,726,283	-
Changes in proportion and differences between college contribution and proportionate share of contributions	1,679,819	(10,124,527)	-	(11,171,000)
College contributions subsequent to the measurement date	4,862,364	-	5,354,557	-
Total	$ 21,775,628	$ (12,450,595)	$ 19,864,430	$ (11,171,000)

Note 16 - Cost-sharing Defined Benefit Pensions Plans (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2019	$ (170,351)
2020	3,120,602
2021	1,917,095
2022	(404,677)
Total	$ 4,462,669

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2019).

Net OPEB Liability, Deferrals, and OPEB Expense

At June 30, 2018, the College reported a liability for its proportionate share of the net OPEB liability of STRS and SERS. For June 30, 2018, the net OPEB liability was measured as of June 30, 2017 for SERS and STRS. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of those dates. The College's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

	Measurement Date	Net OPEB Liability 2018	Proportionate Share 2018
SERS	June 30	$ (13,067,165)	.52580140%
STRS	June 30	(7,886,922)	.20214424%

For the year ended June 30, 2018, the College recognized OPEB expense of $(2,643,356). At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 455,281	$ -
Changes of assumptions	-	1,875,324
Net difference between projected and actual earnings on pension plan investments	-	371,613
Changes in proportion and differences between college contributions and proportionate share of contributions	539,870	-
College contributions subsequent to the measurement date	660,000	-
Total	$ 1,655,151	$ 2,246,937

Note 16 - Cost-sharing Defined Benefit Pensions Plans (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending	Amount
2019	$ (376,582)
2020	(376,582)
2021	(315,700)
2022	(122,909)
2023	(30,006)
Thereafter	(30,007)
Total	$ (1,251,786)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net OPEB liability in the next year (2019).

Actuarial Assumptions

The total pension liability and OPEB liability are based on the results of an actuarial valuation and were determined using the following actuarial assumptions for 2017, applied to all periods included in the measurement on June 30, 2018:

	As of June 30, 2017 SERS	As of July 1, 2017 STRS
Valuation date - Pension	June 30, 2017	July 1, 2017
Valuation date - OPEB	June 30, 2017	June 30, 2017
Cost of living	2.5 percent	None
Salary increases, including inflation	3.5 - 18.2 percent	2.5 - 12.5 percent
Inflation	3.00 percent	2.50 percent
Investment rate of return - Pension	7.50 percent - Net of investment expense, including inflation	7.45 percent - Net of investment expense
Investment rate of return - OPEB	5.25 percent - Net of investment expense, including inflation	4.51 percent - Net of investment expense, including inflation
Healthcare cost trend rates	5.50 - 5.00 percent Medicare by 2022	6.00 - 11 percent initial, 4.50 percent ultimate
Experience study date	Period of five years ended June 30, 2015	Period of five years ended June 30, 2016
Mortality rates	RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates used. Special mortality used for the period after disability retirement.	RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016

Note 16 - Cost-sharing Defined Benefit Pensions Plans (Continued)

The following are actuarial assumptions for 2016 applied to all periods included in the measurement on June 30, 2017:

	As of June 30, 2016	As of July 1, 2016
	SERS	STRS
Valuation date	June 30, 2016	July 1, 2016
Actuarial cost method	Entry age normal	Entry age normal
Cost of living	3.0 percent	2.0 percent
Salary increase, including inflation	3.5 - 18.2 percent	2.75 - 12.25 percent
Inflation	3.0 percent	2.75 percent
Experience study date	Period of five years ended June 30, 2015	Period of five years ended July 1, 2012
Mortality basis	RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates used. Special mortality tables are used for the period after disability retirement	RP-20000 Combined Mortality Table (Projection 2022-Scale AA)

Discount Rate

The discount rates used to measure the total pension liabilities at June 30, 2018 were 7.45 percent and 7.50 percent for STRS and SERS, respectively. The discount rate used to measure the total pension liabilities at June 30, 2017 were 7.75 percent and 7.50 percent for STRS and SERS, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rates used to measure the total OPEB liabilities at June 30, 2018 were 4.13 percent and 3.63 percent for STRS and SERS, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments for current active and inactive employees for STRS and SERS. Therefore, a blended rate was used, which consisted of the long-term expected rate of return on OPEB plan investments for the funded benefit payments and a 20-year municipal bond rate applied to the unfunded benefit payment period to determine the total OPEB liability.

