



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

---

TERRA COMMUNITY COLLEGE  
SANDUSKY COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2017  
Fiscal Year Audited Under GAGAS: 2017

---

One East Campus View Blvd. Suite 300 • Columbus, OH 43235 • (614) 389-5775 • FAX (614) 467-3920  
PO Box 875 • 129 Pinckney Street • Circleville, OH 43113 • (740) 474-5210 • FAX (740) 474-7319  
PO Box 687 • 528 S. West Street • Piketon, OH 45661 • (740) 289-4131 • FAX (740) 289-3639

[www.bhmcpagroup.com](http://www.bhmcpagroup.com)





# Dave Yost • Auditor of State

Board of Trustees  
Terra Community College  
2830 Napoleon Road  
Fremont, OH 43420-9670

We have reviewed the *Independent Auditor's Report* of the Terra Community College, Sandusky County, prepared by BHM CPA Group, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

January 3, 2018

**This page intentionally left blank.**

TERRA COMMUNITY COLLEGE  
YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

| <u>TITLE</u>   | <u>PAGE</u> |
|--|-------------|
| Independent Auditor's Report .....   | 1           |
| Management's Discussion and Analysis .....   | 4           |
| Financial Statements:  |             |
| Statement of Net Position - Terra Community College .....  | 14          |
| Statement of Financial Position - Foundation .....   | 15          |
| Statement of Revenues, Expenses, and Changes in Net Position -<br>Terra Community College .....                                  | 16          |
| Statement of Activities - Foundation .....   | 17          |
| Statement of Cash Flows - Terra Community College.....   | 19          |
| Statement of Cash Flows - Foundation.....  | 20          |
| Notes to the Financial Statements.....   | 21          |
| Required Supplementary Information:  |             |
| Schedule of the College's Proportionate Share of the<br>Net Pension Liability - School Employees Retirement System of Ohio ..... | 44          |
| Schedule of the College's Proportionate Share of the<br>Net Pension Liability - State Teachers Retirement System of Ohio .....   | 45          |
| Schedule of the College Contributions - School<br>Employees Retirement System of Ohio.....                                       | 46          |
| Schedule of the College Contributions - State<br>Teachers Retirement System of Ohio .....  | 48          |
| Schedule of Federal Awards Revenues and Expenses.....  | 50          |
| Notes to the Schedule of Federal Awards Revenues and Expenses .....  | 51          |

TERRA COMMUNITY COLLEGE  
YEAR ENDED JUNE 30, 2017  
TABLE OF CONTENTS  
Continued

| TITLE   | PAGE |
|---|------|
| Report on Internal Control over Financial Reporting and on Compliance and Other<br>Matters Required by <i>Government Auditing Standards</i> .....                   | 52   |
| Report on Compliance with Requirements Applicable to the Major Federal Program<br>and on Internal Control over Compliance Required by <i>Uniform Guidance</i> ..... | 54   |
| Schedule of Findings.....   | 56   |



## **Independent Auditor's Report**

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Terra Community College, Sandusky County, Ohio (the College), which is a component unit of the state of Ohio, as of and for the years ended June 30, 2017, and 2016 and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Terra Community College, Sandusky County, Ohio as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2017, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



BHM CPA Group Inc.  
Columbus, Ohio  
October 13, 2017

TERRA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017 and 2016

---

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of Terra Community College's financial statements provides an overview of the College's financial activities for the year ended June 30, 2017 with selected comparative information for the years ending June 30, 2016 and 2015. Responsibility for the completeness and fairness of this information rests with the College and should be read in conjunction with the accompanying financial statements and notes.

**Using the Annual Report**

The following activities are included in the financial statements:

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

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

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

**Financial Highlights**

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

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

---

TERRA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017 and 2016

---

**Condensed Financial Information**

**Statement of Net Position**

(in thousands)

|                                   | <u>2017</u>      | <u>2016</u>      | 2015             |
|-----------------------------------|------------------|------------------|------------------|
| <b>Assets</b>                     |                  |                  |                  |
| Current assets                    | \$ 4,253         | \$ 5,856         | \$ 5,727         |
| Capital assets, net               | 29,971           | 30,843           | 30,702           |
| Other noncurrent assets           | <u>1,046</u>     | <u>976</u>       | <u>1,963</u>     |
| Total assets                      | <u>35,270</u>    | <u>37,675</u>    | <u>38,392</u>    |
| Deferred outflows of resources    | <u>4,720</u>     | <u>1,878</u>     | <u>1,366</u>     |
| Total assets & defer outflows     | <u>\$ 39,990</u> | <u>\$ 39,554</u> | <u>\$ 39,758</u> |
| <b>Liabilities</b>                |                  |                  |                  |
| Current liabilities               | 1,264            | 1,842            | 1,936            |
| Noncurrent liabilities            | <u>29,345</u>    | <u>25,794</u>    | <u>25,460</u>    |
| Total liabilities                 | <u>30,609</u>    | <u>27,636</u>    | <u>27,396</u>    |
| Deferred inflows of resources     | <u>2,526</u>     | <u>3,551</u>     | <u>3,551</u>     |
| Total liabilities & defer inflows | <u>33,135</u>    | <u>31,187</u>    | <u>30,947</u>    |
| <b>Net position</b>               |                  |                  |                  |
| Net investment in capital assets  | 24,585           | 25,725           | 25,512           |
| Restricted                        |                  |                  |                  |
| Expendable                        | 99               | 120              | 191              |
| Unrestricted                      | <u>(17,830)</u>  | <u>(17,478)</u>  | <u>(16,892)</u>  |
| Total net position                | <u>\$ 6,854</u>  | <u>\$ 8,367</u>  | <u>\$ 8,811</u>  |

**Assets:** As of June 30, 2017 the College's total assets and deferred outflows of resources amounted to approximately \$40 million. Capital assets, net of depreciation, represented the College's largest asset, totaling \$30.0 million or 75 percent of total assets and deferred outflows of resources. Account and Loan Receivables, totaling \$2.6 million or 6.5 percent of total assets and deferred outflows of resources, were the College's next largest asset. Cash and investments decreased by approximately \$1.7 million in 2017.

As of June 30, 2016 the College's total assets and deferred outflows of resources amounted to approximately \$40 million. Capital assets, net of depreciation, represented the College's largest asset, totaling \$30.8 million or 78 percent of total assets and deferred outflows of resources. Cash and cash equivalents and investments, totaling \$3.9 million or 10 percent of total assets and deferred outflows of resources, were the College's next largest asset. Cash and investments decreased by approximately \$756 thousand in 2016.

TERRA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017 and 2016

---

**Liabilities:** At June 30, 2017 the College's liabilities and deferred inflows of resources totaled approximately \$33 million. Net pension liabilities represented approximately \$23.6 million, or 71 percent, of total liabilities and deferred inflows of resources. Total liabilities and deferred inflows of resources increased \$1.9 million during the year ended June 30, 2017. This was primarily a result of higher net pension liabilities.

At June 30, 2016 the College's liabilities and deferred inflows of resources totaled approximately \$31.2 million. Net pension liabilities represented approximately \$19.9 million, or 64 percent, of total liabilities and deferred inflows of resources. Total liabilities and deferred inflows of resources increased \$240 thousand during the year ended June 30, 2016. This was primarily a result of higher net pension liabilities.

**Net Position:** Net position at June 30, 2017 totaled approximately \$6.9 million or 17 percent of total assets and deferred outflows of resources. Net investment in capital assets totaled \$24.6 million or 359 percent, of total net position. Restricted and unrestricted net position represented 1 percent and (260) percent of total net position, respectively. Total net position decreased by \$1.5 million during the year ended June 30, 2017.

Net position at June 30, 2016 totaled approximately \$8.4 million or 21 percent of total assets and deferred outflows of resources. Net investment in capital assets totaled \$25.7 million or 307 percent, of total net position. Restricted and unrestricted net position represented 1 percent and (208) percent of total net position, respectively. Total net position decreased by \$444 thousand during the year ended June 30, 2016.

TERRA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017 and 2016

---

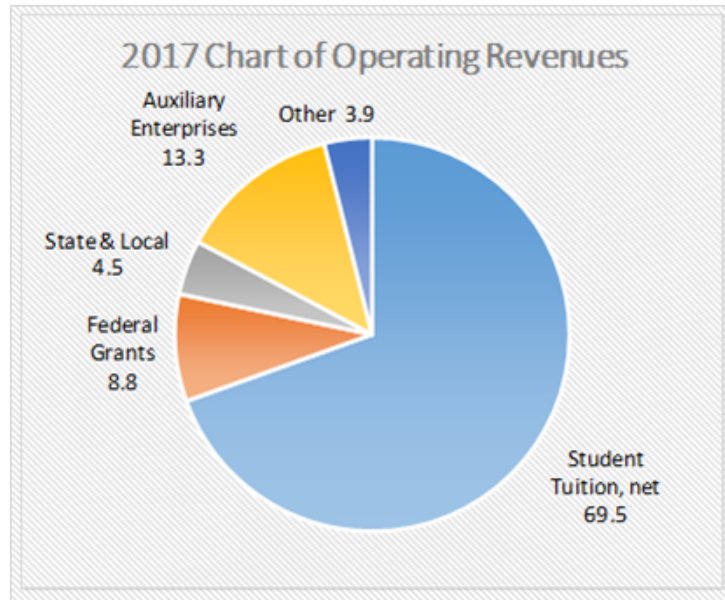
**Statement of Revenues, Expenses and Changes in Net Position**  
(in thousands)

|                                    | <u>2017</u>       | <u>2016</u>     | <u>2015</u>       |
|------------------------------------|-------------------|-----------------|-------------------|
| Operating revenue                  |                   |                 |                   |
| Tuition and fees                   | \$ 4,724          | \$ 4,701        | \$ 4,383          |
| Government grants                  | 905               | 740             | 574               |
| Auxiliary services                 | 902               | 1,400           | 1,449             |
| Other operating revenue            | <u>267</u>        | <u>144</u>      | <u>199</u>        |
| Total operating revenue            | <u>6,798</u>      | <u>6,985</u>    | <u>6,605</u>      |
| Operating expenses                 |                   |                 |                   |
| Educational and general            | 14,482            | 15,660          | 15,599            |
| Auxiliary expenses                 | 1,207             | 1,341           | 1,457             |
| Depreciation                       | <u>1,337</u>      | <u>1,318</u>    | <u>1,190</u>      |
| Total operating expenses           | <u>17,026</u>     | <u>18,319</u>   | <u>18,246</u>     |
| Operating loss                     | (10,228)          | (11,334)        | (11,641)          |
| Nonoperating revenue (expenses)    |                   |                 |                   |
| State appropriations               | 6,452             | 6,491           | 6,279             |
| Federal grants                     | 2,251             | 3,227           | 3,843             |
| Gifts and grants                   | 188               | 127             | 222               |
| Investment income                  | 10                | 27              | 32                |
| Other nonoperating                 | <u>(186)</u>      | <u>(557)</u>    | <u>(249)</u>      |
| Total nonoperating revenue         | <u>8,715</u>      | <u>9,315</u>    | <u>10,127</u>     |
| Capital appropriations             | <u>--</u>         | <u>1,575</u>    | <u>80</u>         |
| Change in net position during year | <u>\$ (1,513)</u> | <u>\$ (444)</u> | <u>\$ (1,434)</u> |

---

TERRA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017 and 2016

---



Total operating revenues were \$6.8 million for the year ended June 30, 2017, \$7.0 million for 2016. The most significant sources of operating revenue for the College are net student tuition and fees (69.5 percent for 2017 and 67.3 percent for 2016), auxiliary enterprise revenue (13.3 percent for 2017 and 20.1 percent for 2016), and federal grants and contracts (8.8 percent for 2017 and 9.2 percent for 2016).

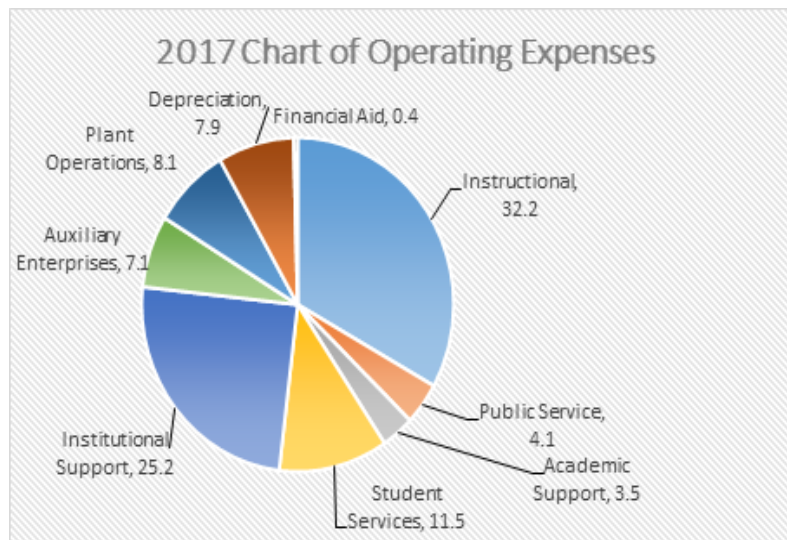
Tuition and fees continued to be the largest source of operating revenues for the College. Gross tuition revenue decreased 16.4% for 2017 and decreased 2.3% for 2016 primarily from fluctuations in enrollment and an increase in College Credit Plus students. The College's full time equivalent (FTE) students for fiscal year 2017 were 1,277 while in fiscal year 2016 the total was 1,410 and for fiscal year 2015 the total was 1,385. Over the past five years, the annual FTE average has been approximately 1,531. Auxiliary enterprises revenue from the College bookstore decreased 35.6% from 2016 corresponding with the enrollment decline. In 2017 state grant revenue increased to approximately 4.5% of operating revenues.

State appropriations, which is considered nonoperating revenue as defined by GASB 35, is a significant recurring source of revenue essential to the operation of the College. The College's state appropriation for the year ended June 30, 2017, amounted to \$6.5 million. This represents a decrease of \$38 thousand or 0.6% from the College's appropriation for the prior year. In 2016, the appropriation increased \$211 thousand or 3.4% from the College's appropriation for the prior year.

---

TERRA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017 and 2016

---



Operating expenses, including \$1.3 million of depreciation, totaled approximately \$17 million as compared to \$18.3 million in 2016 and \$18.2 million in 2015. The majority of the College's operating funds are expended directly for the primary mission of the College - instruction (32.2 percent), institutional support (25.2 percent) and auxiliary enterprises (7.1 percent). This combined 64.5 percent compares with 64.1 percent in 2016 and 65.8 percent in 2015.

Total operating expenses decreased 7.0% from 2016 with institutional support expenses decreasing \$502 thousand. A College-wide software conversion had resulted in an increase in institutional support costs for 2016. Total operating expenses had increased .4% from 2015 to 2016.

For the year ended June 30, 2017, student financial aid related to tuition and fees totaled \$2.3 million, including scholarship allowance of \$2.2 million and student aid expense of \$71 thousand. In 2017 student financial aid decreased by 38.0% in total from the prior year. For the year ended 2016 student financial aid was \$3.7 million as compared to \$4.2 million in 2015.

TERRA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017 and 2016

---

**Statement of Cash Flows**

(in thousands)

|  | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|
| Net cash provided (used) by:             |             |             |             |
| Operating activities                     | \$ (9,823)  | \$ (10,106) | \$ (11,348) |
| Noncapital financing activities          | 8,891       | 9,845       | 10,344      |
| Capital and related financing activities | (734)       | (522)       | (2,354)     |
| Investing activities                     | 286         | 564         | 3,480       |
| Net increase/(decrease) in cash          | (1,380)     | (219)       | 122         |
| Cash-beginning of year                   | 1,604       | 1,823       | 1,701       |
| Cash-end of year                         | \$ 224      | \$ 1,604    | \$ 1,823    |

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

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

Major sources of funds included in operating activities are student tuition and fees (\$4.6 million) and auxiliary enterprises (\$902 thousand). The largest cash payments for operating activities were to employees, for wages and benefits, (\$11.1 million) and to suppliers (\$5.3 million).