Note 16 - Cost-sharing Defined Benefit Pensions Plans (Continued)

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic (geometric for STRS) real rates of return for each major asset class are summarized in the following table as of the dates listed below:

	STRS - As of July 1, 2017	
Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	28.00%	5.10%
International equity	23.00%	5.30%
Alternatives	17.00%	4.84%
Fixed income	21.00%	0.75%
Real estate	10.00%	3.75%
Liquidity reserves	1.00%	0.00%

	SERS - As of June 30, 2017	
Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Cash	1.00%	0.50%
U.S. stocks	22.50%	4.75%
Non-U.S. stocks	22.50%	7.00%
Fixed income	19.00%	1.50%
Private equity	10.00%	8.00%
Real assets	15.00%	5.00%
Multiasset strategies	15.00%	3.00%

	STRS - As of July 1, 2016	
Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	31.00%	5.50%
International equity	26.00%	5.35%
Alternatives	14.00%	5.50%
Fixed income	18.00%	1.25%
Real estate	10.00%	4.25%
Liquidity reserves	1.00%	0.50%

	SERS - As of June 30, 2016	
Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Cash	1.00%	0.50%
U.S. stocks	22.50%	4.75%
Non-U.S. stocks	22.50%	7.00%
Fixed income	19.00%	1.50%
Private equity	10.00%	8.00%
Real assets	15.00%	5.00%
Multiasset strategies	10.00%	3.00%

Note 16 - Cost-sharing Defined Benefit Pensions Plans (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the College, calculated using the discount rate listed below, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate for the years ended June 30, 2018 and 2017, respectively:

	1.00 Percent Increase		Current Discount Rate		1.00 Percent Increase	
SERS	6.50%	$ 43,596,511	7.50%	$ 31,415,472	8.50%	$ 21,211,367
STRS	6.45%	68,834,746	7.45%	48,019,797	8.45%	30,486,324
Total		$ 112,431,257		$ 79,435,269		$ 51,697,691

	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
SERS	6.50%	$ 47,920,414	7.50%	$ 36,195,370	8.50%	$ 26,381,020
STRS	6.75%	93,794,657	7.75%	70,579,678	8.75%	50,996,475
Total		$ 141,715,071		$ 106,775,048		$ 77,377,495

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the College, calculated using the discount rate listed below, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate for the year ended June 30, 2018:

	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
SERS	2.63%	$ 15,780,266	3.63%	$ 13,067,165	4.63%	$ 10,917,697
STRS	3.13%	10,588,067	4.13%	7,886,922	5.13%	5,752,136
Total		$ 26,368,333		$ 20,954,087		$ 16,669,833

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the College, calculated using the healthcare cost trend rate listed below, as well as what the College's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate for the year ended June 30, 2018:

	1.00 Percent Decrease	Current Trend Rate	1.00 Percent Increase
SERS	$ 15,780,266	$ 13,067,165	$ 10,917,697
STRS	10,588,067	7,886,922	5,752,136
Total	$ 26,368,333	$ 20,954,087	$ 16,669,833

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued STRS and SERS financial report.

Note 16 - Cost-sharing Defined Benefit Pensions Plans (Continued)

Assumption Changes

During the current measurement period, the STRS board adopted certain assumption changes, which impacted the annual actuarial valuations prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent.

Note 17 - Prior Period Adjustment

The College identified three invoices payable in the amount of $2,606,105 for services performed during the fiscal year ended June 30, 2017. The invoices were not recorded in accrued liabilities or accounts payable at June 30, 2017. The College has acknowledged receipt of the invoices, but has not paid the vendor. The College is disputing the amounts owed to the vendor.