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

**Capital Assets**

Capital assets, net of accumulated depreciation, totaled approximately \$30.0 million at June 30, 2017, a net decrease of \$872 thousand over the prior year-end. Additions to capital assets during the year totaled \$465 thousand as a result of new campus signage and upgrades to data cabling in several buildings. For more information on capital assets, see Note 4.

---



TERRA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017 and 2016

---

### **Long-Term Debt**

Long-term debt totaled approximately \$5.5 million at June 30, 2017, a decrease of \$130 thousand over the prior year-end. For more information on long-term debt, see Note 7.

### **Net Pension Liability**

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

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

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

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" - that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the College is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is

---

TERRA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017 and 2016

---

limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

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

### **Factors impacting future periods**

The economic position of Terra Community College is closely tied to that of the State. State Share of Instruction funding for fiscal year 2018 is projected at \$6.4 million which is comparable to the funding received in fiscal year 2017.

Hourly rates will remain the same for the goal oriented tuition program effective spring 2015 which increased tuition for lower credit hours and developed a flat rate between 12 and 18 semester hours. Known expense increases for fiscal year 2018 include a 1.5% salary increase for both union staff and faculty. Employee health insurance plans will continue with a fully funded consortium plan which was effective on October 1, 2016, with plan premiums decreasing 9 - 13%.

TERRA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017 and 2016

---

The College experienced a 9.4% decrease in full-time equivalent students from 1,410 FTE in 2016 to 1,277 in 2017. Enrollment for summer term is up over last year while fall is reflecting a decrease over the prior year.

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

TERRA COMMUNITY COLLEGE  
STATEMENT OF NET POSITION  
June 30, 2017 and 2016

| <b>Assets</b>                                       | <b><u>2017</u></b>          | <b><u>2016</u></b>          |
|---|-----------------------------|-----------------------------|
| <b>Current assets</b>                               |                             |                             |
| Cash and cash equivalents                           | \$ 223,745                  | \$ 1,604,226                |
| Short-term investments                              | 968,529                     | 1,312,395                   |
| Intergovernmental receivable                        | 62,898                      | 127,016                     |
| Due from State of Ohio                              | 232,295                     | 608,905                     |
| Loans receivable, net                               | 66,924                      | 65,074                      |
| Other receivables                                   | 2,267,474                   | 1,787,515                   |
| Inventory   | 13,533                      | 246,549                     |
| Other current assets                                | <u>417,636</u>              | <u>104,178</u>              |
| Total current assets                                | <u>4,253,034</u>            | <u>5,855,858</u>            |
| <b>Noncurrent assets</b>                            |                             |                             |
| Investments   | 1,045,532                   | 976,702                     |
| Other Assets  | 259                         | 0                           |
| Capital assets, gross                               | 56,757,088                  | 56,292,532                  |
| Accumulated depreciation                            | <u>(26,786,263)</u>         | <u>(25,449,541)</u>         |
| Capital assets, net                                 | <u>29,970,825</u>           | <u>30,842,991</u>           |
| Total noncurrent assets                             | <u>31,016,616</u>           | <u>31,819,693</u>           |
| Deferred outflows of resources                      | <u>4,719,902</u>            | <u>1,878,480</u>            |
| Total assets and deferred outflows of resources     | <b>\$ <u>39,989,552</u></b> | <b>\$ <u>39,554,031</u></b> |
| <b>Liabilities</b>                                  |                             |                             |
| <b>Current liabilities</b>                          |                             |                             |
| Accounts payable and accrued liabilities            | 694,243                     | 1,130,507                   |
| Unearned revenue                                    | 405,920                     | 485,981                     |
| Long-term debt, current                             | 135,000                     | 130,000                     |
| Compensated absences, current                       | <u>28,607</u>               | <u>95,408</u>               |
| Total current liabilities                           | <u>1,263,770</u>            | <u>1,841,896</u>            |
| <b>Noncurrent liabilities</b>                       |                             |                             |
| Long-term debt, noncurrent                          | 5,400,000                   | 5,535,000                   |
| Compensated absences, noncurrent                    | 354,489                     | 345,664                     |
| Net pension liabilities                             | <u>23,590,430</u>           | <u>19,913,305</u>           |
| Total noncurrent liabilities                        | <u>29,344,919</u>           | <u>25,793,969</u>           |
| Deferred inflows of resources                       | <u>2,526,467</u>            | <u>3,550,769</u>            |
| Total liabilities and deferred inflows of resources | <u>33,135,156</u>           | <u>31,186,634</u>           |
| <b>Net position</b>                                 |                             |                             |
| Net investment in capital assets                    | 24,584,949                  | 25,724,635                  |
| Expendable  |                             |                             |
| Other   | 40,329                      | 64,110                      |
| Capital projects                                    | 58,863                      | 57,129                      |
| Unrestricted  | <u>(17,829,745)</u>         | <u>(17,478,477)</u>         |
| Total net position                                  | <b>\$ <u>6,854,396</u></b>  | <b>\$ <u>8,367,397</u></b>  |

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
June 30, 2017 and 2016

---

| <b>Assets</b>             | <b><u>2017</u></b>  | <b><u>2016</u></b>  |
|---------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 122,112          | \$ 111,346          |
| Contributions receivable  | 18,524              | 39,102              |
| Other accounts receivable | 69,934              | 67,484              |
| Investments               | 5,390,256           | 4,771,275           |
| Other Assets              | <u>5,002</u>        | <u>11,929</u>       |
| Total assets              | <u>5,605,828</u>    | <u>5,001,136</u>    |
| <br><b>Liabilities</b>    |                     |                     |
| Accounts payable          | <u>--</u>           | <u>23,403</u>       |
| Total liabilities         | <u>--</u>           | <u>23,403</u>       |
| <br><b>Net assets</b>     |                     |                     |
| Unrestricted              | 314,964             | 351,915             |
| Temporarily restricted    | 2,547,381           | 2,159,315           |
| Permanently restricted    | <u>2,743,483</u>    | <u>2,466,504</u>    |
| Total net assets          | <u>\$ 5,605,828</u> | <u>\$ 4,977,733</u> |

---

See accompanying notes to financial statements

TERRA COMMUNITY COLLEGE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
Year ended June 30, 2017 and 2016

|   | <u>2017</u>         | <u>2016</u>         |
|---|---------------------|---------------------|
| <b>Operating revenues</b>   |                     |                     |
| Student tuition and fees (net of scholarship allowances of \$2,202,237 in 2017 and \$3,585,309 in 2016) | \$ 4,723,846        | \$ 4,701,253        |
| Federal grants and contracts  | 597,794             | 639,769             |
| State grants and contracts  | 307,685             | 100,556             |
| Sales and services  | -                   | 209                 |
| Auxiliary enterprises   | 902,045             | 1,400,427           |
| Other operating revenues  | <u>267,117</u>      | <u>142,617</u>      |
| Total operating revenues  | <u>6,798,487</u>    | <u>6,984,831</u>    |
| <b>Operating Expenses</b>   |                     |                     |
| Educational and general   |                     |                     |
| Instructional   | 5,488,466           | 5,546,283           |
| Public service  | 702,867             | 1,035,515           |
| Academic support  | 592,876             | 866,893             |
| Student services  | 1,959,413           | 2,012,640           |
| Institutional support   | 4,294,472           | 4,796,666           |
| Operation and maintenance of plant  | 1,373,867           | 1,321,496           |
| Student financial aid   | 71,351              | 80,786              |
| Depreciation expense  | 1,336,722           | 1,317,647           |
| Auxiliary enterprises   | <u>1,206,722</u>    | <u>1,341,311</u>    |
| Total operating expenses  | <u>17,026,756</u>   | <u>18,319,237</u>   |
| Operating loss  | <u>(10,228,269)</u> | <u>(11,334,406)</u> |
| <b>Nonoperating revenues (expenses)</b>   |                     |                     |
| State appropriations  | 6,452,209           | 6,490,543           |
| Federal grants  | 2,250,704           | 3,227,524           |
| Gifts and grants  | 187,972             | 126,895             |
| Investment income   | 10,821              | 26,575              |
| Interest on debt  | (186,437)           | (189,037)           |
| Other nonoperating expense  | <u>-</u>            | <u>(366,953)</u>    |
| Net nonoperating revenues (expenses)  | <u>8,715,268</u>    | <u>9,315,547</u>    |
| Income (loss) before capital appropriations   | (1,513,001)         | (2,018,860)         |
| Capital appropriations  | <u>-</u>            | <u>1,575,000</u>    |
| Change in net position  | (1,513,001)         | (443,860)           |
| <b>Net position</b>   |                     |                     |
| Net position- beginning of year   | <u>8,367,397</u>    | <u>8,811,257</u>    |
| Net position- end of year   | <u>\$ 6,854,396</u> | <u>\$ 8,367,397</u> |