As a result, the accompanying financial statements for 2017 have been restated to correct the following matter. The effect of the restatement was to increase accounts payable and expenses by $2,606,105 during 2017. Net position at the beginning of the year has been adjusted for the effect of the restatement on prior year as follows:

Net position - Beginning of year, as previously reported	$ (35,430,204)
Record invoices	(2,606,105)
Net position - Beginning of year, as restated	$ (38,036,309)

Accounts payable at June 30, 2017 have been adjusted for the effect of the restatement on prior year as follows:

Accounts payable, as previously reported	$ 1,428,995
Record invoices	2,606,105
Accounts payable, as restated	$ 4,035,100

Institutional support for the year ended June 30, 2017 has been adjusted for the effect of the restatement on prior year as follows:

Institutional support, as previously reported	$ 16,274,806
Record invoices	2,606,105
Institutional support, as restated	$ 18,880,911

Required Supplemental Information

Year Ended June 30, 2018

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

	2018	2017	2016	2015
College's proportion of the collective STRS net pension liability:				
As a percentage	0.20214%	0.21086%	0.23633%	0.25507%
Amount	$ 48,019,797	$ 70,579,678	$ 65,314,417	$ 62,041,175
College's covered-employee payroll	$ 20,251,484	$ 21,011,026	$ 21,959,793	$ 25,221,804
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered-employee payroll	237.12%	335.92%	297.43%	245.98%
STRS fiduciary net position as a percentage of the total pension liability	75.29%	66.78%	72.09%	74.71%

Schedule of College's Contributions - STRS

	2018	2017	2016	2015
Statutorily required contribution	$ 3,111,259	$ 3,106,046	$ 3,451,976	$ 3,648,515
Contributions in relation to the actuarially determined contractually required contribution	$ 2,996,081	$ 3,168,657	$ 3,264,646	$ 3,395,926
Contribution deficiency (excess)	$ 115,178	$ (62,611)	$ 187,330	$ 252,589
Covered employee payroll	$ 20,251,484	$ 21,011,026	$ 21,959,793	$ 25,221,804
Contributions as a percentage of covered employee payroll	14.79%	15.08%	14.87%	13.46%

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

	2018	2017	2016	2015
College's proportion of the collective SERS net pension liability:				
As a percentage	0.52580%	0.49453%	0.53158%	0.55248%
Amount	$ 31,415,472	$ 36,195,370	$ 30,332,704	$ 27,960,496
College's covered-employee payroll	$ 13,330,898	$ 14,835,752	$ 15,350,046	$ 16,003,028
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered-employee payroll	235.66%	243.97%	197.61%	174.72%
SERS fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%

Schedule of College's Contributions - SERS

	2018	2017	2016	2015
Statutorily required contribution	$ 2,468,019	$ 2,150,177	$ 2,240,484	$ 2,247,542
Contributions in relation to the actuarially determined contractually required contribution	$ 1,866,283	$ 2,185,900	$ 2,372,568	$ 2,242,817
Contribution deficiency (excess)	$ 601,736	$ (35,723)	$ (132,084)	$ 4,725
Covered employee payroll	$ 13,330,898	$ 14,835,752	$ 15,350,046	$ 16,003,028
Contributions as a percentage of covered employee payroll	14.00%	14.73%	15.46%	14.01%

Year Ended June 30, 2018

Schedule of College's Proportionate Share of the Net OPEB Liability - STRS

	2018
College's proportion of the collective STRS net OPEB liability:	
As a percentage	0.20214%
Amount	$ 7,886,922
College's covered-employee payroll	$ 20,251,484
College's proportionate share of the collective OPEB liability (amount), as a percentage of the College's covered-employee payroll	38.94%
STRS fiduciary net position as a percentage of the total OPEB liability	47.11%

Schedule of College's Contributions - STRS

	2018
Statutorily required contribution	$ -
Contributions in relation to the actuarially determined contractually required contribution	$ -
Contribution (excess) deficiency	$ -
Covered employee payroll	$ 20,251,484
Contributions as a percentage of covered employee payroll	0.00%

Schedule of College's Proportionate Share of the Net OPEB Liability - SERS

	2018
College's proportion of the collective SERS net OPEB liability:	
As a percentage	0.52580%
Amount	$ 13,067,165
College's covered-employee payroll	$ 13,330,898
College's proportionate share of the collective OPEB liability (amount), as a percentage of the College's covered-employee payroll	98.02%
SERS fiduciary net position as a percentage of the total OPEB liability	12.46%

Schedule of College's Contributions - SERS

	2018
Statutorily required contribution	$ 2,517,542
Contributions in relation to the actuarially determined contractually required contribution	$ 660,000
Contribution deficiency	$ 1,857,542
Covered employee payroll	$ 13,330,898
Contributions as a percentage of covered employee payroll	4.95%

Net Pension Liability

Changes of Benefit Terms – There were no changes in benefit terms affecting the STRS and SERS plans for the plan years ended June 30, 2017.