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2017

---

|  | <u>Unrestricted</u> | Temporarily<br><u>Restricted</u> | Permanently<br><u>Restricted</u> | <u>Total</u>       |
|--|---------------------|----------------------------------|----------------------------------|--------------------|
| <b>Revenues, gains and other support</b> |                     |                                  |                                  |                    |
| Contributions                            | \$ 7,153            | \$ 146,228                       | \$ 276,979                       | \$ 430,360         |
| Contributed services and supplies        | 127,394             | --                               | --                               | 127,394            |
| Investment return                        | 61,960              | 560,475                          | --                               | 622,435            |
| Net assets released from restrictions    | <u>318,637</u>      | <u>(318,637)</u>                 | <u>--</u>                        | <u>--</u>          |
| Total revenues, gains and other support  | 515,144             | 388,066                          | 276,979                          | 1,180,189          |
| <br><b>Expenses</b>                      |                     |                                  |                                  |                    |
| Program services                         |                     |                                  |                                  |                    |
| Scholarships and loans                   | 74,025              | --                               | --                               | 74,025             |
| Instructional equipment                  | 181,811             | --                               | --                               | 181,811            |
| Other                                    | 49,515              | --                               | --                               | 49,515             |
| Supporting services                      |                     |                                  |                                  |                    |
| Management and general                   | 171,214             | --                               | --                               | 171,214            |
| Fund raising                             | <u>75,529</u>       | <u>--</u>                        | <u>--</u>                        | <u>75,529</u>      |
| Total expenses                           | <u>552,094</u>      | <u>--</u>                        | <u>--</u>                        | <u>552,094</u>     |
| <br>Change in net assets                 | (36,950)            | 388,066                          | 276,979                          | 628,095            |
| <br><b>Net assets</b>                    |                     |                                  |                                  |                    |
| Net assets - beginning of year           | <u>351,915</u>      | <u>2,159,314</u>                 | <u>2,466,504</u>                 | <u>4,977,733</u>   |
| Net assets - end of year                 | <u>\$ 314,965</u>   | <u>\$ 2,547,380</u>              | <u>\$2,743,483</u>               | <u>\$5,605,828</u> |

---

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2016

---

|  | <u>Unrestricted</u> | Temporarily<br><u>Restricted</u> | Permanently<br><u>Restricted</u> | <u>Total</u>        |
|--|---------------------|----------------------------------|----------------------------------|---------------------|
| <b>Revenues, gains and other support</b> |                     |                                  |                                  |                     |
| Contributions                            | \$ 8,715            | \$ 153,299                       | \$ 27,531                        | \$ 189,545          |
| Contributed services and supplies        | 137,958             | --                               | --                               | 137,958             |
| Investment return                        | 32,204              | (12,154)                         | --                               | 20,050              |
| Net assets released from restrictions    | <u>249,110</u>      | <u>(249,110)</u>                 | <u>--</u>                        | <u>--</u>           |
| Total revenues, gains and other support  | 427,987             | (107,965)                        | 27,531                           | 347,553             |
| <br><b>Expenses</b>                      |                     |                                  |                                  |                     |
| Program services                         |                     |                                  |                                  |                     |
| Scholarships and loans                   | 86,032              | --                               | --                               | 86,032              |
| Instructional equipment                  | 126,195             | --                               | --                               | 126,195             |
| Other                                    | 5,653               | --                               | --                               | 5,653               |
| Supporting services                      |                     |                                  |                                  |                     |
| Management and general                   | 134,171             | --                               | --                               | 134,171             |
| Fund raising                             | <u>89,893</u>       | <u>--</u>                        | <u>--</u>                        | <u>89,893</u>       |
| Total expenses                           | <u>441,944</u>      | <u>--</u>                        | <u>--</u>                        | <u>441,944</u>      |
| Change in net assets                     | (13,957)            | (107,965)                        | 27,531                           | (94,391)            |
| <br><b>Net assets</b>                    |                     |                                  |                                  |                     |
| Net assets - beginning of year           | <u>365,872</u>      | <u>2,267,279</u>                 | <u>2,438,973</u>                 | <u>5,072,124</u>    |
| Net assets - end of year                 | <u>\$ 351,915</u>   | <u>\$ 2,159,314</u>              | <u>\$ 2,466,504</u>              | <u>\$ 4,977,733</u> |

---

See accompanying notes to financial statements



TERRA COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS  
Year ended June 30, 2017 and 2016

|  | <u>2017</u>           | <u>2016</u>            |
|--|-----------------------|------------------------|
| <b>Cash flows from operating activities</b>  |                       |                        |
| Tuition and fees   | \$ 4,641,935          | \$ 4,826,789           |
| Grants and contracts   | 866,248               | 748,357                |
| Other income   | 267,117               | 142,826                |
| Auxiliary enterprise receipts  | 902,045               | 1,400,427              |
| Payments to suppliers  | (5,336,253)           | (5,431,933)            |
| Payroll and fringe benefits  | (11,092,418)          | (11,711,161)           |
| Scholarships and fellowships   | (71,351)              | (80,786)               |
| Net cash used by operating activities  | <u>(9,822,676)</u>    | <u>(10,105,481)</u>    |
| <b>Cash flows from noncapital financing activities</b>                                 |                       |                        |
| State appropriations   | 6,452,209             | 6,490,543              |
| Grants and contracts other than capital  | 2,438,676             | 3,354,419              |
| Net cash from noncapital financing activities  | <u>8,890,885</u>      | <u>9,844,962</u>       |
| <b>Cash flows from capital financing activities</b>                                    |                       |                        |
| Purchases of capital assets  | (464,556)             | (1,825,859)            |
| State appropriations capital   | -                     | 1,575,000              |
| Principal paid on capital debt   | (130,000)             | (130,000)              |
| Interest paid on capital debt  | (139,990)             | (141,290)              |
| Net cash from (used by) financing activities   | <u>(734,546)</u>      | <u>(522,149)</u>       |
| <b>Cash flows from investing activities</b>  |                       |                        |
| Change in short-term investments   | 343,866               | (437,062)              |
| Purchase of investments  | (519,092)             | (250,000)              |
| Proceeds from sale and maturities of investments                                       | 398,370               | 1,188,200              |
| Interest on investments  | 62,713                | 62,815                 |
| Net cash from investing activities   | <u>285,857</u>        | <u>563,953</u>         |
| <b>Net change in cash</b>  | (1,380,481)           | (218,715)              |
| <b>Cash and cash equivalents, beginning of year</b>                                    | <u>1,604,226</u>      | <u>1,822,941</u>       |
| <b>Cash and cash equivalents, end of year</b>  | <u>\$ 223,745</u>     | <u>\$ 1,604,226</u>    |
| <b>Reconciliation of net operating (loss) to net cash used by operating activities</b> |                       |                        |
| Operating loss   | \$ (10,228,269)       | \$ (11,334,406)        |
| Adjustments to reconcile operating loss to net cash used by operating activities       |                       |                        |
| Depreciation expense   | 1,336,722             | 1,317,647              |
| Changes in assets and liabilities  |                       |                        |
| Receivables  | (41,081)              | 8,242                  |
| Inventories  | 233,016               | 24,744                 |
| Other assets   | (313,716)             | 69,135                 |
| Accounts payable   | (482,711)             | (57,920)               |
| Accrued salaries and benefits  | (246,577)             | (258,249)              |
| Unearned revenue   | (80,061)              | 125,326                |
| Net cash used by operating activities  | <u>\$ (9,822,676)</u> | <u>\$ (10,105,481)</u> |