Changes of Assumptions – There were no changes in assumptions affecting the STRS and SERS plans for the plan years ended June 30, 2017.

Net OPEB Liability

Changes of Benefit Terms – There were no changes in benefit terms affecting the STRS and SERS plans for the plan years ended June 30, 2017.

Changes of Assumptions (SERS) – During the plan year ended June 30, 2016, there were changes to several assumptions for SERS. The wage inflation dropped from 3.75 percent to 3.25 percent. The projected salary increase range changed from 4.25-10.05 percent to 3.50-18.20 percent. The mortality tables used changed from RP-2000 to RP-2014.

During the plan year ended June 30, 2017, the cost-of-living adjustment dropped from 3.00 percent to 2.50 percent.

Changes of Assumptions (STRS) – During the plan year ended June 30, 2017, there were changes to several assumptions for STRS. The cost-of-living adjustment dropped from 2.00 percent to 0.00 percent. The wage inflation dropped from 2.75 percent to 2.50 percent. The investment rate of return decreased from 7.75 percent to 7.45 percent. The mortality tables used changed from RP-2000 to RP-2014.

Supplemental Information

This page intentionally left blank.

plante moran

Plante & Moran, PLLC
Suite 200
537 E. Pete Rose Way
Cincinnati, OH 45202-3578
Tel: 513.595.8800
Fax: 513.595.8806
plantemoran.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Trustees
Cincinnati State Technical and Community College

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cincinnati State Technical and Community College (the "College") and its discretely presented component unit as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 12, 2018. These financial statements are reported as a component unit of the State of Ohio.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2018-001, that we consider to be a material weakness.

Compliance and Other Matters

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

The College's Response to the Finding

The College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

To Management and the Board of Trustees
Cincinnati State Technical and Community College

Purpose of this Report

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

Plante & Moran, PLLC

October 12, 2018

Plante & Moran, PLLC
Suite 200
537 E. Pete Rose Way
Cincinnati, OH 45202-3578
Tel: 513.595.8800
Fax: 513.595.8806
plantemoran.com

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Trustees
Cincinnati State Technical and Community College

Report on Compliance for Each Major Federal Program

We have audited Cincinnati State Technical and Community College's (the "College") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2018. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above.

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

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the College's compliance.

Basis for Qualified Opinion on TRIO Cluster

As described in Finding 2018-003 in the accompanying schedule of findings and questioned costs, the College did not comply with requirements regarding the following:

Finding #	CFDA#	Program (or Cluster) Name	Compliance Requirement
2018-003	84.047	TRIO Cluster - Upward Bound	(1) Earmarking and matching (2) Special tests and provisions

Compliance with such requirements is necessary, in our opinion, for the College to comply with the requirements applicable to that program.

Qualified Opinion on TRIO Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the TRIO Cluster for the year ended June 30, 2018.

To the Board of Trustees
Cincinnati State Technical and Community College

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters

The College's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2018-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2018-002 to be a significant deficiency.

The College's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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