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION  
STATEMENT OF CASH FLOWS  
Year ended June 30, 2017 and 2016

|  | <u>2017</u>           | <u>2016</u>           |
|--|-----------------------|-----------------------|
| <b>Cash flows from operating activities</b>  |                       |                       |
| Contributions  | \$ 174,295            | \$ 203,795            |
| Investment return  | 323,704               | 171,244               |
| Scholarship and loan expenditures  | (74,025)              | (86,032)              |
| Purchase of equipment for Terra Community College  | (181,811)             | (126,195)             |
| Payments to suppliers  | <u>(185,338)</u>      | <u>(83,234)</u>       |
| Net cash from operating activities   | <u>56,825</u>         | <u>79,578</u>         |
| <br><b>Cash flows from investing activities</b>  |                       |                       |
| Purchase of long-term investments  | <u>(322,700)</u>      | <u>(149,642)</u>      |
| Net cash used by investing activities  | <u>(322,700)</u>      | <u>(149,642)</u>      |
| <br><b>Cash flows from financing activities</b>  |                       |                       |
| Proceeds from contributions restricted for long-term purposes  | <u>276,642</u>        | <u>27,532</u>         |
| Net cash from financing activities   | <u>276,642</u>        | <u>27,532</u>         |
| <br><b>Net change in cash</b>  | <br>10,767            | <br>(42,532)          |
| <br><b>Cash and cash equivalents, beginning of year</b>  | <br><u>111,345</u>    | <br><u>153,877</u>    |
| <br><b>Cash and cash equivalents, end of year</b>  | <br><u>\$ 122,112</u> | <br><u>\$ 111,345</u> |
| <br><b>Reconciliation of net operating revenues (expenses) to net cash from operating activities</b> |                       |                       |
| Change in net assets   | \$ 628,096            | \$ (94,391)           |
| Adjustments to reconcile change in net assets to net cash from operating activities                  |                       |                       |
| Unrealized loss and realized gain on investments   | (296,281)             | 151,585               |
| Change in contributions receivable   | 20,578                | 41,782                |
| Contributions restricted for long-term purposes  | (276,642)             | (27,532)              |
| Change in assets and liabilities   |                       |                       |
| Accounts receivable  | (2,450)               | (390)                 |
| Other assets   | 6,927                 | (4,196)               |
| Accounts payable   | <u>(23,403)</u>       | <u>12,721</u>         |
| Net cash from operating activities   | <u>\$ 56,825</u>      | <u>\$ 79,579</u>      |

See accompanying notes to financial statements

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended June 30, 2017 and 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

*Restricted net position - nonexpendable.* Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2017, the College had no nonexpendable restricted assets.

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended June 30, 2017 and 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended June 30, 2017 and 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses) until then. The College recorded a deferred outflow of resources for pensions, which are explained in Note 8. The College also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the College these amounts consist of pensions, which are explained in Note 8.

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

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

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

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

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

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended June 30, 2017 and 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

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

Deposits: Custodial Credit Risk: At June 30, 2017 and 2016, the carrying amounts of the College's deposits in all funds were \$223,745 and \$1,604,226 (which consists of cash and cash equivalents, excluding cash on hand of \$1,450 and \$2,550) and the bank balance was \$428,011 and \$1,871,046 respectively. The difference between carrying amount and bank balance was primarily due to outstanding checks at June 30, 2017 and 2016. Of the bank balances at June 30, 2017 and 2016, \$250,000 and \$250,000 was covered by federal depository insurance.

Uninsured deposits are held in accounts collateralized by a collateral pool account of U.S. Treasuries held by the Federal Reserve Bank in "book entry" form in the name of the respective bank, but who also internally designate the securities as assigned to the College. There were no uninsured deposits as of June 30, 2017. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the College's deposits may not be returned to the College. The College follows the deposit policy for custodial risk in accordance with the Ohio Revised Code.

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended June 30, 2017 and 2016

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

Investments: Investments are stated at their fair value at June 30, 2017 and 2016. The College's investments include the following investments and maturities:

| Investment Type         | Fair Value       | <1             | 1-5              |
|-------------------------|------------------|----------------|------------------|
| Money Market            | 407,965          | 407,965        | -                |
| STAR Ohio Funds         | 10,141           | 10,141         | -                |
| Certificates of Deposit | 1,595,955        | 550,423        | 1,045,532        |
|                         | <u>2,014,061</u> | <u>968,529</u> | <u>1,045,532</u> |

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

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

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

As of June 30, 2017 and 2016 the College has the following investments and quality ratings:

| Investment Type         | Fair Value       | Quality Ratings<br>AAA | Quality Ratings<br>AA+ |
|-------------------------|------------------|------------------------|------------------------|
| Money Market            | 407,965          | 407,965                | -                      |
| STAR Ohio Funds         | 10,141           | 10,141                 | -                      |
| U.S. Agency Obligations | -                | -                      | -                      |
| Certificates of Deposit | 1,595,955        | N/A                    | N/A                    |
|                         | <u>2,014,061</u> | <u>418,106</u>         | <u>-</u>               |

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended June 30, 2017 and 2016

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's investment policy places no limit on the amount the College may invest in a single issuer. At June 30, 2017, more than 5 percent of the College's investments were in Money Market accounts (20.3%), and Certificates of Deposits (79.2%) investments.

**NOTE 3 - ACCOUNTS RECEIVABLE**

Receivables at June 30, 2017 and 2016 consisted of accounts (tuition and other fees), notes, interest and intergovernmental grants. All receivables, except for doubtful accounts receivables in collection with the Ohio Attorney General, are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

**NOTE 4 - CAPITAL ASSETS**

Capital assets at June 30, 2017 and 2016 are summarized as follows:

| <u>Description</u>                   | <u>July 1,<br/>2016</u> | <u>Additions</u>   | <u>Deletions</u>   | <u>June 30,<br/>2017</u> |
|--------------------------------------|-------------------------|--------------------|--------------------|--------------------------|
| Capital assets not depreciated       |                         |                    |                    |                          |
| Land                                 | \$ 534,747              | \$ --              | \$ --              | \$ 534,747               |
| Construction in progress             | <u>--</u>               | <u>409,585</u>     | <u>(409,585)</u>   | <u>--</u>                |
| Total capital assets not depreciated | 534,747                 | 409,585            | (409,585)          | 534,747                  |
| Capital assets being depreciated     |                         |                    |                    |                          |
| Buildings                            | 40,754,800              | 200,580            | --                 | 40,955,380               |
| Improvements                         | 5,314,536               | 209,005            | --                 | 5,523,541                |
| Equipment, furniture and books       | <u>9,688,450</u>        | <u>54,971</u>      | <u>--</u>          | <u>9,743,421</u>         |
| Total capital assets depreciated     | 55,757,786              | 464,555            | --                 | 56,222,341               |
| Total capital assets                 | 56,292,532              | 874,140            | (409,585)          | 56,757,088               |
| Accumulated depreciation             |                         |                    |                    |                          |
| Buildings                            | (14,743,096)            | (704,416)          | --                 | (15,447,512)             |
| Improvements                         | (2,656,058)             | (175,661)          | --                 | (2,831,719)              |
| Equipment, furniture and books       | <u>(8,050,388)</u>      | <u>(456,645)</u>   | <u>--</u>          | <u>(8,507,033)</u>       |
| Total accumulated depreciation       | (25,449,542)            | (1,336,722)        | --                 | (26,786,263)             |
| Capital assets, net                  | <u>\$ 30,842,991</u>    | <u>\$(462,582)</u> | <u>(\$409,585)</u> | <u>\$ 29,970,825</u>     |



TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended June 30, 2017 and 2016

| <u>Description</u>                   | <u>July 1,<br/>2015</u> | <u>Additions</u>   | <u>Deletions</u>     | <u>June 30,<br/>2016</u> |
|--------------------------------------|-------------------------|--------------------|----------------------|--------------------------|
| Capital assets not depreciated       |                         |                    |                      |                          |
| Land                                 | \$ 534,747              | \$ --              | \$ --                | \$ 534,747               |
| Construction in progress             | <u>1,273,244</u>        | <u>1,224,658</u>   | <u>(2,497,902)</u>   | <u>--</u>                |
| Total capital assets not depreciated | 1,807,991               | 1,224,658          | (2,497,902)          | 534,747                  |
| Capital assets being depreciated     |                         |                    |                      |                          |
| Buildings                            | 40,766,923              | --                 | (12,123)             | 40,754,800               |
| Improvements                         | 2,816,634               | 2,497,902          | --                   | 5,314,536                |
| Equipment, furniture and books       | <u>9,472,223</u>        | <u>270,057</u>     | <u>(53,830)</u>      | <u>9,688,450</u>         |
| Total capital assets depreciated     | 53,055,780              | 4,767,959          | (65,953)             | 55,757,786               |
| Total capital assets                 | 54,863,771              | 3,992,617          | (2,563,855)          | 56,292,532               |
| Accumulated depreciation             |                         |                    |                      |                          |
| Buildings                            | (14,038,141)            | (704,955)          | --                   | (14,743,096)             |
| Improvements                         | (2,516,455)             | (139,603)          | --                   | (2,656,058)              |
| Equipment, furniture and books       | <u>(7,607,443)</u>      | <u>(473,090)</u>   | <u>30,145</u>        | <u>(8,050,388)</u>       |
| Total accumulated depreciation       | (24,162,039)            | (1,317,648)        | 30,145               | (25,449,542)             |
| Capital assets, net                  | <u>\$ 30,701,732</u>    | <u>\$2,674,969</u> | <u>(\$2,533,710)</u> | <u>\$ 30,842,991</u>     |

In fiscal year 2017 upgrades were made to signage on campus and data cabling in several buildings.

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended June 30, 2017 and 2016

**NOTE 5 - STATE SUPPORT**

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

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

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

In 2017 the College received no capital project appropriations.

**NOTE 6 - ACCRUED LIABILITIES**

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

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

**NOTE 7 - LONG-TERM DEBT**

Long-term debt activity for the years ended June 30, 2017 and 2016 is summarized as follows:

|             | Balance<br>July 1, 2016 | New<br>Debt | Principal<br>Repayment | Balance<br>June 30, 2017 | Current<br>Portion |
|-------------|-------------------------|-------------|------------------------|--------------------------|--------------------|
| Bond Issues | \$ 5,665,000            | \$ -        | \$ 130,000             | \$ 5,535,000             | \$ 135,000         |
| Total Debt  | <u>\$ 5,665,000</u>     | <u>\$ -</u> | <u>\$ 130,000</u>      | <u>\$ 5,535,000</u>      | <u>\$ 135,000</u>  |

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended June 30, 2017 and 2016

**NOTE 7 - LONG TERM-DEBT (Continued)**

|             | Balance<br>July 1, 2015 | New<br>Debt | Principal<br>Repayment | Balance<br>July 1, 2016 | Current<br>Portion |
|-------------|-------------------------|-------------|------------------------|-------------------------|--------------------|
| Bond Issues | \$ 5,795,000            | \$ -        | \$ 130,000             | \$ 5,665,000            | \$ 130,000         |
| Total Debt  | <u>\$ 5,795,000</u>     | <u>\$ -</u> | <u>\$ 130,000</u>      | <u>\$ 5,665,000</u>     | <u>\$ 130,000</u>  |

Series 2013 Bond Issue

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

In connection with the general receipts bonds described above, the College has pledged general receipts, net of State Appropriation receipts, to pay this debt. The bonds are payable through their final maturities listed below, solely from these revenues pledged. Total principal and interest remaining to be paid on these bonds is \$8,586,196 as detailed below.

| Year Ended<br>June 30: | Principal        | Interest      |
|------------------------|------------------|---------------|
| 2018                   | 135,000          | 184,438       |
| 2019                   | 135,000          | 181,738       |
| 2020                   | 140,000          | 178,288       |
| 2021-2025              | 765,000          | 824,613       |
| 2026-2030              | 885,000          | 701,525       |
| 2031-2035              | 1,045,000        | 548,031       |
| 2036-2040              | 1,250,000        | 342,188       |
| 2041-2044              | <u>1,180,000</u> | <u>90,375</u> |
| Total                  | \$5,535,000      | \$3,051,196   |

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended June 30, 2017 and 2016

**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

**Net Pension Liability**

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

TERRA COMMUNITY COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year ended June 30, 2017 and 2016

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

|  | Eligible to<br>Retire on or before<br>August 1, 2017 *                          | Eligible to<br>Retire on or after<br>August 1, 2017                                  |
|--|---|--|
| Full Benefits  | Any age with 30 years of service credit   | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits   | Age 60 with 5 years of service credit<br>Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or<br>Age 60 with 25 years of service credit |
| * Members with 25 years of service credit as of August 1, 2017, will be included in this plan. |   |  |

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14.0 percent. The remaining 0.0 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended June 30, 2017 and 2016

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

The College's contractually required contribution to SERS was \$583,327 for fiscal year 2017. Of this amount \$87,233 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

TERRA COMMUNITY COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year ended June 30, 2017 and 2016

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The College was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS was \$561,154 for fiscal year 2017. All of the required contributions to STRS were made by June 30, 2017.

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

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

|  | SERS          | STRS          | Total         |
|--|---------------|---------------|---------------|
| Proportionate Share of the Net Pension Liability | \$ 10,712,458 | \$ 12,877,972 | \$ 23,590,430 |
| Proportion of the Net Pension Liability          | 0.14636350%   | 0.03847270%   |               |
| Pension Expense                                  | \$ 650,139    | \$ 309,501    | \$ 959,640    |

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended June 30, 2017 and 2016

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <b>Deferred Outflows of Resources</b>   | SERS         | STRS         | Total        |
|---|--------------|--------------|--------------|
| Differences between expected and actual experience  | \$ 144,486   | \$ 520,332   | \$ 664,818   |
| Changes of Assumptions  | 715,115      | -            | 715,115      |
| Differences between projected & actual investment earnings  | 883,622      | 1,069,217    | 1,952,839    |
| Changes in Employer proportion and differences between contributions & proportionate share of contributions   | 266,427      | -            | 266,427      |
| College contributions subsequent to the measurement date  | 562,502      | 558,201      | 1,120,703    |
| Total Deferred Outflows of Resources  | \$ 2,572,152 | \$ 2,147,750 | \$ 4,719,902 |
| <br>  |              |              |              |
| <b>Deferred Inflows of Resources</b>  |              |              |              |
| Changes in Employer proportion and differences between contributions & proportionate share of pension expense | 358,337      | 2,168,130    | 2,526,467    |
| Total Deferred Inflows of Resources   | \$ 358,337   | \$ 2,168,130 | \$ 2,526,467 |

\$1,120.703 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Fiscal Year Ending June 30: | SERS         | STRS         | Total        |
|-----------------------------|--------------|--------------|--------------|
| 2018                        | \$ 365,987   | \$ (379,401) | \$ (13,414)  |
| 2019                        | 365,350      | (379,403)    | (14,053)     |
| 2020                        | 665,971      | 28,407       | 694,378      |
| 2021                        | 254,005      | 151,816      | 405,821      |
|                             | \$ 1,651,313 | \$ (578,581) | \$ 1,072,732 |



TERRA COMMUNITY COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year ended June 30, 2017 and 2016

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

|  |  |
|--|--|
| Wage Inflation                               | 3.25 percent   |
| Future Salary Increases, including inflation | 4.00 percent to 22 percent                                   |
| COLA or Ad Hoc COLA                          | 3 percent  |
| Investment Rate of Return                    | 7.75 percent net of investments expense, including inflation |
| Actuarial Cost Method                        | Entry Age Normal   |

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

TERRA COMMUNITY COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year ended June 30, 2017 and 2016

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended June 30, 2017 and 2016

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

| Asset Class          | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|----------------------|----------------------|---|
| Domestic Equity      | 31.00 %              | 8.00 %                                    |
| International Equity | 26.00                | 7.85                                      |
| Alternatives         | 14.00                | 8.00                                      |
| Fixed Income         | 18.00                | 3.75                                      |
| Real Estate          | 10.00                | 6.75                                      |
| Liquidity Reserves   | 1.00                 | 3.00                                      |
| <b>Total</b>         | <b>100.00 %</b>      |   |

TERRA COMMUNITY COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year ended June 30, 2017 and 2016

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

|   | 1% Decrease<br>(6.75%) | Current<br>Discount Rate<br>(7.75%) | 1% Increase<br>(8.75%) |
|---|------------------------|-------------------------------------|------------------------|
| College's proportionate share<br>of the net pension liability | \$11,856,489           | \$11,976,252                        | \$12,096,015           |

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

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

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

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended June 30, 2017 and 2016

**NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)**

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2017, 2016 and 2015. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the College, these amounts equaled \$0, \$0 and \$0 for the fiscal years 2017, 2016, and 2015, respectively.