Plante & Moran, PLLC

October 12, 2018

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Federal Grant/Program Title	Federal CDFA	Pass-through Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
CLUSTERS:				
STUDENT FINANCIAL ASSISTANCE CLUSTER -				
Department of Education:				
Federal Supplemental Educational Opportunity	84.007	N/A	$ -	$ 477,706
Federal Work-Study Program	84.033	N/A	-	195,307
Federal Pell Grant Program	84.063	N/A	-	8,573,106
Federal Direct Student Loans	84.268	N/A	-	16,107,480
Total Student Financial Assistance Cluster			-	25,353,599
RESEARCH AND DEVELOPMENT CLUSTER -				
National Science Foundation:				
Passed through Ohio State University -				
Midwest Photonics Education Center	47.076	60042097-CSTCC	-	40,018
Passed through Indian Hills Community College -				
Louis Stokes Alliance for Minority Participation	47.076	20-3-9557-44	-	18,995
Passed through University of Cincinnati -				
Expert Clinically-Based Teacher Educators	47.076	010186-003	-	20,987
Total Research and Development Cluster			-	80,000
TRIO CLUSTER:				
TRIO Student Support Services	84.042A	N/A	-	297,869
TRIO Upward Bound Traditional	84.047A	N/A	-	157,957
TRIO Educational Opportunity Centers	84.066	N/A	-	239,671
TRIO Upward Bound Veterans	84.047V	N/A	-	205,163
Total TRIO Cluster			-	900,660
MEDICAID CLUSTER -				
Department of Health and Human Services				
Passed through Wright State University -				
MEDTAPP Scholarship	93.778	G-1415-07-0060	-	8,000
OTHER PROGRAMS:				
DEPARTMENT OF LABOR:				
Passed through Lorain County Community College -				
Trade Adjustment Assistance Community College and Career Training Grants Program	17.282	TC-26435-14-60-A-39	-	302,245
Trade Adjustment Assistance Community College and Career Training Grants Program	17.282	N/A	-	1,164,285
Total Department of Labor			-	1,466,530
DEPARTMENT OF AGRICULTURE -				
Ohio USDA Child Nutrition Program	10.558	N/A	-	2,389
DEPARTMENT OF EDUCATION:				
Career and Technical Education - Basic Grants to States	84.048	N/A	-	245,566
Passed through University of Cincinnati -				
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334A	P000-030-J617	-	3,200
Total Department of Education			-	248,766
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION -				
Passed through Ohio Aerospace Institute -				
Ohio Space Grant Consortium	43.008	NNX14AR49A	-	7,692
DEPARTMENT OF HEALTH AND HUMAN SERVICES -				
Passed through the Chafee Education and Training Vouchers Program (ETV) -				
Education Training Voucher Program Foster Care	93.599	G-89-06-1215	-	8,018
DEPARTMENT OF DEFENSE -				
Passed through the American Lightweight Materials Manufacturing Innovation Institute -				
LIFT GRANT	11.611	N00014-14-2-0002	-	150,278
Total federal awards			**$ -**	**$ 28,225,932**

See notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Year End June 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Cincinnati State Technical and Community College (the "College") under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, in the fiscal year ended June 30, 2018, the College carried forward $29,749 of Federal Supplemental Education Opportunity Grant (FSEOG) program fund (84.007) of 2016-2017 funds to be spent in 2017-2018. The College also carried forward $35,162 of Federal Work Study program (84.033) 2017-2018 funds to be spent in 2018-2019.

During the year ended June 30, 2018, the College transferred $10,742 of the 2017-2018 Federal Work Study program (84.003) award to FSEOG program (84.007).

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	X Yes	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes	X None reported
Noncompliance material to financial statements noted?	Yes	X None reported

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	X Yes	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	X Yes	None reported
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	X Yes	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster	Unmodified
84.042, 84.047, 84.066	TRIO Cluster	Qualified
17.282	Trade Adjustment Assistance Community College and Career Training Grants Program	Unmodified

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

Section II - Financial Statement Audit Findings

Reference Number	Finding
2018-001	**Finding Type** - Material weakness

Criteria - The College should have a process in place to identify, review, and record all payables due at year end.

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

Context - During preparation for the audit, the College identified invoices in the amount of approximately $2.6 million payable to a third party at June 30, 2017 that were not recorded in the financial statements at that date. These invoices were subsequently recorded as a prior period adjustment in the June 30, 2018 financial statements.

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

Effect - The lack of policies and procedures to record invoices due to a third party could lead to a misstatement in the financial statements.

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

Views of Responsible Officials - The weakness cited was a result of invoices that were directed to one person who withheld them from identification and review with respect to proper recording on the College's books and records. To ensure that all obligations of the College are recorded at period end, the College has taken corrective action with regards to both its contracting policies and accounts payable policies. Ohio Revised Code requires a Treasurer's Certification for each expenditure of funds. To mitigate the possibility of one person obligating the College, the College has segregated contracting responsibilities with dual signing policies and a lower board approval threshold. Dual signatures are required for contracting from either the vice president administration or college president in addition to the Treasurer's Certification. Board of trustees approval is also required for any contract exceeding $50,000 in annual expenditure. These two policies distribute authority and increase oversight, improving the controls over obligations of the College and policies related to obligations of the College. In addition to segregation of contracting, policies requiring all invoices are required to be sent directly to the accounts payable from the vendor and are required to be have a purchase order or blanket purchase order have been implemented. The accounts payable policies mitigate the risk of invoices being sent to directly individuals or departments where such invoices could intentionally or unintentionally omitted from being recorded at period end.