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

**Medicare Part B Plan**

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

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal years 2017, 2016, and 2015, the actuarially required allocation was 0.74 percent, 0.76 percent, and 0.74 percent. For the College, contributions for the years ended June 30, 2017, 2016, and 2015, were \$0, \$0 and 30,189, respectively which equaled the required contributions for those years.

**Health Care Plan**

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

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

TERRA COMMUNITY COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year ended June 30, 2017 and 2016

**NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)**

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2017, 2016, and 2015 the health care allocations were 0 percent, .0 percent, and .82 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The College contributions assigned to health care for the years ended June 30, 2017, 2016, and 2015 were \$60,750, \$58,944, and \$66,740, respectively.

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

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

**NOTE 10 - OPERATING EXPENSES BY NATURAL CLASSIFICATION**

The College's operating expenses by natural classification were as follows for the year ended June 30, 2017 and 2016:

|  | <u>2017</u>          | <u>2016</u>          |
|--|----------------------|----------------------|
| Salaries and wages                     | \$ 8,389,356         | \$ 8,400,156         |
| Employee benefits                      | 2,456,484            | 3,052,754            |
| Utilities                              | 486,195              | 438,129              |
| Supplies and other services            | 4,286,648            | 5,029,765            |
| Depreciation                           | 1,336,722            | 1,317,647            |
| Student scholarships and financial aid | <u>71,351</u>        | <u>80,786</u>        |
|  | <u>\$ 17,026,756</u> | <u>\$ 18,319,237</u> |

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended June 30, 2017 and 2016

**NOTE 11 - RISK MANAGEMENT**

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

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

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

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

TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended June 30, 2017 and 2016

**NOTE 11 - RISK MANAGEMENT (Continued)**

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

|  | <b>2017</b> |
|--|-------------|
| Liability at the beginning of year               | \$163,546   |
| Current year claims, net of changes in estimates | 137,106     |
| Claim payments                                   | (300,652)   |
| Liability at end of year                         | \$0         |

There were no self-insured liabilities at June 30, 2017 as the plan ended on September 30, 2016.

**NOTE 12 - NONCURRENT LIABILITIES**

Noncurrent liabilities at June 30, 2017 and 2016 are summarized as follows:

|                                     | <u>July 1,</u><br><u>2016</u> | <u>Additions</u>    | <u>Reductions</u>   | <u>June 30,</u><br><u>2017</u> | <u>Non</u><br><u>Current</u><br><u>Portion</u> | <u>Current</u><br><u>Portion</u> |
|-------------------------------------|-------------------------------|---------------------|---------------------|--------------------------------|--|----------------------------------|
| Other liabilities                   |                               |                     |                     |                                |  |                                  |
| Compensated absences                | \$441,072                     | \$67,911            | \$(125,887)         | \$383,096                      | \$354,489                                      | \$ 28,607                        |
| Net Pension Liability               | 19,913,305                    | 3,677,125           |                     | 23,590,430                     | 23,590,430                                     | --                               |
| Series 2013 Bonds                   | <u>5,665,000</u>              | <u>--</u>           | <u>(130,000)</u>    | <u>5,535,000</u>               | <u>5,400,000</u>                               | <u>135,000</u>                   |
| Total other liabilities             | <u>26,019,377</u>             | <u>3,745,036</u>    | <u>(255,887)</u>    | <u>29,508,526</u>              | <u>29,344,919</u>                              | <u>163,607</u>                   |
| <b>Total noncurrent obligations</b> | <u>\$26,019,377</u>           | <u>\$ 3,745,036</u> | <u>\$ (255,887)</u> | <u>\$29,508,526</u>            | <u>\$29,344,919</u>                            | <u>\$163,607</u>                 |

|                                     | <u>July 1,</u><br><u>2015</u> | <u>Additions</u>  | <u>Reductions</u>   | <u>June 30,</u><br><u>2016</u> | <u>Non</u><br><u>Current</u><br><u>Portion</u> | <u>Current</u><br><u>Portion</u> |
|-------------------------------------|-------------------------------|-------------------|---------------------|--------------------------------|--|----------------------------------|
| Other liabilities                   |                               |                   |                     |                                |  |                                  |
| Compensated absences                | \$463,010                     | \$74,426          | \$(96,364)          | \$441,072                      | \$345,664                                      | \$ 95,408                        |
| Net Pension Liability               | 19,636,445                    | 276,860           |                     | 19,913,305                     | 19,913,305                                     | --                               |
| Series 2013 Bonds                   | <u>5,795,000</u>              | <u>--</u>         | <u>(130,000)</u>    | <u>5,665,000</u>               | <u>5,535,000</u>                               | <u>130,000</u>                   |
| Total other liabilities             | <u>25,894,455</u>             | <u>351,286</u>    | <u>(226,364)</u>    | <u>26,019,377</u>              | <u>25,793,969</u>                              | <u>225,408</u>                   |
| <b>Total noncurrent obligations</b> | <u>\$25,894,455</u>           | <u>\$ 351,286</u> | <u>\$ (226,364)</u> | <u>\$26,019,377</u>            | <u>\$25,793,969</u>                            | <u>\$225,408</u>                 |



TERRA COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended June 30, 2017 and 2016

**NOTE 13 - CONTINGENCIES**

At June 30, 2017, there were lawsuits or claims pending against Terra Community College. In the opinion of management, the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the financial position of Terra Community College.

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

**NOTE 14 - COMPONENT UNIT DISCLOSURE**

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

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

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

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

|                    | <u>2017</u>         | <u>2016</u>         |
|--------------------|---------------------|---------------------|
| Money market funds | \$ 205,416          | \$ 154,324          |
| Debt securities    | 1,404,113           | 1,452,384           |
| Equity securities  | <u>3,780,727</u>    | <u>3,164,567</u>    |
|                    | <u>\$ 5,390,256</u> | <u>\$ 4,771,275</u> |

During the years ended June 30, 2017 and 2016, the Foundation made contributions of \$305,351 and \$217,880 respectively to or on behalf of the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Terra College Foundation, 2830 Napoleon Road, Fremont, Ohio 43420.

**Terra Community College**  
*Required Supplementary Information*  
*Schedule of the College's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*

|  | <u>2016</u>   |    | <u>2015</u> |    | <u>2014</u> |    | <u>2013</u> |
|--|---------------|----|-------------|----|-------------|----|-------------|
| College's proportion of the net pension liability  | 0.1463635%    |    | 0.1393823%  |    | 0.151359%   |    | 0.151359%   |
| College's proportionate share of the net pension liability   | \$ 10,712,458 | \$ | 7,953,289   | \$ | 7,660,193   | \$ | 9,000,834   |
| College's covered-employee payroll   | \$ 4,112,206  | \$ | 4,545,507   | \$ | 4,398,207   | \$ | 4,545,921   |
| College's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 260.50%       |    | 175.00%     |    | 174.20%     |    | 198.00%     |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 63.00%        |    | 69.20%      |    | 71.70%      |    | 65.50%      |

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

---

|  | <u>2016</u>   | <u>2015</u>   | <u>2014</u>   | <u>2013</u>   |
|--|---------------|---------------|---------------|---------------|
| College's proportion of the net pension liability  | 0.03847270%   | 0.04327486%   | 0.04923745%   | 0.04923745%   |
| College's proportionate share of the net pension liability   | \$ 12,877,972 | \$ 11,959,906 | \$ 11,976,252 | \$ 14,266,033 |
| College's covered-employee payroll   | \$ 4,146,436  | \$ 4,515,007  | \$ 5,030,707  | \$ 5,124,764  |
| College's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 310.60%       | 264.90%       | 238.10%       | 278.40%       |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 66.80%        | 72.10%        | 74.70%        | 69.30%        |

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

---

|  | <u>2017</u>    | <u>2016</u>    | <u>2015</u>    | <u>2014</u>    |
|--|----------------|----------------|----------------|----------------|
| Contractually required contribution                                  | \$ 562,502     | \$ 636,371     | \$ 553,052     | \$ 609,592     |
| Contributions in relation to the contractually required contribution | <u>562,502</u> | <u>636,371</u> | <u>553,052</u> | <u>609,592</u> |
| Contribution deficiency (excess)                                     | -              | -              | -              | -              |
| College's covered-employee payroll                                   | \$ 4,017,871   | \$ 4,545,507   | \$ 4,196,143   | \$ 4,398,207   |
| Contributions as a percentage of covered employee payroll            | 14.00%         | 14.00%         | 13.18%         | 13.86%         |

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

| <b>2013</b>  | <b>2012</b>  | <b>2011</b>  | <b>2010</b>  | <b>2009</b>  | <b>2008</b>  |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 629,155   | \$ 630,396   | \$ 617,897   | \$ 653,068   | \$ 428,473   | \$ 406,028   |
| 629,155      | 630,396      | 617,897      | 653,068      | 428,473      | 406,028      |
| -            | -            | -            | -            | -            | -            |
| \$ 4,545,921 | \$ 4,686,957 | \$ 4,915,650 | \$ 4,823,250 | \$ 4,354,400 | \$ 4,134,707 |
| 13.84%       | 13.45%       | 12.57%       | 13.54%       | 9.84%        | 9.82%        |

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

---

|  | <u>2017</u>    | <u>2016</u>    | <u>2015</u>    | <u>2014</u>    |
|--|----------------|----------------|----------------|----------------|
| Contractually required contribution                                  | \$ 558,201     | \$ 564,937     | \$ 632,101     | \$ 653,992     |
| Contributions in relation to the contractually required contribution | <u>558,201</u> | <u>564,937</u> | <u>632,101</u> | <u>653,992</u> |
| Contribution deficiency (excess)                                     |                |                | -              | -              |
| College covered-employee payroll                                     | \$ 3,987,150   | \$ 4,035,264   | \$ 4,515,007   | \$ 5,030,707   |
| Contributions as a percentage of covered-employee payroll            | 14.00%         | 14.00%         | 14.00%         | 13.00%         |

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

| <b>2013</b>    | <b>2012</b>    | <b>2011</b>    | <b>2010</b>    | <b>2009</b>    | <b>2008</b>    |
|----------------|----------------|----------------|----------------|----------------|----------------|
| \$ 666,219     | \$ 684,512     | \$ 648,458     | \$ 545,306     | \$ 512,813     | \$ 504,869     |
| <u>666,219</u> | <u>684,512</u> | <u>648,458</u> | <u>545,306</u> | <u>512,813</u> | <u>504,869</u> |
| -              | -              | -              | -              | -              | -              |
| \$ 5,124,764   | \$ 5,265,479   | \$ 4,988,136   | \$ 4,194,664   | \$ 3,944,714   | \$ 3,883,607   |
| 13.00%         | 13.00%         | 13.00%         | 13.00%         | 13.00%         | 13.00%         |

TERRA COMMUNITY COLLEGE  
SCHEDULE OF FEDERAL AWARDS REVENUES AND EXPENSES  
Year ended June 30, 2017

| Federal Grantor/<br>Pass-Through Grantor/<br>Program Title | Pass through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Revenues<br>Recognized | Program<br>Expenses |
|--|----------------------------------|---------------------------|------------------------|---------------------|
| <u>U.S. Department of Education</u>                        |                                  |                           |                        |                     |
| Student Financial Aid Cluster                              |                                  |                           |                        |                     |
| Federal Pell Grant Program                                 | Direct                           | 84.063                    | \$ 2,142,412           | \$ 2,142,412        |
| Federal Pell Grant - Adm. Allowance                        | Direct                           | 84.063                    | <u>5,945</u>           | <u>5,945</u>        |
| Total Federal Pell Grant                                   |                                  |                           | 2,148,357              | 2,148,357           |
| Federal Supplemental Educational                           |                                  |                           |                        |                     |
| Opportunity Grant  | Direct                           | 84.007                    | 54,575                 | 54,575              |
| Federal Work Study Program                                 | Direct                           | 84.033                    | 53,717                 | 53,717              |
| Federal Direct Student Loans (Note 2)                      | Direct                           | 84.268                    | <u>3,786,013</u>       | <u>3,786,013</u>    |
| Total Student Financial Aid Cluster                        |                                  |                           | 6,042,662              | 6,042,662           |
| Office of Postsecondary Education                          |                                  |                           |                        |                     |
| Higher Education Institutional Aid                         | P031A150006                      | 84.031A                   | 400,616                | 400,616             |
| Pass-through Ohio Department of Education                  |                                  |                           |                        |                     |
| Career and Technical Education                             |                                  |                           |                        |                     |
| Basic Grants to States                                     | VEC PII-P2017-509                | 84.048                    | <u>50,476</u>          | <u>50,476</u>       |
| Total U.S. Department of Education                         |                                  |                           | 6,493,754              | 6,493,754           |
| <u>National Science Foundation</u>                         |                                  |                           |                        |                     |
| Education & Human Resources                                | 1400527                          | 47.076                    | 44,724                 | 44,724              |
| <u>U.S. Department of Health &amp; Human Services</u>      |                                  |                           |                        |                     |
| Pass-through Ohio Board of Regents                         |                                  |                           |                        |                     |
| Telehealth Programs  | G994235                          | 93.211                    | 12,000                 | 12,000              |
| <u>Small Business Administration</u>                       |                                  |                           |                        |                     |
| Pass-through Ohio Dept. of Development                     |                                  |                           |                        |                     |
| Small Business Development Center                          | 56080                            | 59.037                    | <u>98,484</u>          | <u>98,484</u>       |
| Total Federal Expenses                                     |                                  |                           | <u>\$ 6,648,962</u>    | <u>\$ 6,648,962</u> |

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



TERRA COMMUNITY COLLEGE  
NOTES TO THE SCHEDULE OF FEDERAL AWARDS REVENUES AND EXPENSES  
Year ended June 30, 2017

---

**NOTE 1 - BASIS OF PRESENTATION**

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

**NOTE 2 - OUTSTANDING LOANS**

The College participates in the Federal Direct Student Loans Program. The dollar amounts listed in the Schedule of Federal Awards Revenues and Expenses represents new loans awarded during the fiscal year ended June 30, 2017.



---

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and the discretely presented component unit of Terra Community College, Sandusky County, (the College), which is a component unit of the state of Ohio, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 13, 2017.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

*BHM CPA Group*

BHM CPA Group Inc.  
Columbus, Ohio  
October 13, 2017



---

**Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

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

To the Board of Trustees:

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

We have audited Terra Community College's (the College) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Terra Community College's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the College's major federal program.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to opine on the College's compliance for the College's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on the Major Federal Program***

In our opinion, the Terra Community College complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

***Report on Internal Control Over Compliance***

The College's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the College's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the College's internal control over compliance.

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

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

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



BHM CPA Group Inc.  
Columbus, Ohio  
October 13, 2017

**TERRA COMMUNITY COLLEGE**  
**SCHEDULE OF FINDINGS**  
**2 CFR § 200.515**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

**TERRA COMMUNITY COLLEGE**  
*SCHEDULE OF FINDINGS*  
*2 CFR § 200.515*  
*FOR THE FISCAL YEAR ENDED JUNE 30, 2017*  
*(CONTINUED)*

---

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

|                |      |
|----------------|------|
| Finding Number | None |
|----------------|------|

**3. FINDINGS FOR FEDERAL AWARDS**

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

**This page intentionally left blank.**





# Dave Yost • Auditor of State

**TERRA COMMUNITY COLLEGE**

**SANDUSKY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 16, 2018**