Section III - Federal Program Audit Findings

Reference Number	Finding
2018-002	**CFDA Number, Federal Agency, and Program Name** - Student Financial Assistance Cluster: Federal Pell Grant Program - CDFA #84.063

Federal Award Identification Number and Year - N/A

Pass-through Entity - None

Finding Type - Significant deficiency

Repeat Finding - No

Criteria - When a recipient of the Pell Grant is eligible to receive aid, the College must determine the amount of Pell the recipient is eligible for using the Pell Payment Schedule. The significant inputs into the calculation are expected family contribution and cost of attendance. (34 CFR 690.61-69)

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

Questioned Costs - Known total questioned costs amount to $366.

Identification of How Questioned Costs Were Computed - Total questioned costs calculated based on the information included on the ISIR and Pell disbursement table to determine the correct Pell award amount compared to the actual amount awarded.

Context - Out of 25 students selected for testing, one student's Pell calculation was incorrect.

Cause and Effect - The College was completing the Pell calculation; however, the calculation did not accurately capture the correct inputs and, therefore, the total amount disbursed was greater than what it should have been.

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

Views of Responsible Officials - The Office of Financial Aid modified a rule in the packaging/awarding definition that extracts all previously packaged/awarded students. The previously packaged/awarded students are excluded from the automatic packaging process. New students are processed through the automated packaging process. Previously packaged students are sent through the packaging process in nonupdate mode. The nonupdate mode creates a report that is manually evaluated for changes to Pell Grant awards. Upon review of report, if necessary, Pell Grant adjustments are updated. The report is then forwarded for a secondary manual review of all students and updates. The Office of Financial Aid will create a report to compare the Pell Grant awarded amounts against the Pell Grant entitlement amount as reported on the Institutional Student Information Record (ISIR). Discrepancies from this report will be reviewed, and any required adjustments made to the Pell awarded amount.

Reference Number	Finding

2018-003 **CFDA Number, Federal Agency, and Program Name** - TRIO Cluster - Upward Bound - CDFA #84.047V

Federal Award Identification Number and Year - P047V120065 - 2016/2017 and 2017/2018

Pass-through Entity - None

Finding Type - Material weakness and material noncompliance with laws and regulations

Repeat Finding - Yes

2017-004

Criteria - Not less than two-thirds of the project's participants must be low-income individuals who are potential first-generation college students. The remaining participants must be either low-income individuals or potential first-generation college students or individuals who have a high risk of academic failure (34 CFR section 645.21 and 645.6). Also, the program is designed and funded to serve 125 participants.

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

Questioned Costs - For program year 2016-2017, questioned costs of $135,108 were identified based on the filed annual performance report. For program year 2017-2018, estimated questioned costs were $126,336 based on anticipated shortfall in program participants.

Identification of How Questioned Costs Were Computed - For each program year, the total expenditures for the grant was divided equally to each of the 125 participants the program was designed to serve. This expenditure amount per participant was the multiplied by the number of participants that the College did not serve (difference between 125 and actual number of participants served each program year).

Context - The listing of all students receiving benefits from the Upward Bound - Veterans program was reviewed. The students were coded as (1) low-income and first-generation, (2) low-income only, (3) first-generation only, (4) high-risk for academic failure only, (5) low-income and at high risk for academic failure, (6) first generation and at high risk for academic failure, (7) low-income, first generation, and at high risk for academic failure, or (0) unknown. The submitted reports were completed from this information.

Cause and Effect - Participant data appears to be tracked adequately and maintained; however, it appears controls do not exist to ensure that the program has the appropriate required mix and number of participants.

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

Reference Number	Finding
2018-003 (continued)	**Views of Responsible Officials** - Veteran's Upward Bound program, which fell below the two-thirds threshold for consecutive fiscal years, was discontinued during fiscal year 2018. The College attempted to meet requirements for the program, but once program requirements were not met during fiscal year 2018, the College proactively engaged the U.S. Department of Education and mutually agreed to discontinue the program. The cessation notice was sent to the U.S. Department of Education on June 20, 2018 following multiple conversations with the appropriate program managers at the U.S. Department of Education. The grant was formally closed as of June 30, 2018.

This page intentionally left blank.

Dave Yost • Auditor of State

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 11, 2018

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov